



Qatar Insurance Company



# Corporate Governance Report for the year 2013



### Submitted to the Qatar Financial Markets Authority

In accordance with the requirements of Article (30) of the Corporate Governance Code for listed companies in markets that are subject to the supervision of the Qatar Financial Markets Authority (QFMA), the Board of Directors of Qatar Insurance Company are pleased to provide its annual corporate governance report for the year 2013 which repeats some information as contained in corporate governance reports of previous years which the Company has again provided for the benefit of new shareholders and investors and to clarify the observations of regulatory authorities.

### Introduction:

Corporate Governance is essentially seen as a governance system for management to direct and control the activities of the Company by ensuring integrity, transparency and honesty in managing the affairs of the Company rather than viewing it as a legally imposed obligation. Corporate Governance inspires and enhances the confidence of shareholders and strengthens their affiliation to the Company.

Sound Corporate Governance practices create a culture of institutional awareness and adherence to a culture of transparency, honesty and integrity ensuring ethical business practices upholding the principles of equity and justice in the Company's pursuit of identifying business opportunities towards and building capabilities to achieve sustainable growth and value creation.

As a responsible Company, Qatar Insurance Company maintains integrity and credibility in all its affairs, and is committed to transparency and to enhance and strengthen its Corporate Governance practices to meet global standards.

Qatar Insurance Company recognizes that governance system is not merely a compliance or control tool but is a platform and the main engine for sustainable growth and development striving to improve it at all times. The Company continues to pursue excellence in governance and responsible management practices as it believes that this success in achieving global standards of professional

conduct would aid it being managed in a better and more comprehensive manner.

Qatar Insurance Company QSC was established in 1964 with the participation of the State of Qatar together with few strategic corporate and individual investors who brought in a culture of sound internal control system and oversight from the very inception itself which benefited the Company in complying with the relevant legislation, rules and regulations on corporate governance in general and the insurance operations in particular for the State of Qatar. All these had a positive impact on the Company's performance and the distinct class it attained amongst other insurance companies in the region.

The Company's shares are listed on the Doha Securities Market (DSM) since 1997.

Based on a review of the internal governance and control system of the Company since its incorporation, based on the Commercial Company Law No 5 of 2002 and the amendments thereon and the Company's amended Articles



of Association (AOA) and as also required by its regulators, the Company has complied to a large extent with the requirements and principles of Corporate Governance though the relevant section names and rules may be different from that stated in the Corporate Governance Code of the QFMA . The Company achieved the goals and objectives sought by the Code of its sections which means the Company meets the governance standards as internationally recognized.

The Company has amended the name of the titles of different sections to conform to that contained in the Corporate Governance code within the limitations of the existing legislation for business, and in particular Law No (5) of 2002 promulgating the Commercial Company Law and its amendments.

Law No. (13) of 2012 promulgating the Law of Qatar Central Bank and Regulation of Financial Institutions bringing the Company subject to the supervision of the Central Bank of Qatar came into force with effect from 31.01.2013.

His Excellency the Governor of Qatar Central Bank issued Central Bank Circular No. (1) for the year 2013, making transitional arrangement for

application of the conditions stipulated in the law within a stipulated time period of six months, which was later extended to another six months.

One of the most important transitional arrangements set forth in this Circular was the continuing validity of the license issued to the Company by the Ministry of Business and Trade according to the Legislative Decree No. (1) for the year 1966, till such time the Central Bank issues relevant regulations for insurance companies.

The Company is pleased to report compliances to the Corporate Governance Code as under:

#### **1. Governance Charter:**

The Company has developed a charter of governance which includes the principles, rules and the practical applications of the system of governance as contained in the Corporate Governance code issued by the Board of Directors of the Qatar Financial Markets Authority in its meeting held on 27.01.2009. QFMA's recommendations on corporate governance is a guide to companies for the effective application of governance system providing a framework for its performance in order to achieve vision of the future

and takes into account the best international standards of corporate governance, including, but not limited to those set by the Organisation for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), the International Corporate Governance Network (ICGN) and The Institute of International Financial (IIF). The Company's charter also takes into account the provisions of the Commercial Companies Law of the State of Qatar and of the securities market, in addition to Company's statute and the nature of the activity practiced.

This Charter will be amended from time to time to keep pace with development in global governance systems and the requirements of the regulatory authorities in the State of Qatar.

The Charter was adopted by the Board of Directors in its meeting held on 16.10.2012.

#### **2. Board of Directors**

##### **A) Board Charter:**

The Charter of the Board of Directors was prepared in accordance with the model charter contained in the Corporate Governance Code of QFMA and in accordance with the provisions of the Commercial Companies Law No. (5) of 2002. The Charter

lays down the membership conditions, terms of reference, responsibilities and duties & rights of the Board members.

##### **B) Board of Directors:**

The 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 and the Articles of Association of the Company in terms of which a Board Member is required to hold a minimum of not less than 200,000 (two hundred thousand) shares of the Company. The principle of cumulative voting in the election of Board members as referred in the Corporate Governance Code of QFMA cannot be applied at present in the absence of any clear legislative guidance for it.

Article no. (96) of the Commercial Companies Law No. (5) for the year 2002 lists out the conditions to be met by a member of the Board of Directors. The aforesaid Article makes a reference to the AOA of the Company regarding determination of the number of shares that need to be held by an individual before he is nominated for Board membership.

However, the Company believes that the aforesaid law does not include in its basic text any other required conditions to determine whether a proposed Board member has professional skills, technical expertise and qualifications which the Company can give to shareholders as stipulated in Article 26(1) of the Corporate

Governance code of QFMA. It is left to the candidate himself to display that he possesses these requirements and on why he should be considered for the Board membership over any other candidates.

Therefore the Company would wait for introduction of relevant legislation providing such additional eligibility requirements for appointment of an individual for Board membership.

The present Board members were elected as the Board of Directors for the period 2011-2013 in the Annual General Meeting (AGM) of the Company held on 20.02.2011.

The following are the present board members of the Company who are Qatari individuals having several years of varied experience in financial and macro-economic segments of the economy;

S No.	Name of Board member	Represented by	No. of shares owned*	% of capital	Profile	Category
1.	Sheikh Khalid Bin Mohammed Bin Ali Al-Thani Chairman & Managing Director	Self	2,880,996	2.24	Businessman and former Minister	Non-independent executive
2.	Mr. Abdullah Bin Khalifa Al-Attiya Deputy Chairman	Self	1,076,044	0.84	Businessman and Minister of State, holds a BA in Political Science from United States; Chairman of the Board of Directors of Commercial Bank; Chairman of Gulf Publishing & Printing Company; Chairman of Board of Directors of Contraco Contracting Company.	Non-independent non-executive
3.	Mr. Hussain Ibrahim Al-Fardan Member	Self	914111	0.71	Businessman, Chairman of Al Fardan Group and QIC International LLC; Managing Director of Commercial Bank; and a founding member and board member of Investcorp Bank in Bahrain, Deputy Chairman of the Gulf Publishing and Printing Company, Deputy Chairman of the Qatari Businessmen Association.	Non-independent non-executive
4.	Mr. Jassim Mohammed Al-Jaidah Member	Jaidah Motors & Trading Company	1,811,483	1.41	Businessman, Chairman of the Board of Directors of Jaidah Group .	Non-independent non-executive

S No.	Name of Board member	Represented by	No. of shares owned*	% of capital	Profile	Category
5.	Sheikh Hamad Bin Faisal Bin Thani Al-Thani Member	Self	873,034	0.68	He holds a BA in Political Science from the United States; Chairman of the Board and Managing Director of Al Khaliji Bank and a former Minister of Economy and Trade; Deputy Chairman of Qatari Investors Group; Board member of the Qatari Businessmen Association	Non-independent non-executive
6.	Mr. Khalaf Ahmed Al-Mannai Member	Government of State of Qatar	12,816,640 Civil Service Retirement Fund; 4,597,639 Military Retirement Fund	9.98 3.58	Under Secretary of the Ministry of Finance; a member of Al Shura council; a member of the Board of Directors of QLM, QICI and Qatar Central Bank.	Non-independent non-executive
7.	Sheikh Jassim Bin Hamad Bin Jabor Al-Thani Member	Mirqab Capital (Special Projects Company)	1,423,432	1.11	Chairman of the Board of Directors of Qatar Islamic Bank and Damaan Islamic Insurance Company (BEEMA) and Q-Re.	Non-independent non-executive
8.	Mr. Ibrahim Abdullah Al-Mahmoud Member	Broog Trading Company	6,421,612	5	He holds a BS in accounting from University of California, USA 1991; Chairman of the Coordinating Bureau of Finance of Diwan El Amiri; member of the Board of Directors of QICI	Non-independent non executive
9.	Sheikh Saoud Bin Khalid Bin Hamad Al-Thani Member	Self	345,600	0.27	Businessman and former Minister; Chairman of the Board of Directors of QLM; Board member of Q-Re and Qatar Electricity & Water Company.	Independent non-executive

\* Number of shares owned and percentage of capital is as at December 31, 2013.

It will be taken into consideration the corporate governance requirements in this regards while allowing by Laws and new terms for election and appointment of Board Members allows the realization of that classification.

### **C) Board's functions and responsibilities:**

Board of Directors is responsible for the management of the Company and is responsible for setting goals and strategies necessary to operate the Company and monitor implementation of the strategies carried by the executive management of the Company and the Committees of the Board. This is as per the duties, responsibilities and powers of the Board and Chairman of the Board as laid down in the Articles of Association and provisions of the Commercial Companies Law that ensures Company's commitment to a 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 down in the internal policies, systems and procedures to which all members of the Board of Directors and staff of

the Company are committed to follow.

The Board is assisted by a number of Board Committees which operates within the mandate and responsibilities as entrusted by the Board of Directors as mentioned later in this report.

This Annual Report prepared by the Board of Directors is a comprehensive assessment of the Company's performance during the year and the results of its activity.

The General Assembly determines the directors' remuneration based on the recommendations of the Board. The remuneration is determined in light of the results of the activity of the Company and the limits stipulated by Commercial Companies Law (Article 118) and the statute of the Company (Article 40).

### **D) The Duty of trust of the members of the Board of Directors:**

Each member of the Board of Directors owes a duty of due diligence, care and trust to the Company and adherence to authorities as defined in the relevant laws and regulations in the Charter of the Board of Directors and they all work on the basis of clear information, transparency, good faith, care, trust and efficiency needed

to achieve the Company's interest and that of the shareholders.

### **E) Duties of the Chairman of the Board:**

Chairman of the Board is responsible for the proper functioning of the Board. The Chairman makes sure that he discusses all the key issues in an efficient and timely manner, in addition to his responsibilities and powers set forth in the Commercial Companies Law and the Statute of the Company and as per Corporate Governance requirements. The Chairman of the Board does not participate in the membership of any of the committees of the Board of Directors. The Chairmanship of the Board and the office of the Chief Executive Officer of the Company are separate functions and are held by different individuals.

### **F) Duties of the Managing Director**

- i. To act as a link between the Board of Directors and executive management and to translate the objectives set by the Board of Directors and to ensure that they are efficiently achieved.
- ii. To discuss and review the strategies and the long term plans for the Company presented by the executive management and

give guidance that enables the Company to meet the challenges of the market.

- iii. To ensure that the overall business directions are aligned with the Company objectives and targets as set by the Board of Directors.
- iv. To approve/make recommendations to the Board of Directors for investment, restructuring, refinancing and other strategic initiatives.
- v. To provide periodic reports to the Board of Directors on the performance of the executive management.
- vi. To monitor the execution of Company's policies- administrative, financial and technical - approved by the Board of Directors.
- vii. To ensures that the executive management and all authorities within the Company, including any authorized Committees are working within their established financial and administrative authorities.
- viii. To consider the recommendations of the various Committees established by the Company.

### **G) Other duties of the Board of Directors**

- i. The Board of Directors shall ensure access to information, documents and records relating to the Company for the Board members and ensure that the executive management of the Company provides the Board and its Committees with all the required documents and information;
- ii. The Board of Directors shall ensure that the Board invites members of its various committees and internal auditors and representatives of the external auditors to attend meetings of the General Assembly of the Company.
- iii. The Board shall develop a training program for newly appointed members of the Board to ensure that they have a proper understanding of the functioning of the Company and its operations, and that they understand and are fully aware of their responsibilities through their involvement in the membership of various Committees.
- iv. The Board of Directors is responsible to have a good perception of their role and duties and to educate

themselves in matters concerning the Company.

- v. The Board of Directors shall ensure that it always keeps its members up to date on developments in the field of corporate governance and best practices in this regards.
- vi. The Board shall ensure that the members are aware of the statute of the Company and clear procedures for the dismissal of members of the Board in case of any absence from the Board meetings.

### **H) Board Meetings:**

In terms of applicable provisions of Commercial Companies Law, the Board shall meet at least six times in a year. During the year 2013, the Board held six (6) meetings which were attended by all members of the Board personally or through their representatives.

According to the Commercial Companies Law and the Statute of the Company, if a

Member of the Board fails to attend three consecutive meetings or five meetings without an acceptable excuse, he is considered as having resigned.

Article 33 of the revised AOA of the Company states that

the Board of Directors will meet at the invitation of its Chairman and the Chairman shall convene a meeting of the Board at the request of two of its members.

All meetings of the Board of Directors which were held in 2013 were at the invitation of Chairman of the Board for which letter of invitation for the meeting along with the agenda of the meeting was sent to all the Board members a week before the date fixed for the meeting which also entitled each member of the Board to add any other topic for discussion as the agenda always includes the item to discuss "any other business".

#### **I) The Secretary of the Board**

The Secretary of the Board is Mr. Ali Ali Derbala, Legal Counsel of the Company, who holds a Bachelor's degree in Law (1970) from the University of Alexandria, Egypt and worked as a lawyer since his graduation in November 1970 under the Egyptian Bar Association. He joined Misr Insurance Company in April 1971. He is registered as a lawyer with the Egyptian Court of Cassation since 1986 and joined the Qatar Insurance Company in November 1987 and has been the Secretary of the Board of Directors since 1988.

The Secretary of the Board 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.

#### **J) Related Parties:**

For all dealings with related parties, the Company applies its policy on 'related party transactions' which is established in accordance with the provisions of applicable legislation, Commercial Companies Law and Corporate Governance, to ensure maximum transparency, fairness and disclosure.

#### **3.Board Committees**

The Committees of the Board assists the Board in performance of its duties and functions, the development and implementation of plans and strategies and fulfillment of its overall responsibilities in the management of the Company.

The Committees meets periodically to discuss and debate on issues raised and to determine what is necessary to achieve its objectives, and displays the records of its meetings and its decisions and recommendations to the Board in its annual report.

In addition to the standing Committees, the Board of Directors may form any other Committees as and when required to carry out specific tasks or functions.

There is no separate Remuneration Committee but the Business, Strategy & Compensation Committee, in addition to its role of deciding the policy for the Company has determined Remuneration Policy of the Company.

Presently, the Board has set up the following Committees:

- A) Investment Committee;
- B) Business, Strategy and Compensation Committee; and
- C) Audit, Risk and Compliance Committee; and
- D) Nominations Committee.

#### **A) Investment Committee**

a) Functions: The Investment Committee of the Board performs the following functions;

- i. Frame investment policy of the Company in accordance with its mandate from the Board and the develop investment strategy for its dealings in the markets.
- ii. Set limits to the powers of the executive management in the investment department and take the necessary decisions in excess of these limits.
- iii. Monitor the management of portfolio securities of the Company in order to achieve the best possible returns while maintaining diversity of qualitative and geographical investment and create a balance to mitigate risks taking into account the need to maintain the liquidity necessary to meet obligations of the Company.
- iv. To discuss potential investment initiatives by using surplus funds and make recommendations to the Board on the potential opportunities for investment partnerships.
- v. To report to the Board about the results of activities of the Committee and recommendations for the issues that need approval of the Board.

#### **B) Committee members:**

The present members of the Investment Committee of the Board are:

- i. Mr. Hussain Ibrahim Al-Fardan
- ii. Mr. Jassim Mohammed Al-Jaidah
- iii. Sheikh Hamad Bin Faisal Bin Thani Al-Thani
- iv. Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani

The Group President & CEO along with other specialists in the Executive Management attend the meetings of the Investment Committee.

The Committee held three meetings during the year 2013 during which the performance reports of the Company's investments and their outcomes were presented to the Committee. The Committee also took various decisions relating to investment.

This is in addition to the urgent decisions that have been taken from time to time and/or to oversee the latest developments that took place in the various projects and issuing necessary directions, namely:

- A) The establishment of an Asset Management Company as wholly

owned subsidiary of Qatar Insurance Company.

B) Steps taken to complete the project Lulu Hypermarket at Al Maseela.

C) Real Estate Investment Trust for the GCC.

D) Fund to invest in the stocks of companies in the GCC.

Most important decisions taken by the Committee during the year were as follows:

i. Approve the establishment and management of the first educational fund in Qatar to finance the construction of two schools in Al Wakra along with "The First Investor" which is a member of the Barwa Bank Group. Approval was given for an investment of 20 million in this project.

ii. Approved a proposal to partner with "HARBOUR VEST" which is a big investment institution in the United States. Under this partnership are:

a. A commitment for \$ 25 million dollars in any fund to be configured.

b. A commitment for \$ 2.5 million for the initial expenses for the implementation of this partnership.



iii. Approve amendment of the rules and limits of investments at the Group level and adoption of group policy.

#### **B) Business, Strategy and Compensation Committee**

Business, Strategy and Compensation Committee undertakes the following tasks:

i. Ensure that the Vision of the Board is translated into objectives, strategies and action plans and implementation of such plans and objectives.

ii. Authorize and agree to accept the risks / benefits / work projects / expenses exceeding the authority limits of the Group President & CEO or those that need specific approval of the Committee.

iii. Approve the organization structure of the Company and any changes, and all matters related to the changes in compensation in the Company.

iv. Adoption of Policy for granting bonus and incentives to the executive management in line with the performance reports and results, as it deems to the Board, and development of rules for bonus and allowance of the members of the Board as

well as recommendations for the board membership at the end of the year, in line with the provisions of the Commercial Companies Law (Article (118), and the statute of the Company (Article 40).

v. Follow Company's commitment to its social and environmental responsibilities and care , policy on conferences and seminars, economic, cultural and sports, donations and subsidies, over what is defined under the law no. (13) for the year 2008 on support activities.

vi. To report to the Board on its activity and its observations and recommendations.

The present members of the Committee of the Board are:

i. Mr. Abdullah Bin Khalifa Al-Attiya, Chairman;

ii. Mr. Hussain Ibrahim Al-Fardan, Member; and

iii. Mr. Khalaf Ahmed Al-Mannai, Member

The Group President & CEO together with the executive management participates in all the meetings of the Committee.

The Committee held three meetings during the year 2013, during which a number

of topics were discussed and necessary decisions taken. The following were the most important decisions taken during the year:

i. Approve acceptance of risks that go beyond the powers of Chief Executive of the Group. During the year, there were 12 such risks.

ii. Adherence to the previous share price agreed upon with the Qatar Investment Authority (QR 63) for the proposal to increase the share of the Government of the State of Qatar in the capital of the Company, which stopped after the talks later.

iii. Approval to negotiate to acquire an insurance group that has an office in the Lloyd's insurance market as well as to acquire a majority stake in an insurance Company in the United Arab Emirates.

iv. Approval of determining rewards and incentives for the executive management and employees for the year 2013 at 5% of the net profit for the year.

v. Approval of the proposed organizational structure of the group on the basis of the study carried out by M/s Oliver Wyman.

vi. Approval of amendments to the administrative, financial and technical powers of the management, so as to keep up the implementation with the new organizational structure.

vii. Approval to provide underwriting capacity to four corporate names of Lloyd's Syndicate, London.

#### **C) Audit, Risk and Compliance Committee**

The Audit, Risk and Compliance Committee committed to undertake the following tasks:

i. Make necessary recommendation to the Board on appointment of external auditors; discuss their reports & comments and take necessary action.

ii. Appointment of internal auditors, approve internal audit plans and strategies, discuss their periodic reports and issue necessary guidance and directions.

iii. Adoption of internal control systems to ensure compliance with laws and regulations governing the activities of the Company including but not limited to law related to anti-money laundering and counter terrorist financing.

iv. Approve risk management framework and discuss

periodic reports in accordance with the established 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.

v. Approve rules & regulations, system and policies to ensure implementation of action plans efficiently and effectively in line with local requirements and global standards as per the directives of the Board.

vi. Submit its report to the Board on internal audit, corporate governance, compliance, risk management reviewed during the year and submit its opinion on the matters reviewed by the Committee.

The present members of the Audit, Risk and Compliance Committee of the board are:

i. Mr. Khalaf Ahmed Al Mannai, Chairman

ii. Sheikh Saoud Bin Khalid Bin Hamad Al-Thani, Member

iii. Mr. Ibrahim Abdullah Al-Mahmoud, Member

The executive management participates in all the meetings of the Committee.

The committee held four meetings during the year 2013, during which the following were decided;

i. Approval of the Audit Program for Doha operations of the Group for 2013.

ii. Discussion and adoption of a detailed annual report on the activities of the Internal Audit Department carried during the year 2012.

iii. Discussion and adoption of a number of (17) audit reports which included most aspects of the business activity of Qatar Insurance/ Doha operations (Motor insurance/ personal / policy issuing machines, auto, compensation under the claim settlement, reinsurance, underwriting related to Marine, Total Loss Settlements, Compliance, Anti-Money Laundering etc.

iv. Discussion and adoption of four reports of risk management for the Qatar Insurance.

v. The internal audit reports presented to the Committee included 16 important areas in addition to some other areas which

were not of critical nature, and those observations were taken into account by the management and were implemented during the specified time period in line with the audit report. It also noted that this did not include any irregularities or violations fundamentally impacting the internal control systems.

#### **D) Nominations Committee:**

This Committee is included in the new organizational structure of the Company and will be activated once the relevant legislation is introduced and the Committee will exercise such powers set to nominate committee members in line with the Corporate Governance requirements.

#### **4) General Management (Executive)**

The Executive Management of the Company is responsible for implementation of the set strategies and translates the goals and policies established by the Board to short and long-term plans. The approved business plan is implemented through the relevant heads of the units and departments which operate within the Board approved financial and administrative authorities. They provide the Board and its Committees with all information and documents, data and statistics they require

for their review and decision.

The CEO of the Company is Mr. Khalifa Abdullah Turki Al-Subaey. He holds a BA in Economics and Political Science from the University of Michigan, USA (1981). He joined Qatar Petroleum as Chief of the Department of Insurance in 1982 and thereafter joined Qatar Insurance Company in 1986 as General Manager. He is also join Qatar Insurance Company in 1986 as General Manager of the Company, then as the Chief Executive Officer of Qatar Insurance Group and represents Qatar Insurance Company on the boards of Commercial Bank of Qatar and Damaan Islamic Insurance Company (BEEMA).

#### **5) Structure**

Commensurate with its operational requirements the Company maintains an efficient and sound organization structure to effectively govern and manage the business of the Company including all administrative, technical and financial operations of the Company. All major changes to the organization structure are approved by the Business, Strategy and Compensation Committee prior to implementation.

Upon the recommendation of M/s Oliver Wyman, the new

organizational structure of the Company has been put in place and new appointments of positions associated with it have been made and the Administrative and Financial Authorities of the Executive Management have been amended in line with the new structure.

This new Organization Structure provides for 'Nomination Committee' and as commented elsewhere in the report, it will be activated upon introduction of the necessary legislation.

#### **6) Internal Control**

Company's internal control function is managed as follows:

##### **A) Internal Audit & Risk Assurance Department**

This function carries an independent review of the internal control and governance systems reporting on the existence, effectiveness and/or weaknesses of such systems covering risk management, system for maintaining and safeguarding assets, financials etc of the Company. It also reviews the effectiveness of the compliance machinery and functions as an internal control tool of the Management providing assurance to the Board of the existence of sound internal control systems in the Company

commensurate with size and nature of its business.

##### **B) Compliance Department**

The department reviews compliance with internal system, procedures, policies and regulations of the Company and with the external regulations and laws, relevant regulations and of compliance to operation systems, authorities and also with the laws and regulations on combating money laundering & financing of terrorism.

The Internal Audit & Risk Assurance department reports directly to the Board of Directors through the Audit, Risk and Compliance Committee of the Board while the Compliance department has full access to the Audit, Risk and Compliance Committee.

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

##### **7) Auditor**

The shareholders at the Annual General Meeting of the Company held on 17.02.2013 appointed Deloitte & Touche as the external auditors for the year 2013, on the recommendations of the Board of Directors. The Company will review the appointment of the external auditor of the Company

after every 3 (three) years as laid down in the Corporate Governance code of the QFMA.

##### **8) Disclosure**

The Company is fully committed to all disclosure requirements as required under 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 on shares of the Company uniformly at the same time to all shareholders, investors and dealers to enable them to access all information that affect stock prices providing equal opportunities to them for their investment decision.

The Board of Directors through the Compliance department ensures that all the disclosures that the Company makes are accurate and the financial reports of the Company conform to applicable accounting standards and guidelines.

During the year, the Company disclosed all decisions taken by the Board of Directors which are of interest to shareholders and the investing public and

brokers. All such decisions were immediately notified to Qatar Exchange and the Qatar Financial Market, in addition to publication in the local newspaper and on the website of the Company.

Pursuant to the provisions of the Commercial Companies Law and the requirements of QFMA, Qatar Exchange and the Law of the Qatar Central Bank and the regulation of financial institutions, the Company also published audited financial reports in newspapers and on the website of the Company,

##### **9) Relation with shareholders and other stakeholders**

A) The Company keeps the channel of communication open and transparent with shareholders who have all the rights to be informed by virtue of relevant laws and regulations in line with the Corporate Governance requirements.

B) The Company publishes financial information and data which is available to investors and other stakeholders on a regular basis through the Company's website and various media in addition to communication through Qatar Exchange.

C) The Company maintains



- a record of shareholders which is updated monthly to comply with the register of shareholders of the Company filed with the Qatar Exchange. The Qatar Exchange carries all information relating to trading of the shares of listed companies in the stock market.
- D) The Shareholders have a right to obtain a copy of the Company's statute and all other relevant documents for a fee as determined by the QFMA.
- E) All shares of the Company's accords equal right to the shareholders without any discrimination. In case any share amounts are owed to the Company, restrictions are imposed on such shares in the register of shareholders to share in the profit or assets of the Company.
- F) Each shareholder has the right to attend the General Assembly in person or by way of proxy as per the law in force and each shareholder shall have voting rights equivalent to the number of shares held by him.
- G) The Board ensures that as required in the relevant legislation and in accordance with the Company's corporate governance requirements, all employees are treated at par as per the principles of natural justice and equity without any discrimination, and they are empowered to blow whistle on any suspicious issues in financial reporting or internal control or otherwise while providing protection to them of any retaliation, negative action or damage.
- H) Annual General Assembly of the shareholders is held within three (3) months following the end of the fiscal year. Advertisement of the meeting is published along with all the data, information, reports and statements required for that meeting in accordance with the Commercial Companies Law, the system put by QFMA, the rules Qatar Exchange, and the statute of the Company. The Company also provides a copy of these documents to all those shareholders who want such information to facilitate their discussion on the Company's performance.
- I) The Annual Report includes the report of the Board of Directors to the shareholders and dividend recommendation for distribution of profits. The dividend is disbursed upon adoption of the proposed distribution of profits by the General Assembly.
- J) With regard to Article 28(2) of the Corporate Governance Code, reference is made to the texts of each of the AOA of the Company issued in accordance with the Commercial Companies Law No. (5) for the year 2002 and the model statute for companies issued by the Minister of Economy and Trade law No. (70) for the year 2007.
- These texts suggest that decisions of the Ordinary General Assembly of the Company should be by way of an absolute majority of the shares represented at the meeting (Article 49 of AOA) , and that the decisions of the Extraordinary General Assembly should be by a majority of two-thirds of the shares represented at the meeting (Article 51 of AOA).
- The decisions issued by the General Assembly in accordance with the provisions of the law and the statutes of the Company commits all shareholders, whether they were present in the meeting which approved the decision or absent and whether they agreed or disagreed upon the resolution (Article 54 of AOA).
- Therefore, the Company cannot replace the statute to include a provision that protects the company's minority shareholders in the sense referred to that item especially since this protection is only wasting the majority opinion provided in the law which is a command provisions and shall not be violated.
- As for Article 28(3) of the Corporate Governance code, the statute of the Company has been stated in Article (7) of the AOA in terms of which it is not permissible for any shareholder other than the Government of the State of Qatar and Organizations, public institutions and affiliated entities to possess at any time more than (5%) five percent of the shares of the Company. The aforesaid article in the AOA ensures that there is no change in the ownership of the Company's capital in the sense referred to this Article.
- On the other hand, the Commercial Companies Law and the AOA of the Company encompass various texts to ensure that all shareholders have equal rights without any discrimination among them and all the shares of the Company are "Ordinary Shares" and each share entitles its owner the right to a share equivalent to the share of other stocks and the access to information and to attend General Assembly of the Company as per section (120, 121, 128, 132) of the Commercial Companies Law and section (18.19 , 20 and 21.39 , 43.46 ) of the statute of the Company
- However, the Company will be working to find a proper basis and mechanism to ensure that any offer of issue of share to public meets the principle of equity, justice and fairness to all the shareholders and will incorporate appropriate amendments in the statute of the Company.
- In the AGM and EGM of the Company convened on 17.02.2013, the following decisions were approved;
- 1) Report of the Board of Directors on the activities of the Company and its financial position during the year ended 31.12.2012 and the future plan of the Company and the auditor's report.
  - 2) The balance sheet and profit and loss account for the year and adopted a cash dividend to shareholders (25% ) of twenty-five percent of the nominal value of the shares of (QR 2.5) Two riyals and fifty Dirhams to be disbursed as of Monday morning 180.2.2013 from all branches of the Commercial Bank of Qatar , in addition to the bonus shares (20%) of the capital, i.e one share for every five shares.
  - 3) Discharge of the members of the Board of Directors and the approval of remuneration.
  - 4) Governance Report for the year 2012.
  - 5) Re- appointment of M/s Deloitte & Touche as auditors of the Company's accounts for the financial year (2013) for a fee of \$ (540,000 riyals).
- The following were approved at the EGM:
- 1) Increasing the Company's capital from (891.891 million QR) to (1,070,269,200 QR), through the capitalization of part of the profits, and that the distribution of free shares at the rate of one share for every five shares owned, to be released after the ratification of such an increase, and the

delegation of powers to the Board of Directors to act in relation to the value of fractional shares resulting from the free distribution.

2) Increase the capital of the Company after the calculation of the increase resulting from the distribution of free shares by (20%), to reach (1,284,323,040 riyals), and subtracting the number (21,405,384 shares) to subscribe to the Company's shareholders currently registered with the Qatar Exchange by closing on 14.2.2013 at a price of (QR 45) forty-five riyals including the nominal value of share plus a premium of (QR 35) thirty-five riyals, with the mandate to the Board of Directors to complete the rest of the proceedings in accordance with the provisions of the Commercial Companies Law and the AOA of the Company and obtaining the necessary approvals from the competent authorities.

3) Amend the text of Article (7) of the AOA of the value of the shares of the Company, to read as follows :

All shares of the Company are nominal. No individual or entity except the government of Qatar and its related institutions,

organizations and entities shall possess at any time more than 5% (five percent) of the shares of the Company.

4) Approval in principle to increase the Company's capital by not more than (20%) twenty percent through the issuance of new private placement exclusively to Qatar Holding subsidiary of the Qatar Investment Authority as a strategic partner is fully underwritten with a mandate to the Board of Directors to complete the rest of action following the issuance of the approval of the competent authorities.

5) Amend the text of Article (6) of the amended statute of the Company to reflect these increases.

6) Extend the duration of the Company for another fifty years starting from the expiry of the current period, and amend the text of Article (4) of the Statute to comply with this.

The process of offering new shares for subscription, allocation and issued has been concluded post approval of the Qatar Financial Markets Authority including the Qatar Exchange and all such shares were up on trade on 09.05.2013.

Also the statute of the Company was amended in accordance with the resolution adopted by the Extraordinary General Assembly of the Company, and the decisions was marked in the Commercial Register and published in the Official Gazette.

### 10) Capital stock

The authorized share capital of the Company is QR 1,284,323,040 divided into 128,432,304 equity shares which are fully paid. No shareholder except the Government of Qatar or government entities is allowed to hold more than 5% of the paid up share capital.

The total number of shareholders of the Company as at 31.12.2013 was [1520] which included Government entities, banks, companies and individuals of different nationalities. In 2013, there were [106] major shareholders who held more than (200,000) shares. Attached is a list of their names and the number of shares owned by each of them.

### 11) Regulatory Compliance

The Company has a system and process in place to ensure that all the regulatory compliance requirements and the statutory requirements of the Stock Exchange of

Qatar and all other applicable regulatory authorities are complied and followed with.

This is to ensure that no fines or penalties are imposed on the Company 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 Group President & Chief Executive Officer of the Company and includes a number of senior officials from different business lines. 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, Risk and Compliance Committee of the Board. The main areas of activity of the Risk Management Committee of the Company are the following:

#### A) Insurance Risk:

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.

#### B) Operational risk:

Developing plans for disaster recovery resulting from any major incidents at the Company's headquarters. Measures taken include testing of fire alarm & engines, water and electricity generators, recruitment and training of security officials, and pay special attention to equipment and computer software including keeping a back up of all information at a different location as part of the disaster recovery plan.

#### C) Credit risk:

Studying the financial conditions of customers and business partners and developing limits of credits and continuous monitoring of the receivables. Adequate

provision is made for provision for doubtful debts against all long overdue debts which are not good.

### D) 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 class of investments in local and global markets to ensure maximum yield and liquidity for the investments of the Company.

The investment risks that are identified and addressed are also brought up in the periodical reports submitted by the Enterprise Risk Management (ERM) Department to the Audit, Risk and Compliance Committee of the Board. All unusual risks and the risks exceeding the tolerance limits are identified and mitigated and that which is open is brought to the notice of the Committee for immediate controlled action.

### 13) Ratings:

Based on the assessment carried out by globally recognized rating agency Standard & Poor's ("S&P"), the rating received by the Company in 2006 was upgraded to A/Stable. The aforesaid ratings are based on

a study and a full assessment carried of all the elements that relate to Company's financial position and organization of the administrative and operating policies before a conclusion of the demonstrated strong financial position of the Company and its ability to meet its obligations is reached. It may be pertinent to highlight that QIC is the first insurance company in the Middle East to receive these ratings and there are only 3 (three) other companies in the Middle East to be so rated.

In addition to the above, the Company was also recently rated "A" (Excellent) by A.M Best on 26th November 2012,

which is a reflection of the financial strength of Qatar Insurance Company.

The Company has also renewed its certificate for quality business system and process (ISO 90001:2008). The Company was also awarded ISO 27001:2005 certification for Information Technology security which demonstrates the quality of IT security systems of the Company that hold information of the Company and also of its customers. The information management systems in the Company are at par with the international standards to meet confidentiality and security of all such information.

#### **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 Corporate Governance Code by QFMA.

Going forward, the Company will further strive to achieve and implement highest possible level of Corporate Governance culture at par with global standards.

For Qatar Insurance Company S.A.Q.

**Khalid Bin Mohammed Bin Ali Al Thani**  
Chairman and Managing Director

**Khalifa Abdullah Al Subaey**  
Group President & CEO

