



شركة قطر للتأمين

Qatar Insurance Company

Date: 15/02/2011
Reference: MN/ 44 / 2011

Corporate Governance Report

M / s Qatar Financial Markets Authority
Doha,
State of Qatar

Greetings,

This refers to Article 30 of the Corporate Governance Code issued by QFMA that is applicable for all listed companies in the State of Qatar and your request vide letter dated 09/12/2010 to Board of Directors for an update on the corporate governance report submitted to QFMA on 29/08/2010.

Qatar Insurance Company is now pleased to submit the updated corporate governance report of the Board of Directors on all required corporate governance disclosures as per the Code since its inception till the year ended 31/12/2010.

Introduction:

Qatar Insurance Company QSC which was established in 1964, with a 12% participation of the State of Qatar together with leading businessmen and strategic corporate investors had ensured strict internal control systems and external oversight since incorporation in complying with all rules and regulations that govern the business activity in general and the activity of insurance companies in particular for the State of Qatar.

The embedded corporate governance culture together with the proven and established internal control systems of the company had a positive impact on the company's consistent performance all the years and has enabled QIC to be the leading insurance company in the region. Within the limits of the existing legal and regulatory framework, QIC has taken all possible measures to ensure that the respective regulatory authorities' rules and regulations are complied with and the interests of all shareholders are protected.

QIC since its incorporation through its Articles of Association and various internal rules and regulations, policy guidelines, systems and procedures manuals and its authority driven organization structure has ensured full compliance with the prevalent corporate governance guidelines in the State. QIC's proactive self driven culture towards corporate governance, together with the matured and embedded internal control mechanisms of internal audit, compliance and risk management monitored by the Board Committees has further ensured successful implementation of the required corporate governance rules and regulations. Within the current organization structure of the company we have ensured that the all required basic principles and guidelines of the corporate governance code are fully complied by the relevant bodies and committees of the company even though their nomenclature is not as the same as in corporate governance code.

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In accordance with the current corporate governance code, the company is currently amending its applicable rules and regulations to match with the corporate governance code taking into consideration the legislations in force as per Law No. (5) of the Companies Commercial Law, 2002 .

The company is pleased to report compliance to the corporate governance code as under:

1: Charter of the Board of Directors:

The Charter of the Board of Directors will be prepared in accordance with the corporate governance code guidelines.

2: Board of Directors:

Board of Directors are responsible for management of the company. Their responsibility includes setting strategies and objectives and monitoring its implementation carried by the executive management of the Company and the Committees delegated by Board. This is as per the duties, responsibilities and powers of the Board and Chairman of the Board as per its Articles and the provisions of the Commercial Companies Law in addition to the principles of corporate governance that ensures company's commitment to sound corporate governance. This is reviewed and updated periodically to meet changing needs of good governance as required under the relevant laws and regulations and its Articles that enshrines sound business ethics , professional business conduct and high corporate values that is drilled to its internal policies and procedures to which all members of the Board of Directors , staff and consultants of the company are committed to and follow it.

The Board is assisted by a number of Board Committees which operates within the mandate and responsibilities as entrusted by the Board of Directors. The Chairman of the Board of Directors does not participate in any of the Board Committees.

The President and CEO and the executive management of the company provides the Board and its Committees all the required information, documents, data and statistics that they may require.

The Board of Director's Annual Report is a comprehensive assessment of the company's performance during the year.

On the recommendation of the Board of Directors, the General Assembly of the company determines directors' remuneration in light of the business performance results as reviewed by the Audit & Strategy Committee, within the limits stipulated by the Commercial Companies Law (Article (118) and the Articles of Association of the company (Article (67)).

Boards of Directors are elected through the General Assembly of shareholders in accordance with the rules and conditions set forth in the Commercial Companies Law. As per the Articles of Association of the company, a Board Member is required to hold a minimum of not less than two hundred thousand shares of the company. **However the principle of cumulative voting in the**

election of Board members as referred in the corporate governance code cannot be applied at present in the absence of any clear legislative guidance for it.

The Board of Directors (for the period 2008 to 2010) was elected and appointed in the Annual General Assembly of the company held on 17.02.2008. The Board of Directors for the period 2011 to 2013 shall be elected and appointed 'God Willing' at the Annual General Assembly to be held on 20 / 2 / 2011.

The following are the names of members of the Board of Directors, who are a group of senior Qatari businessmen carrying several years of varied experience in financial and macro-economic segments of the economy. The directions and guidance provided by the Board members has been a major factor for the consistent growth and stability it achieved during the years and to make the company one of the largest insurance companies in the GCC and MENA region.

Serial number	Name Member and described in the formation of the Council	Entity represented by the	Number of shares owned	Percentage of capital
1.	Sheikh Khalid bin Mohammed bin Ali Al Thani Chairman and Managing Director	(Individual)	1,667,244	2.24 ₀ / ⁰
2.	Mr. Abdullah bin Khalifa Al Attiyah Vice-Chairman of the Board of Directors	(Commercial Bank)	583,240	0.78 ₀ / ⁰
3.	Mr. Hussein Ibrahim Al Fardan Member	(Individual)	454,387	0.61 ₀ / ⁰
4.	Mr. Mohammed Jassim Al Jaidah	(Al Jaidah Trading Co)	1,125,914	1.51 ₀ / ⁰
5.	Sheikh Hamad Bin Faisal Bin Thani Jassim Al-Thani Member	(Individual)	500,000	0.67 ₀ / ⁰
6.	Mr. Khalaf Ahmed Al Mannai Member	(Government of the State of Qatar)	8,918,910	12 ₀ / ⁰
7.	Sheikh Jassim bin Hamad bin Jassim Jabr Al-Thani Member	(Special Projects)	823,746	1.11 ₀ / ⁰
8.	Mr Ibrahim Abdullah Al-Mahmoud Member	(Burooq Co)	3,716,212	5 ₀ / ⁰
9.	Sheikh Saud bin Khalid bin Hamad Al Thani Member	(Individual)	200,000	0.27 ₀ / ⁰

- Number of shares owned and percentage of capital is as on 31/12/2010.

Currently it is not possible to classify the existing Board members as 'executives' , 'non-executive' and 'independent', as the election to the Board of members which was conducted in accordance with the existing rules and regulations of the Commercial Companies Law does not stipulated need for such classifications.

We will however ensure that the defined corporate governance guidelines in the election of new Board members are complied with when the required amendments to the existing commercial laws are undertaken and when clarity emerges on this issue.

The Board of Directors meets in accordance with applicable legislation, at least six times during the year. The Board of Directors held six meetings during the year 2010.

In accordance with the Commercial Companies Law and the Articles of Association of the company, if a board member is absent for three consecutive meetings or five meetings without an acceptable notice he/she shall be considered to have resigned .

The Secretary of the Board records and maintains all documents of Board meetings and the reports submitted and presented to the Board. The Secretary ensures the delivery and distribution of information relating to the company as requested by members of the Board. The Secretary arranges to provide clarifications to all queries raised by the members and provides advices to them as required. He coordinates between the Board and other stakeholders, including the company's shareholders, management and staff.

Company's policy with regard to 'related party transactions' ensures that all transactions are negotiated under normal commercial terms on arms length basis. All 'related party transactions' are based on rules and procedures governing these transactions in the legislation in force and more specifically the Commercial Companies Law, which ensures maximum transparency, fairness and disclosure.

3: Board Committees:

The Board Committees assists the Board of Directors in the performance of their duties and carry out its responsibilities in the management of the company by developing and reviewing plans and strategies and monitoring its implementation and performance.

A number of Board Committees are mandated by the Board of Directors which is entrusted with specific tasks and assignments in the various areas of operations of the company .The Board Committees are under the full supervision and continuous evaluation of the Board of Directors.

The existing Committee of the Board of Directors are :

1. Investment Committee: This committee undertakes the following tasks:

- a) Directs investment policy of the company, and the development of investment strategy in light of the dealings in the local market and international investment.
- b) Sets limits to the powers of the executive management to invest, and take decisions on those beyond the limit of the executive management.
- c) Oversee the management of portfolio securities of the company to achieve the best possible return. Ensure and maintain an optimum investment portfolio in all asset-classes that gives the best possible yield and liquidity with minimal geographical concentration of risk.

It submits a report to the Board of Directors on the results of the activity of the Committee and on Committee decisions and of the recommendations in those matters that needed Board's resolution.

The Committee comprises of five members of the Board of Directors who are:

- i. Mr. Hussein Ibrahim Al Fardan
- ii. Mr. Mohammed Jassim Al Jaidah
- iii. Sheikh Hamad Bin Faisal Bin Thani Al Thani
- iv. Mr Ibrahim Abdullah Al-Mahmoud
- v. Sheikh Saud bin Khalid bin Hamad Al Thani

The President & CEO together with the executive management team of investments normally participate in all the meetings of the Investment Committee.

The Investment Committee in its report for the year 2010 to the Board of Directors summarised the major investment activities undertaken by the Committee during the year.

2. Audit and Strategy Committee : The Audit & Strategy Committee has the following responsibilities:

- a) Ensure that 'Mission; and 'Vision' set by the Board of Directors is converted into goals, strategies and actionable plans. Review the adoption, implementation, follow-up and monitoring of the approved business plans and budgets.
- b) Authorize and agree to accept risks, approve losses, investment in joint ventures, expenses etc. that exceed the authority limits granted to the President & CEO or on those that need specific approval of the Committee.
- c) Approve the organizational structure of the company and any major restructuring and all matters relating to changes in compensation structures.
- d) Adoption Policy for bonus and incentives for executive management based on their performance reports and results. Provide recommendation to the Board of Directors in the on Policy for rewards and allowances for the members of the Board, as well as recommend remuneration to the Board at the end of each year, in the accordance with the provisions of the Commercial Companies Law (Article (118), and the Articles of Association of the company (Article 67).
- e) Follow-up and review company's commitment to social responsibility and environmental issues. Provide guidelines and direction for company's commitment towards society in the form of participation in social conferences, seminars, economic and cultural summits, sporting activities, donations and subsidies to charities etc. Pursuant to the issuance of Law No. (13) of 2008 on social support activities the Board Committee set to manage and review the social activities of the company now never exists.
- f) The issuance of the necessary recommendation to the Board of Directors on the appointment of external auditors and reviewing their reports and discuss their recommendations and observations with the necessary action to be taken.

- g) Confirmation of the appointment of internal auditors, approve internal audit plans, strategies and programs of internal audit and to discuss their periodic reports and the issuance of necessary guidance and directions.
- h) Ensure adoption of the relevant internal control systems to ensure adherence and compliance with rules and regulations governing the systems and procedures of the company, applicable rules and regulations of the respective regulators and the State including AML & CTF regulations and to discuss their reports and take the necessary actions as appropriate.
- i) Develop guidelines for risk management and discuss their periodic reports in accordance with the established risk management framework for the company. To review and approve overall risk retention policy for the company including maximum limits for insurance risks accepted and the maximum retention limits.
- j) Adoption of the rules and regulations and guidelines and policies to ensure implementation of action plans efficiently and effectively in accordance with the rules recognized locally and globally, which control the activity and in line with the directives of the Board of Directors.
- k) Submit its summary report to the Board of Directors on internal audit, corporate governance, compliance, risk management reports reviewed during the year and submitting its opinion on the matters reviewed by the Committee.

The Committee comprises of (4) four Members of the Board of Directors who are:

- i. Mr. Hussein Ibrahim Al Fardan
- ii. Mr. Khalaf Ahmed Al Mannai
- iii. Sheikh Jassim bin Hamad Jassim Jabr Al-Thani
- iv. Sheikh Saud bin Khalid bin Hamad Al Thani

The committee meetings are also attended by the relevant members of the executive management of the company, as required.

The Committee submitted to the Board of Directors a report on their activities during 2010, and reported on the following:

- 1. No compliance breaches or issues were noticed during the year with regard to any internal and external laws, regulations including the AML and CTF regulations.
- 2. Adequate stress tests as recommended by the Risk Management Committee were undertaken during the year and the results of all stress tests were within the approved limits. for the company
- 3. No exceptions were reported in the reports of external auditors and the internal auditors of any substantial or major violations to the applicable Laws or of any material impact to company's financial position and financial results published during the year.

The above two committees of the Board of Directors based on the mandate given by the Board has been instrumental in ensuring that all the relevant provisions of Corporate Governance is

applied in the company. An executive committee of the management for all risk relate matters which is the Risk Committee is chaired by the President & Chief Executive Officer which has a reporting line to the Audit & Strategy Committee of the Board which reviews and reports on all risk management aspects of the company.

In the upcoming General Assembly, the existing Board Committees shall be reconstituted for the ensuing period 2011 to 2013 and in accordance with the corporate governance rules and regulations the necessary minimum three or more Board Committees shall be constituted.

All Board Committees meet periodically to discuss and debate the issues presented and known to them and to determine what measures are to be taken to achieve their set objectives and goals. Minutes of the meeting are recorded and summary of all major decisions and recommendations to the Board of Directors are submitted in its annual report in addition to its normal submissions to the Board.

In addition to the Board Committees, the Board of Directors as and when required shall constitute necessary Committees to study or discuss specific topics. The mandate for such Committee is limited for a specific subject and ends with the submission of their recommendation/finding or report to the Board of Directors.

4: Executive Management:

The executive management of the company is responsible for the implementation of the set strategies and translates the goals and policies established by the Board of Directors to short-and long-term plans. The approved business plans are implemented in collaboration with the relevant heads of the departments which operate within the approved financial and administrative authorities as approved by the Board.

5: Organizational Structure:

The company in accordance with its operational requirements maintains an efficient and sound organizational structure which effectively controls and manages all its administrative, technical and financial operations of the company. All major amendments to the organization structure are approved by the Audit & Strategy Committee prior to implementation.

6: Internal control oversight:

Company's internal control oversight function is ensured as follows by:

1. **Internal Audit Department:** It function encompasses internal audit of financial and operational systems and procedure, evaluation and review of risk management, review of systems for preservation and safeguarding of assets, detection of fraud or any liability, loss, or any material misstatement , review of application corporate governance system and review of compliances to all the internal system , procedures , policies and regulations of the company.

2. **Compliance Department:** The verification of compliance with external regulations and external laws and relevant regulations and a commitment to the system of work, authority and laws and regulations on combating money laundering and the financing of terrorism.

The above two department's reports directly to the Board of Directors through the Audit & Strategy Committee of the Board.

The Board may outsource, if necessary, any of the above two function if required.

7: Auditor:

The shareholders at the annual meeting of the shareholders in the General Assembly appointed KPMG as the external auditor on the recommendation of the Board of Directors. KPMG was appointed as the external auditor of the company for the financial year ending 2007 and was reappointed for the financial years ended 2008, 2009 and 2010 in accordance with the Commercial Companies Law and the Articles of Association of the company that allows appointment of an external auditor for a period of consecutive five years.

8: Disclosure:

The company is fully committed to all disclosure requirements as prescribed by existing legislations and regulations of various regulatory authorities and has fully complied with the requirements set forth in this regard in the corporate governance rules.

The most important requirements in this regard relates to the publication of information of interest uniformly at the same time to shareholders, investors and dealers in the shares of the company to access all information that affect stock prices which provides equal opportunities to them to take the appropriate investment decisions.

The Board of Directors also ensures, through the compliance unit, that all required statutory disclosures and information that the company has provided is accurate.

The company also published audited financial reports in local newspapers pursuant to the provisions of the Commercial Companies Law and as per the guidance of the Qatar Stock Exchange and the QFMA (Qatar Financial Markets Regulatory Authority).

9: Relations with shareholders and other stakeholders:

The Company maintains channels of communication open and transparent with shareholders and publishes financial information to investors and other stakeholders on a regular basis and through the website of the company and relevant communication media for Qatar Exchange.

The meeting of the shareholder's Annual General Assembly will be held within three months following the end of the fiscal year. At the meeting, all relevant data, information, reports and statements required for meeting provisions of Commercial Companies Law and Qatar Exchange

and that as per the Articles of Association of the company are also provided to all shareholders to enable them to review and analyze company's performance.

The annual report of the Board of Directors to the shareholders on the performance of the company for the year with a recommendation for the distribution of profits will also be announced at the meeting for ratification at the annual general meeting.

10: Capital stock:

The authorized capital of the company is (QR 743,242,500) divided into (74,324,250) number of shares which is paid in full. It has around 1330 shareholders as of 12/31/2010. The Government of the State of Qatar has a 12% stake of the capital in the company and no other shareholder is entitled to hold a take in excess of 5% of the total paid up capital.

11: Institutional compliance:

The company has established a separate unit to undertake all the regulatory compliance requirements and the statutory requirements of the Stock Exchange of Qatar and all other applicable regulatory authorities.

No fines or penalties were imposed on the company in this regard by any regulatory body for lack of compliance in the application and disclosure of legal or regulatory requirements.

12: Risk Management:

Risk Management Committee of the company is headed by the President & Chief Executive Officer of the Company and includes a number of senior officials from different sectors of the business.

The Committee identifies monitors and follows-up major risks that the company could be exposed to and takes appropriate corrective and preventive actions in order to mitigate such identified risks. The Committee provides necessary guidance and directions to create an embedded risk management culture in all sectors of the company.

The Committee submits its reports and findings to the Audit & Strategy Committee of the Board.

The main areas of activity of the Risk Committee of the company are the following:

I. Insurance risks :

Review of acceptances of all insurance risks and analyze accumulations and aggregation of risks based on geographical locations and various types of insurance risks. Review risk retention policy of the company, approve tolerance limits and determine policy for reinsurance security and alternate risk mitigation. Review results of internal stress tests

conducted to analyze the possible impact on portfolio risk retained as well as to check the adequacy of insurance reserves maintained by the company (Reserve for unexpired risks, Outstanding Claims and IBNR) and its impact on reinsurance structure.

II. Operating risks:

Business Continuity Plan (BCP) and Disaster Recovery (DR) survey and drill was conducted during the year and a number of remedial activities were undertaken. Measures taken included testing of Fire alarm, water pumps, electrical conduits and security measures such as closed circuit TV and the appointment and training of fire officers in Doha offices. IT and related systems risks and their respective control mitigation measures were also undertaken by the company and was found adequate.

III. Credit risk:

Appropriate Credit Policy is followed and credit limits are set in the system for all receivables, securities and is closely monitored and administered. Adequate provision is made for Provision for Doubtful Debts against all long overdue debts which are not good.

IV. Investment risk:

The Investment Committee of the Board provides necessary directions and guidelines with regard to the investment strategy for the company. The Investment Committee lays down maximum defined investment execution limits for each asset class of investments in local and global markets to ensure maximum yield and liquidity for the investments of the company.

This is further elaborated in the report submitted by the Risk Committee to the Audit & Strategy Committee of the Board.

13: Rating:

International rating agency Standard & Poor's through an interactive rating process has rated the company since 16/02/2006. Full assessment of all the elements that relate to its status of financial and administrative organization and operating policies, that demonstrate the power of its financial strength and its ability to meet its future obligations to stakeholder is carried and reflected in their rating which is renewed again as 'A'/ Strong . Qatar Insurance Company is the first insurance company in the region to get this S&P rating which has now been granted to two other companies in the Middle East.

The company renewed its certification for quality business process as per ISO 9001:2008. Also recently the company was awarded the reputed ISO 27001:2005 certification for information technology security, which is a reflection of quality information technology systems and processes that the company has put into use.

Conclusion:

As detailed in the above statement, the company since its inception is fully committed and has adhered to the requirements and principles of corporate governance as laid down in the rules and regulations even prior to the issuance of the new Corporate Governance Code.

In light of the new Corporate Governance Code, going forward we will further thrive to achieve and implement highest possible level of corporate governance culture in the years to come. We expect that during the ensuing tenure of the Board of Directors (2011 to 2013) our internal rules and regulations will be amended further to enhance corporate governance standards and reporting systems of the company in order to achieve full compliances with the Corporate Governance Code of QFMA.

We would however, emphasize that the need is for appropriate supporting legislative amendments that would allow the company to take forward its planned corporate governance initiatives.



Khalifa Abdullah Al Subaey

President & CEO



Khalid bin Mohammed bin Ah Al Thani

Chairman and Managing Director