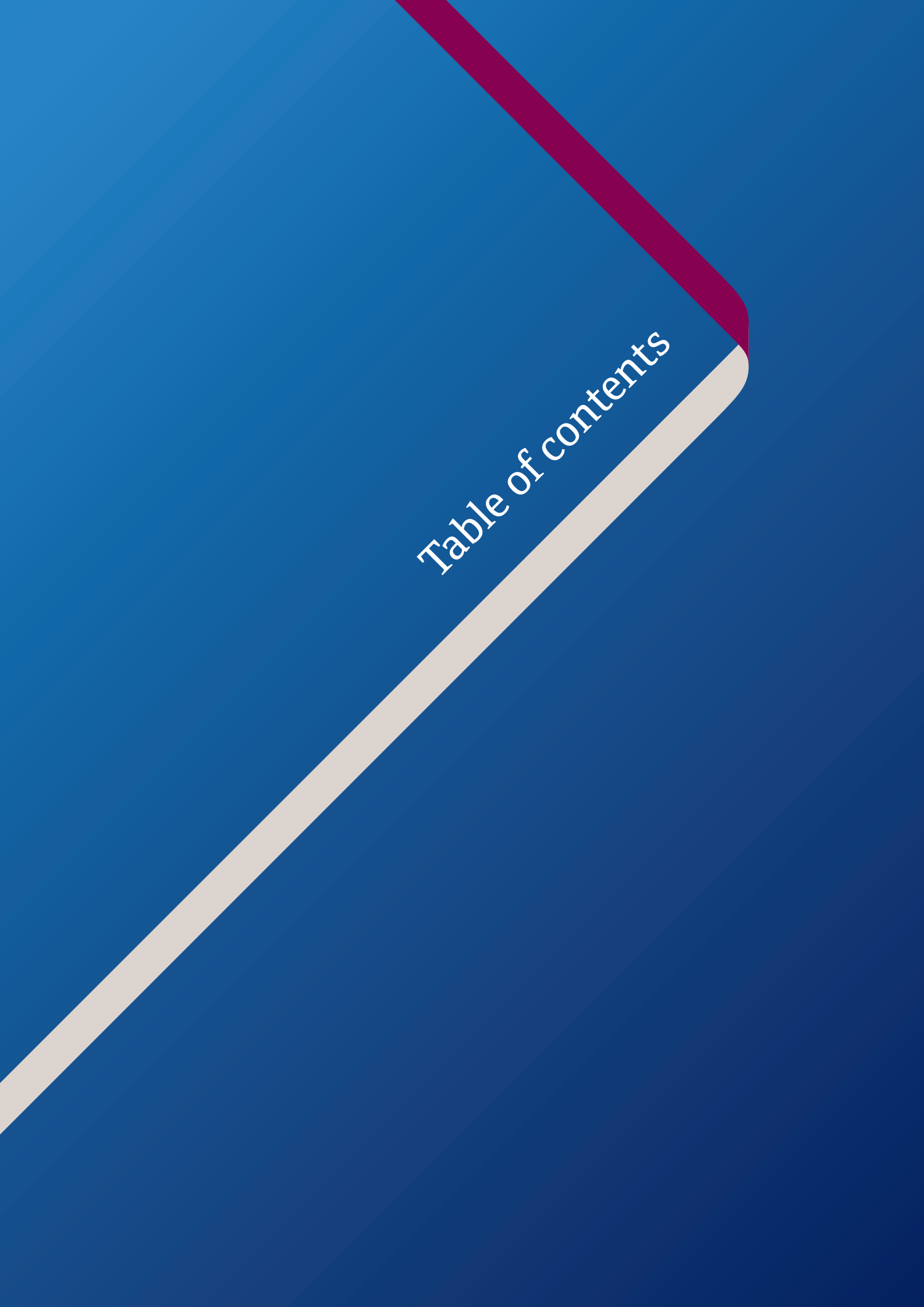




# Corporate Governance Report 2016





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## Chairman's Foreword

Dear Shareholders,

In line with Qatar Central Bank and Qatar Financial Markets Authority requirements, I am pleased to present the QNB Group Corporate Governance Report for the Year 2016.

The year 2016 was full of developments at QNB Group level in terms of strengthening the Corporate Governance arrangements and practices. In fact, the new Board of Directors committees were introduced by redesigning the committees' roles, responsibilities and structure. Moreover, a strengthened management committees structure has been implemented focusing on the roles of these committees in supporting the Executive Management while performing their duties in a well-structured way and through a smooth decision making process.

Supporting QNB Group's plans of expansion, special attention has also been paid to the consolidated supervision approach of the Group, over the overseas branches and subsidiaries, by stressing on the need of their full integration with the head office structures at both Management and Board of Directors sides.

This report also clearly describes the multiple improvements brought to the BOD functioning mechanisms and self-evaluation protocols, which are intended to facilitate oversight and monitoring roles while being fully aware of the challenges, risks and latest developments in the economic and financial sectors.

We strongly believe and are proud that this report reflects QNB Group's commitment in adopting the highest and latest standards of disclosure and transparency, to support good governance in order to continuously serve the interests of the QNB Group, the shareholders and all the other stakeholders, while strengthening the culture and practices of Corporate Governance across the board.

QNB Group is always keen to be the leading institution in implementing the latest requirements and international best practices in the area of Corporate Governance through the adoption of a strategic vision, based on fostering the Culture of Compliance in line with the laws and regulations, which is the cornerstone of good governance and efficient operations. This effort will serve to preserve the gains of the Group and support its expansionist ambitions for the best interest of the financial sector, hence enhancing its reputation at both local and international levels.

**Ali Shareef Al- Emadi**

**Chairman of the Board of Directors**

## Introduction

QNB Group considers sound Corporate Governance as a key factor to enhance the image of the Group, both locally and internationally, through a commitment to Corporate Culture that motivates directors, managers and employees to maximize operational efficiency and comply with sound principles of conduct, by ensuring high returns on investment and long-term productivity growth. Corporate Governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders.

Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Effective Corporate Governance is not an end in itself, it is a means to the proper functioning of a financial institution and the banking sector overall. QNB's safety and soundness are key to the financial stability of the Group, and the manner in which it conducts its business, therefore, is central to create market confidence and business integrity.

## 1. QNB Corporate Governance Framework

QNB Group believes strongly that good Corporate Governance complements and significantly helps its long-term business success. This success has been the direct outcome of the Group's key business strategies, including the commitment of the Board to the quality, integrity and transparency of QNB's financial reports.

### 1.1 Objective

The Board of Directors (BOD) and Executive Management believe that Corporate Governance is an essential element to enhance shareholders' trust, specifically minority shareholders and stakeholders, by increasing the level of transparency of the ownership and control, and the implementation of effective monitoring systems for strategic business management. Hence, all necessary efforts were combined to create awareness of the importance of Corporate Governance within QNB Group.

The Board of Directors of QNB Group has adopted the Corporate Governance framework to support the effective functioning of the Board and its committees, to promote the interests of shareholders, and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. The Board and

Executive Management believe that the primary objective of Corporate Governance is safeguarding stakeholders' and depositors' interest in conformity with public interest on a sustainable basis with a view to contribute to improved corporate performance and accountability in creating long-term shareholder value.

### 1.2 Commitment to Comply with Corporate Governance

The BOD, Executive Management and Officers commit themselves to the governance principles and best practices as detailed in the QNB Group Corporate Governance Manual, in order to achieve the Group's objectives. Periodically, the Board ensures that QNB Group complies with the principles of Corporate Governance, reviews and updates the professional codes of conduct for the purpose of updating its governance practices. The Board also promotes the institutional values, policies and other internal procedures that apply to all members of the BOD, Executive Management and staff of the Group.

### 1.3 Applying Corporate Governance Principles

Corporate Governance standards in QNB Group are naturally pursued in a manner consistent with the applicable national laws, regulations and codes. It also follows the recommendations and international best practices issued by the Basel Committee on Banking Supervision (BCBS), the Organization for Economic Cooperation and Development (OECD), the International Corporate Governance Network (ICGN), International Chamber of Commerce (ICC) and other international institutions.

QNB Group's BOD has approved of a comprehensive set of Corporate Governance policies and procedures within QNB Group. This assures that obvious vigilance is exerted by the BOD and Executive Management, as this is compatible with the legal and regulatory requirements and reflects the real orientation to comply with the international standards developed by the OECD. The roles and responsibilities of the BOD are segregated from the functions of Executive Management, whereby the Board assumes the overall supervision of the Group and provides strategic direction through the approval of the strategic initiatives, policies and objectives, while the daily affairs of the Group are carried out by the Group Chief Executive Officer.

## 1.4 The Scope

QNB Group has maintained comprehensive Corporate Governance strategy for years before Corporate Governance became headline news. QNB's Board of Directors adopted the Corporate Governance Program in 2007. The Project included nine integrated and interrelated phases to achieve the proper application of such project, taking into consideration the laws and regulations issued in the State of Qatar. The program initially incorporated the application of wide-ranging measures of governance and contained the preparation of overall policies, procedures, manuals, organizational structure and accurate job descriptions, the determination of the authorities and responsibilities, the internal and external reporting requirements and the roles, responsibilities and charters of the BOD, its committees and management committees of the Executive Management.

In this context, the annual Corporate Governance report submitted to both regulators (QCB and QFMA) aims to ensure a transparent disclosure of the governance practices within QNB Group. It embodies the values of the Group and the policies that all parties must abide by. The report includes the capital structure, control, shareholders' rights, equality, development of the Charters of the BOD and its committees systems, related parties' transactions policy, rotation, and the periodic review of the principles of professional conduct, in order to ensure the application of best professional practices that meet the needs and objectives of QNB Group.

## 2. QNB Group Achievements during 2016 to Enhance Corporate Governance

As part of building a strong Corporate Governance Culture across the Group, QNB witnessed during 2016, and several developments at all levels in terms of corporate governance practices and arrangements. These new developments either targeted the organizational aspects or were directed towards specific processes.

The below topics summarise QNB's key efforts in 2016, with respect to the enhancement of the Corporate Governance Framework:

### 2.1 Strengthening Corporate Governance Arrangement and Practices

In continuation with the adoption and implementation of the new regulatory developments issued during the year 2015, QNB Group has put into practice several regulatory initiatives in line with the new requirements of:

- The Commercial Companies Law number (11) of 2015, that includes multiple provisions aimed to enhance the culture and practice of governance within companies in the State of Qatar,
- Qatar Central Bank instructions for Corporate Governance issued during July 2015; and
- Basel Rules - Corporate Governance Principle for Banks issued during July 2015.

### New BOD and Management Committees Structure

Based on the recent regulatory developments, QNB Group has already taken measures and extensive analysis, with an aim to identify the impact of the regulatory changes on the current Corporate Governance Framework and the mandate documentation of QNB Group. During 2016, the following actions were taken in relation to the new requirements:

- The formation of the new BOD Committees and their composition according to the regulatory requirements.
- The restructuring of the QNB Group Management Committees, their rules, composition and reporting system to enhance the risk governance approach and promote the efficiency of Board Committees together with effective control functions (Please refer to the Spotlight [section 17](#) for further details).

- The initiation of the BOD Induction File and presentation to the new BOD members.

QNB's Group Compliance acted as a coordinator and focal point of contact to establish a clear framework and oversight mechanism in order to validate the Management Committees formed by the Executive Management, its effectiveness, terms of reference coverage and efficiency. These rules and guidelines are derived from and are in line with QNB Group governance and supervision framework.

Moreover, by coordinating between International Business Division, Group Compliance and Executive Management, the QNB policy related to the nomination of QNB representatives in the subsidiaries and affiliates has been reviewed and updated in order to enhance the consolidated supervision approach of the Group and better serve the Group entities by appointing the right candidates that satisfy the Group needs in terms of monitoring, integration and oversight.

### Reshaping the BOD Performance Assessment Methodology (Collectively and Individually)

An enhanced methodology for the BOD assessment has been established through a new dedicated policy, to set up a framework by which QNB Group BOD will assess its performance collectively and individually; thus giving all BOD members an opportunity to evaluate and discuss the BOD's performance from multiple perspectives.

To ensure that the BOD and its individual Members are carrying out their roles/responsibilities effectively, the BOD will also undertake the process of an annual assessment. The assessment will assist in allowing the BOD to demonstrate that they are accountable for their decisions and the overall operations of QNB Group through the Full-Board Assessment.

All BOD members will also be asked to complete a self-evaluation process and indicate to what extent they are comfortable with their individual performance as members of the BOD using the Self-Board Members Assessment.

The evaluation is particularly useful to ensure continuous improvement of the BOD performance while discharging its responsibilities.

## Governance of Strategic Planning

In order to enhance the planning and evaluation process, QNB Strategy Division has implemented the 'Governance of the strategic planning decisions concept' which is a cohesive and comprehensive performance management framework across the Group and including the subsidiaries. This approach serves strengthen the performance management assessment through improved independence and objectivity in the development, monitoring and assessment of performance.

## 2.2 Compliance is the New Corporate Governance

In light of the heightened expectations of the different regulators and enforcement agencies, Compliance risk-management within QNB Group is a key focus area of the Board of Directors and, of course, a preoccupation of the Group Board Audit and Compliance Committee as well as Executive Management.

### QNB Group Code of Ethics: Promoting Ethical Behaviour

Acting ethically and responsibly is expected of all QNB Group staff members. It is fundamental that all QNB staff act - and be seen to act - with the utmost integrity and responsibility at all times.

QNB Group Code of Ethics serves as a guide to the everyday professional conduct of its employees. The Code covers all applicable laws and regulations and the highest standards of business ethics that the Bank employees should be aware of and comply with in the conduct of their day-to-day business activities.

The Code extends to the Bank's subsidiaries and outsourced staff and covers the following specific topics:

- Adherence to laws, regulations and QNB Group Policies and Procedures
- Relationship of trust
- Protection of Group's and Customers' Assets and Interests
- Avoidance of conflict of interest
- Disclosure of Confidential Information
- Personal transactions
- Dealing with the media
- Protection and proper use of company assets
- Media relations and publicity
- Relations between employees and the Bank
- Use of proprietary and insider information and stakeholder information



- Employee information and privacy
- Respect for human rights and prohibition of discrimination within the workplace

During 2016, to enhance the awareness among the employees at all levels, QNB launched an online 'QNB Group Code of Ethics' exercise. This was aimed at enabling staff to develop responsiveness about the required behaviours and actions, Dos and Don'ts which lead to protecting and upholding the interest of QNB as an organization.

QNB also drafted the 'Anti-Bribery and Corruption Policy', to provide information and guidance to those working for the Bank on how to recognise and deal with bribery and corruption issues, the policy will be submitted to the BOD for approval and implementation in early 2017.

### Compliance Self-Assessment Mechanism: A new tool for Compliance Awareness and Monitoring

The 'Compliance Self-Awareness Assessment' is a process initiated by Group Compliance Division in cooperation with Group Strategy with the objective to test a divisions' awareness with regard to its compliance responsibilities. It aims to encourage self-assessing themselves, in order to track their performance in meeting their obligations and to identify, mitigate and manage any potential area of compliance risk. In our constant and continuous effort to promote and build a strong compliance culture within QNB Group, we have also enhanced the methodology applied internally in order to better integrate the on-going compliance watch of the latest regulatory developments with a stakeholder's specific risks and regulatory challenges. The outcome of this enhancement is a comprehensive methodology that enables us to capitalize on the information received using this valuable tool in order to refine the annual compliance plan based on a risk-based approach and thereby setting an acceptable benchmark across the QNB Group in meeting compliance obligations.

### Enabling a Strong Consolidated Supervision Approach at Group Level

Overseas branches Compliance Officers fall under the supervision of Group Compliance, who is responsible to make sure that their activities are undertaken in line with the control headlines that are approved by the Group Board Audit and Compliance Committee.

In 2016, Group Compliance enhanced the Governance, Compliance and AML framework at Overseas Branches and subsidiaries, by strengthening the Compliance/AML documentation and IT Infrastructure and by introducing the necessary criteria and components to reflect a sound Corporate Governance structure and empowering the independency of the compliance officers.

Furthermore, a new approach for the oversight and communication protocols has been developed to enhance monitoring and to get closer to the different needs of the counterparts using the following:

- Monthly Video/Phone Conference calls with compliance teams
- High Level Visits
- Periodic sharing of compliance studies guidelines and newsletters
- Joint training workshops
- Periodic visits of the Heads of Compliance of the Subsidiaries to Head Office
- Enrollment of the Compliance teams in the Online Training

### Combating Financial Crime at the Heart of the Corporate Values

During 2016, a Global Diagnostic Assessment was performed using components of the standard AML/CTF Framework, including policies and procedures, systems and controls, training and other AML/CTF components. Each component was assessed according to a scoring model to determine the priorities with which to conduct the reviews and enhancement of projects. This diagnostic exercise was primarily oriented towards identifying the areas where corrective and enhancement actions are required.

Furthermore, the AML/CTF Risk Based Approach Methodology has also been reshaped for on-boarding new customers coming from high risk jurisdictions. Several initiatives in the AML/CTF areas were completed by a well-tailored training strategy to share the new developments with all QNB staff and to guide them through the following topics:

- Building governance structures globally
- Enhancing the efficiency of reporting suspicious transactions
- Automation of several controls and monitoring tools

- Following global safeguard standards against financial crime
- AML/CTF trends and responsibilities strategy

Furthermore, an extensive review has been launched in order to check whether two of the main pillars of the AML/CTF regulatory requirements are being adhered to within QNB policies and procedures and properly implemented in the application side. These two pillars are “Enhanced Due Diligence” and “Customer Risk classification”.

### Sanctions Compliance Activities across QNB Group: Safety First

Sanctions compliance is a key part of protecting the bank payment channels and its reputation against being used for illicit purposes. Through several initiatives, QNB closely monitors all emergent risks and trends linked to financial crime in order to avoid being part of any ill-gotten proceeds. For this purpose, a number of critical tools have been implemented or enhanced targeting the following:

- Processing trade finance transactions connected with high-risk countries
- Banking relationship with shipping and logistics agencies
- Controlling dual-use goods
- Automating the process of reviewing trade finance transactions
- Integrating correspondent banks’ instructions at QNB Electronic Payment Channels

Moreover, a new correspondent bank AML, KYC and Sanctions questionnaire has been established which was tailored to include the current Wolfsburg requirements together with more enquiries intended to provide more clarity and details on the nature and activity of each Financial Institution together with their frameworks pertaining to their AML/CTF activities and sanctions risks exposure.

Furthermore, due to the risks involved in dealing with goods that could be used for Civil and Military Applications (dual use goods), an action plan has been prepared to ensure that the international commitments and responsibilities regarding non-proliferation and transfers of dual-use items are complied with by preparing a “Guidance To Control Dual-Use Items” that cover all risky indicators and red flags.

### Group Compliance involvement in QCB SREP Regulatory Requirements (New ICAAP rules)

QNB Group was subject to a comprehensive Supervisory Review and Evaluation Process (SREP) under ICAAP requested by QCB and performed by one of the international consultancy firms. As part of the internal engagement team, Group Compliance ensured and demonstrated that sufficient and adequate resources are available and aligned on organizational objectives and to liaise with all divisions as appropriate. In addition, significant efforts have been made to address a wide range of questions under heightened QCB expectations and to provide all required documentation in relation to Compliance, Board, Executive Management and Corporate Governance.

### Enhanced Monitoring of the Domestic Subsidiaries

As part of its supervisory role for local subsidiaries and to oversee the implementation of the Compliance and AML/CFT policies, procedures, systems and controls, Group Compliance has put in place a formal mechanism in order to ensure that QNB Capital regulatory compliance risk is managed effectively in line with the regulatory authority “QFCRA’s” requirements. This new mechanism entails greater and timely involvement of the Group in QNB Capital day to day business by means of frequent onsite visits. Additional controls have also been implemented in order to ensure QNBC staff’s commitment to effectively and actively monitor the day to day Compliance and AML/CFT issues.

### Tax Reporting for Better Transparency

In conjunction with regional Compliance Officers, the FATCA Compliance Self-Assessment Task has been launched for QNB overseas entities. This assignment is designed to allow an efficient review all major areas of FATCA that different divisions typically deal with, and to identify those where QNB Group may have compliance issues.

The exercise allows regional Compliance Officers to check requirements/items that need further attention. It contains indications to FATCA fundamentals with further guidance to help them answer questions that may arise. In addition, a Tax Compliance dedicated team can help answer questions that may come up as involved participants review the questions.

Similar to FATCA, the fundamental objective of the CRS regulations is to identify those persons who may be evading tax in their home jurisdiction, through the use of accounts or investment vehicles in other jurisdictions. The CRS requires financial institutions to perform due diligence to identify the tax residency of accounts and to report client data directly to their local government through domestic regulation/legislation.

The 'CRS Implementation Program' was also launched, aiming to establish a framework to ensure conformity with CRS regulations in a consistent manner across QNB and the entities within its Expanded Affiliated Group on an on-going basis. It is expected that Qatar shall participate for the sharing of information since it was among 94 jurisdictions that are now committed to implementing the CRS by 2017/2018 and ensuring effective Automatic Exchange.

### Compliance Initiatives and Awareness for Effective Corporate Governance

Group Compliance has implemented strategic initiatives to align with the Global Standards safeguarding against financial crime and covering several areas. The AML/CTF policies and procedures have been revisited and amended in line with new anti-money laundering requirements and we have enhanced infrastructure, including the KYC requirement related to Customer Due Diligence, Enhanced Due Diligence, transaction monitoring and screening.

In addition, the SAS AML profiling system has been customized to strengthen our financial crime detection and investigation capabilities within our business teams, including delivering enhanced training to appropriate staff. We are adopting a global approach and we continue to make progress towards putting in place a robust and sustainable anti-money laundering AML framework.

The Training and Awareness methodology has also been revisited to introduce a new effective approach by conducting onsite trainings to alert the front line staffs on the ML risks, STR responsibilities and escalation of suspicious activities. The number of AML inquiries received from business has positively increased which is a positive result for this new awareness approach which is an on-going exercise.

## 2.3 Risk Governance: Key for a Safe Organization

QNB Group's reputation and continued profitability depends on our ability to identify, assess and manage risk at all levels. As a result, we have a robust risk management framework and governance structure that ensures a crucial balance between risk and reward. Risk management within QNB Group is a key focus at all levels of the bank. QNB Group adopts a centralized approach to risk management, complemented by local expertise and knowledge. This ensures proactive risk governance and management at the consolidated and the local level.

During 2016, Group Risk continued the efforts to build up a strong risk management framework to better serve the safety of the organization.

### Risk Identification, Monitoring and Controlling

The identification of Principal Risks is a process overseen by the Group Risk. The material risks are regularly reported to the Group Board Risk Committee (GBRC) and Group Management Risk Committee (GMRC), together with a regular evaluation of the effectiveness of the risk-operating controls. The day-to-day governance is delegated through an ERM oversight structure and a robust risk control framework.

This framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report risk in a consistent and effective manner across the Group. The framework is essential to support our strategic objectives and acts a platform for our growth.

Our centralized approach to risk management is complemented by local expertise and knowledge and every employee in the Group is responsible for highlighting and dealing with potential risks in the course of their work.

To reinforce this and to ensure all our regional hubs and territories embrace a consistent approach, we continue to rotate Group level representatives of our Credit, Market, Liquidity and Operational Risk teams throughout our branches and subsidiaries, to train and advise staff. This is done in close coordination with our audit and compliance teams with the ultimate aim that our people are empowered to undertake their roles with a deep understanding of their risk mitigation and reporting obligations.

During the year 2016, in line with our governance and risk culture across the Group, we continue to embed new frameworks for risk identification to ensure timely early warning indicators and decision-making.

QNB Group has also strengthened the country and cross-border risk framework to enable the measurement and tracking of country exposures against Board-approved limits. This provides the mechanism for the cascade of Group risk appetite and allocations at regional and country level.

The risk appetite framework ensures alignment with the Group vision and strategic goals by tracking current performance against risk appetite targets.

To enhance understanding of financial principles and comprehensive credit initiation, assessment and approval processes, all staff involved in the credit approval chain and loan administration must now undertake specialist global credit training run by the OMEGA professional credit training programme. This approach has led to advanced skills in managing risk, improving portfolio quality and protecting the Group's interests based on fundamental risk management principles and current international best market practice.

An Asset and Liability Management project to have an automated system integrated with QNB Core Systems that enables QNB to prepare Group wide dynamic ALM, Market Risk, and Liquidity Risk Reports is also being implemented.

## Risk Appetite

QNB Group's Risk Appetite Statement is central to the Group's integrated approach to risk management and articulates the risk culture, governance and boundaries of QNB Group. The Risk Appetite Statement provides a framework for QNB Group's attitude toward risk-taking and is reviewed, reassessed and agreed alongside QNB Group's strategic and financial planning process.

QNB's Risk profile and appetite are approved by the Board of Directors and Group Board Risk Committee and then cascaded down to every division, department and employee. In addition, QNB Group ensures regulatory compliance at a country level is in line with best risk management practices.

## Implementation of a Country-wise Liquidity Pool and Group Level Optimization

QNB considers the prudent management of liquidity as essential in ensuring a sustainable and profitable business and in retaining the confidence of the financial markets. Ultimate responsibility for liquidity management resides with the Board of Directors with day to day management oversight being delegated to the Group ALCO Committee. The Risk Management oversight process provides assurance that the Group's resources are sufficient in amount and diversity, that planned and unplanned increases in funding requirements can be accommodated routinely, without material adverse impact on earnings, or on the Bank's perception in the market. A number of techniques are employed to achieve this including the cash flow gaps, calculation of liquidity stress metrics and ratios, the maintenance of a diversified pool of high quality liquid assets and the monitoring of funding concentrations, early warning indicators and regulatory ratios including the Liquidity Coverage Ratio and Net Stable Funding Ratio.

## Market Risk

Oversight of Market Risk is delegated by the Board of Directors to the Group ALCO Committee. Market Risk exposures primarily relate to interest rate risk in the Banking Book and exchange rate risks which generally arise as a result of the Bank's day to day business activities and client facilitation activities. The Bank manages its Market Risks via a comprehensive framework of limits which are set at very restrictive levels to reflect a limited risk appetite. The Bank's ALCO Committee also reviews stress testing results and other key metrics on a monthly basis.

## Operational Risk Management

Operational risk frameworks are continually being enhanced and embedded with further implementation of data security systems, improved business continuity infrastructure and disaster recovery sites. During the year 2016, data quality and reporting on key risk indicators continue to improve as the frameworks evolve, new risk staff members are recruited and risk awareness increased.



## Cyber Threats

Information Security and, in particular, cyber threats are increasing on the top of agenda's across all types of organization's across the globe. Cyber threats are inherent risks to any business with an electronic platform, especially in the financial sector globally where the biggest driver is economic gain. Qatar and QNB are not immune to these threats. The sophistication and diversity of these attacks are increasing, and as a consequence, so are the casualties to cyber-attacks. The intended impact of these attacks is still mainly financial, but we are seeing more politically motivated attacks intended to disrupt and disable.

We at QNB Group place the highest priority on data security and deploy the strongest measures possible to ensure we maintain our customers' trust and the integrity of their information. This year we have moved the data centre to a new location to increase the resilience and reduce some IT risks. The Group continually invests in their defences to protect the Bank from constantly evolving and increasingly sophisticated attacks. Specialist security staff in a dedicated department is engaged in detecting, monitoring and managing incidents.

## Internal Capital Adequacy Assessment Process

QNB Group BOD mandates Group Risk division to perform group wide stress testing inclusively of QNB's Internal Capital Adequacy Assessment Process (ICAAP). The 29 process is an important component of assessing capital adequacy of the Group as well as providing a forward-looking assessment of QNB Group's ability to operate in a more stressed economic situation. The results of this process help to determine and plan how to position QNB Group in the strongest possible way with respect to a stressed economic operating environment.

## 2.4 Financial Disclosure at the Service of Investor Relations

The importance of Corporate Governance and investor relations is growing and the focus on the financial control role has increased in terms of producing pertinent and transparent financial information with no margin of error to the financial community in general.

Management reporting remains the bedrock on which Financial Control role is built because it is critical for the interference of finance and the business.

For this purpose, special attention was paid by QNB on the strict and timely adoption of the accounting and reporting standards to produce the most accurate financial information that reflects QNB financial position.

In this context, to ensure a structured and robust implementation of IFRS 9 Financial Instruments (a new financial reporting standard) which is effective from 1 January 2018, QNB Group has formed an IFRS 9 Project Steering Committee to manage the implementation process of IFRS 9.

The Steering Committee is responsible for the overall implementation of IFRS 9 across QNB Group, including the followings:

- Performance of initial diagnostic and quantitative impact analysis to determine gaps
- Develop a granular transition plan
- Periodic reporting to the executive management for onward update and submission to the Group Board Risk Committee (GBRC) and to inform QCB in respect of the progress made and key issues that need to be addressed
- Assess the existing infrastructure and provide recommendations on the required changes or upgrades to be able to develop ECL infrastructure
- Develop ECL and PD models
- Make judgments on key areas where policy decisions are required
- Collect required data and other risk inputs
- Liaise and co-ordinate with senior management to ensure adequate adherence to the transition plan required by QCB
- Assess the role of auditors in the overall implementation effort
- Hold discussions with QCB where necessary
- Manage communication and information flows

- Monitor progress against timetables; and
- Track issues and escalate reporting.

## 2.5 Corporate Governance in the Era of QNB Global Expansion

### Business Integration for Harmonized Oversight

QNB Group continued to expand its foot print in line with the vision to become one of the leading banks in the MEASEA region by 2020. QNB Group Retail Banking Division's geographical expansion continued in the following countries:

- **Turkey:** Subsequent to the acquisition of Finansbank, Turkey by QNB Group, QNB International Retail commenced business integration by sharing knowledge and migrating business between the two entities and rolled out mortgage loans for non-resident customers in Turkey.
- **KSA and India:** Subsequent QNB Group's entry in to the Kingdom of Saudi Arabia and India, QNB International Retail is currently in progress for extending its retail foot print in those new markets.
- **France and UK:** Rolled out international account opening and property loan in France and the UK, so that customers in Qatar can open accounts and buy properties in these branches.
- **Egypt:** Created a new Mortgage Loan Referral Program for QNB Al-Ahli (our subsidiary) so that QNB can refer customers in Qatar to purchase property in Egypt through QNB Al-Ahli.

The Trade Portal was also upgraded to provide a configurable and flexible platform that can be used to rationalize online banking services across all clients, businesses and regions. Trade portal is upgraded with new functions and rolled out to Singapore and Paris branches.

For a better integration of the international branches, Group Treasury division has improved the day to day funding workflow and gets it approved by the senior management and the credit committee in a move to better satisfy the overseas branches treasury and funding needs.

### Customer Satisfaction is Always QNB's Ultimate Objective

In 2016 QNB Group Retail Banking Division (QNB Group RBD) continued its growth momentum in both Qatar and International markets by offering competitive products and services, leveraging leading edge technologies and implementing effective business strategies to offer greater value, convenience and transparency to its Retail banking customers.

In terms of new products, services and new business developments/opportunities, QNB Group introduced top of the line Credit Card with additional benefits for the QNB First Plus sub-segment (Mastercard World Elite and Visa Infinite), extended cross-border mortgage facility to UK, Turkey and Egypt, and displayed real estate advisory solutions to Turkey and Egypt (now advisory solutions are offered for 7 international market including Qatar, UK, France, Lebanon, UAE, Turkey and Egypt).

QNB Group also Introduced Interactive Teller Machines (ITM), a new generation video remote teller which offers personalized banking experience, and expanded its network of IRIS scan (biometric eyes scan) enabled ATMs deployed in Qatar.

In order to improve the turnaround time in all QNB processes and to serve the customer experience and satisfaction, Group ITD and Operations have automated numerous business and operations processes through the QNB Workflow to get rid of manual processes.

The Mobile Banking platform was also enhanced by embedding various user friendly features and the system is rolled out in international branches (Oman and Kuwait).

In order to have an interactive customers' relationship, a continuous Online Survey was implemented on QNB Corporate website for gathering customer feedback related to their recent service experiences on branches, call centre, internet banking and mobile banking.

Furthermore, in compliance with QCB requirements, Braille Application was made available at QNB Retail branches to cater to visually impaired customers to understand the procedures and requirements for opening accounts,

applying for personal loans, vehicle loans, cards and transfer of power of attorney.

Since quality assurance is always on top of QNB priorities, International Retail has introduced a new process for measuring Quality Assurance at the level of QNB International Network. A new quality assurance procedure was introduced to ensure that the infrastructure and setup of the customer service areas of the branches and the employees work areas comply with QNB's desired quality standards. Moreover, the Standard Service Protocol has been enhanced and distributed in a form of booklet to frontline staff including the guidelines to be followed for servicing customers to ensure standardization of services across all customer service touch-points such as branches, call centre and card centre.

#### Automation for Qualified Customers Treatment and Protection

The Internal Banking Process was automated by International Retail (through internal "Work-flow" system) enabling seamless process of account opening and lending between Doha and International markets (UK, France, Egypt and Lebanon).

In addition, various internal processes such as new product development, marketing activity execution, credit approvals etc. have been automated within the International Retail Network for achieving higher efficiency and better monitoring and control of those processes.

Moreover, for a better customers data protection, QNB has introduced "one-time-password" (OTP) transactions through SMS for online points redemption at QNB Life Rewards Travel portal and QNB Life Rewards e-Shop in order to minimize any fraud attempts.

QNB Asset and Wealth Management division are also procuring a new IT system which will increase automation, and reduce the risk of human error. The system-customization phase continues and the 'Go-live' date is anticipated by year-end 2017. Also, QNB Custody services are in the process to automate the invoicing, statement generation and transactions settlements processes for a better customer service.

## 2.6 New Role of Internal Audit in Improving the Performance Management

While the traditional role of internal audit is to help the organization to sustain by a system of internal controls for financial statements; there is a wide range of opportunities and responsibilities that have emerged, especially related to providing the necessary level of reasonable and expected assurance related to corporate governance.

In this regards, QNB Group Internal Audit Division have undertaken several projects focusing on supporting this new role.

### Audit Governance Documentation

The Group Internal Audit Charter and policy have been enhanced to align with the Basel Committee on Banking Supervision's recommended standards and to stay abreast with business expansion of the Group, with adequate oversight of the Group subsidiaries and affiliates. Risk Based Audit continued to be a driving factor, with additional focus being placed on coverage of Risk Management policies, processes and Capital Adequacy in conformity with the regulatory requirements and Basel Committee guidelines and standards. The Audit Universe has been carefully monitored and progressively refined to consider and reflect Group business growth and business strategy. GIAD has substantially contributed to the analysis of Group quarterly and annual financial statements and other performance data. The presentation to the Group Board Audit and Compliance Committee (GBACC) has been refined to focus on critical data and information that would enable effective monitoring and oversight of performance in various activities and jurisdictions.

### International Group Structure: Major Changes

The oversight of subsidiaries has been refined with a focused scope and additional emphasis on the Governance, Risk Management and Internal Control structures and Frameworks as part of the oversight and assessment process. This will also enable GIAD to align the governance structure and arrangements in the subsidiaries with those of the Group, thereby promoting the achievement of the Group's strategic vision.

### New Audit Structure for supporting International Expansion - Regional Hubs and Functional Aligned Audit functions

Subsidiaries reporting quarterly to GIAD and subsequently reporting to GBACC on significant issues and incidents was formalized and implemented in conformity with the Corporate Governance framework.

Key Infrastructure GIAD documents (Charter, Policy, methodologies, etc.) were also introduced and communicated with group Subsidiaries to effectively align controls structure and reporting.

### New Risk Mitigation/Monitoring Programs

A comprehensive and structured Dashboard was developed, reporting to Executive Management and the Board of Directors on the status and resolution of Audit Issues.

As a result of pro-active stance maintained in the face of dynamic business scenarios, expansion and on-going monitoring risks and response, GIAD has initiated several assessments and response initiatives to identify root causes of risks faced by the bank such as identifying process deficiencies, lack of policies or procedures, inadequacy of controls, etc.

Specific focused reviews and risk assessments were performed on specific fields, corporate customer accounts mandate and related documentation, general safety and security controls over archives, and reconciliation of collateral records, etc.

### Audit Quality Assurance

In conformity with the Internal Audit professional standards, GIAD has commenced the preliminary task of initiating an independent quality assurance assessment (QA) of the audit function in conformance with the Standards. The proposed QA will cover the Internal Audit at Group level in Qatar as well as the Internal Audit functions at the key subsidiaries in various locations.

Adopting a forward looking approach, GIAD has systematically assessed the organizational structure and reporting lines of internal audit function in respect of subsidiaries, particularly the latest acquisition, as well as advanced IT infrastructure and Information Security to put in place a robust, streamlined and efficient

framework meeting the enterprise level needs and expectations from governance, business, internal controls, risk and compliance points of view.

### Efficiency, Monitoring and Review

The creation of structured process to review the QNB Financial Statements and analysis to support the Board Committee understanding of key aspects and performance trends and provide sound basis to approve the bank financial results.

A new GIAD policy and methodology was developed to provide risk based structured commentary on all new and amended Group Policies.

GIAD has established high standard criteria to attract and maintain the required capabilities and competencies. Currently 63% of GIAD resources are highly qualified and professionally certified with globally recognized certifications.

## 2.7 Instating Trust: The Role of HR in Corporate Governance

Trust is a key component of the QNB corporate governance framework. Reciprocal trust relationships between QNB and its environment or within the organization are crucial for growth sustainability and success.

QNB Group Human Capital is playing an important role to build and maintain strong trust relationships between the QNB Group and its employees. In this regards, during 2016, QNB Human Capital Division have launched several enhancements projects to improve the trust relationship and confidence that QNB has in its employees and in turn to provide the Group with best talents and skills required to achieve QNB vision.

### New Human Capital Policies

New Human Capital related policies have been established in order to enhance work accuracy and ensure skilful work within the Group. Some examples of the new policies created are: Incentive Scheme Policy and Policy for Adding/Amending new policies. In addition, QNB Human Capital Division is currently working on creating new Human Capital Policies for our newly opened overseas branches (Kingdom of Saudi Arabia and India).



## Certifications

QNB Human Capital Department continued the efforts to deliver key certification programs such as CISI's Securities and Investment, Operational Risk, Credit Risk, CFA, PMP, ACI Dealing, Lean 6 Sigma, CIPD, CBOP and many others.

## Career Development

Career Development is one of the key strategic initiatives of QNB Group. The Career Management team, in partnership with the direct managers and department/division heads, provide targeted support to develop self-motivated employee pools at all levels with a simple objective of helping them to grow in role and fulfil their career aspirations. Appropriate career development opportunities and development road map options are created for employees who are tailored to meet both individual and business needs. Aligned to this and through divisional partnership, guidance is provided to enable the identification and fast-track learning and development of high potential employees as part of a formal talent pool.

Putting key emphasis on career development and talent retention, QNB launched 'Career Progression and Career Options' project for select roles and positions in key job families. A time-bound and structured development plan with key focus on formal courses and certifications supported by experiential learning at work place through OJT, projects and assignments was established for nominees enrolled.

An appropriate mix of On-the-Job Training (OJT), development experiences at the workplace driven by employees and their Direct/Department Manager, coupled with formal learning via classroom and e-Learning through web-based technologies now forms part of the development plan creation. Development plans are reviewed on regular basis to monitor effectiveness of implementation and the application of learning.

## Developing QNB Training Programs

In collaboration with the business and support functions, annual Training Needs Analysis (TNA) exercise is conducted each year. The consolidated summary is then converted into a Training Plan and implemented group-wide. The TNA comprises of variety of courses including English Language skills, soft-skills, technical and functional skills, personal

effectiveness, team building and many others.

## Building relationship with Academic Institutions

As part of CSR, QNB enjoys solid relationships with the academic institutions and organizations and also offers various learning opportunities to students. This covers short and long-term internships, on-the-job training, career awareness programs etc. This eventually contributes in attracting talent to QNB.

## Employment Engagement Survey (EES)

The 2016 EES survey has been conducted across the QNB Group to know the engagement level of QNB Employees. All QNB employees from Qatar as well as from the international branches took part in the survey to express their views and opinions about QNB. The culmination of this activity is to formulate action plans on improve engagement of employees.

## 2.8 Corporate Social Responsibility: Establishing the Strong Brand Reputation of QNB Group

Corporate social responsibility (CSR) is a model of Corporate Governance extending fiduciary duties from fulfilment of responsibilities towards the firm's owners to fulfilment of analogous fiduciary duties towards all the firm's stakeholders. Enhancing shareholder value is still a major goal for QNB Group while maintaining the interests of different stakeholders within and outside the organization with an increased focus on non-financial measures. Both Corporate Governance and CSR focus on the ethical practices in the business and the responsiveness of an organization to its stakeholders and the environment in which it operates.

In this regard, QNB Group, through Corporate Communication division continued and multiplied the initiatives to both enhance the impact and perception of QNB within its environment leading QNB to be the leading Bank in CSR and the Pearl sponsor for Qatar CSR Report.

All QNB Group employees are encouraged to participate in QNB's corporate social responsibility. Many choose to do so either by contributing time or expertise to worthy causes which the bank supports or to other officially-sanctioned charities.

The areas that witnessed different QNB initiatives in terms of corporate social responsibility are the following:

- Culture and Arts
- Economic and International Affairs
- Health and Environment
- Local and International Sports Events
- Social and Humanitarian Affairs
- Youth and Education

A brief description of QNB Group main initiatives locally and internationally are described below:

- Kawader Program: QFC Authority and Qatar Finance and Business Academy (QFBA) have partnered to launch Kawader - a unique training program as an incubator for the next generation of business leaders and decision-makers in Qatar's emerging financial services industry.
- ICC banking workshop first banking workshop titled "Documentary Credits in Today's Challenging Environment sponsored by QNB as strategic sponsor.
- Qatar National Day: QNB the main sponsor for all the national day community activities including Darb Al Saai, QNB will have an educational booth showing the history of money at Darb Al Saai.
- Bedaya: QNB Group signed a Memorandum of Understanding with the Bedya Centre for Entrepreneurship and Career Development and Qatar Banking Studies and Business School to train and develop the skills of Qatari students in banking and finance.
- Al Fikra: Enhanced to serve the entrepreneurial ecosystem through different financial and non-financial services provided and supported by Qatar Development Bank. QNB is the main sponsor for Al Fikra competition.
- QNB Group was the national sponsor for the Swimming World Cup (FINA) 2016 and has renewed its sponsorship with PSG and AFC for a further three years. For the next three years, QNB Group will also be the main sponsor of Trabzonspor (one of Turkey's most popular football clubs). QNB is the main sponsor of QFA QSL which includes the Super Cup, League, Qatar Cup, Emir Cup, National Team for the next six years.
- Oman Ramadan: QNB Oman sponsored concert for the orphanages children and giveaway toys and sweets in Grand Mall as part of CSR activity
- QNB Tunisia organized the "warm winter" event and distributed winter clothes to kids in need and old abandoned people having no family support.

- QNB AL Ahli (Egypt) participated as a sponsor in the inauguration of the first phase of the shifaa-Orman Cancer Hospital in Luxor.
- QNB Indonesia supported Tarsisius High School in Jakarta with the continuation of financial literacy. QNB Indonesia also held an event with a library community and High Scope School teachers to give the Orphan children a token to fun during Ramadan.

### 3. The Board of Directors (Board/BOD)

#### 3.1 Role of Board of Directors

The BOD is entrusted by the shareholders with the authority to govern QNB Group, oversee its operations and provide effective governance over the Bank's key affairs, setting the overall strategic direction and oversight through the reviews and approvals of board level policies and various group policies to ensure the adherence to specific standards in order to minimize the Group's risk exposure, including the appointment and the oversight of the Executive Management as well as establishing compensation, performance evaluation and ensuring succession planning, setting the Group vision and mission, and objectives, ensuring the accuracy of its financial statements including the timely reporting and disclosure of financial information to regulators and shareholders, provide a system by which information on unlawful or unethical behaviors can be reported to the Board, and ensuring compliance with new laws and regulations as well as QNB Group Articles of Association.

The BOD also administers the development and implementation of the code of conduct for its members, explaining their roles and responsibilities and establishing the principles of ethical behaviour. The detailed roles and responsibilities of the BOD are defined in the Board Charter. The Board Charter can be found on QNB Group website and is also available in print to any shareholder upon request.

The BOD is responsible to review and approve the annual budgets, capital expenditures and business plans. Moreover, the BOD regularly monitors the Group's progress towards achieving its strategic goals and objectives, and recommends the necessary adjustments where applicable. As part of its duties, the BOD also ensures the implementation of an internal control system, including risk management, internal audit, compliance and financial control.

During the year 2016, based on the new regulatory requirements, the BOD responsibilities were expanded to include new provisions related to the review and assessment of the BOD members' independency on an annual basis. This review is documented and communicated to QCB.

### 3.2 Board of Directors Structure

According to the amended Articles of Association, (10) Members of the BOD are elected or nominated for three years renewable for the same period. The major shareholder in QNB which is the Government of Qatar, through the Qatar Investment Authority (QIA) (holding 50% equity stake) is entitled to appoint five (5) of these members while the other shareholders have the right to elect the remaining five (5) members. The BOD members shall elect its Chairman and Vice Chairman among its members by a majority secret vote of the Board. The Board of Directors has the widest authority to manage the bank and has also the right to appoint several managers or authorised persons and to vest in them the right to sign jointly or separately on behalf of the bank.

On the 7<sup>th</sup> of July 2013, QIA appointed H.E. Mr. Ali Shareef Al-Emadi, the Minister of Finance, as Chairman of the BOD. His tenure was renewed in January 2016.

H.E. Ali Shareef Al Emadi was the former Group Chief Executive Officer of QNB Group and has predominant experience in financial sector spanning over 20 years where he started his career with Qatar Central Bank at the Banking Supervision and Control Department and progressively held higher posts, culminating in being the GCEO of QNB from 2005 to 2013. H.E. has Bachelor of Science, Finance from the University of Arizona. Beside his mentioned positions above, H.E. also holds several important occupations in the government such as Secretary General of the Supreme Council of Economic Affairs and Investment, Chairman of Qatari Diar and the president of the Executive Board of Qatar Airways.

### 3.3 Board Composition and Size

During the General Assembly held on 31<sup>st</sup> of January 2016, (5) Members of the BOD from the private sector were elected and Qatar Investment Authority (QIA) appointed the other (5) Members. The term of the current Board expires in January 2019.

Members of the BOD have the requisite expertise and management skills that qualify them to conduct their duties towards the Bank's best interests. Board members are selected according to the criterion of "the right person in the right place", taking into account the efficiency and competence of the Members. They are also committed to investing the required amount of time and attention towards the accomplishment of their duties for the duration of their term.

The Board Nomination, Remuneration, Governance and Policies Committee is responsible to adopt the highest transparency standards in the nomination process for Board membership. This Committee is in charge of recommending Board Members' for election in the General Assembly based on the applicable QCB requirements, as well as initiating the annual performance self-assessment of the Board and Board Committees.

In coordination with The Group Board Nomination, Remuneration Governance and Policies Committee, Group Compliance ensures the preparation and the submission of the induction file to the new Board members to ensure proper awareness of all the responsibilities and tasks assigned to him.

Nominations and appointments are made in accordance with an approved mechanism to accept candidates in line with QCB and QFMA requirements. Moreover, for this specific purpose, the BOD has adopted a clear policy in light of international professional and technical standards to measure the eligibility of individuals to apply for Board Membership.

### 3.4 Board Members' Fiduciary Duties

Each Board Member owes the Bank the fiduciary duties of care, loyalty and compliance with the rules set out in related laws and regulations, including QCB Corporate Governance Instructions, QFMA Corporate Governance Code and the Board Charter, Board Policy, terms of reference and code of Ethics and Conduct.

Board Members act at all times on an informed basis, judiciously, in good faith, with due diligence and in the best interests of the Group and all shareholders, exercise independent judgement and observe confidentiality and act effectively to fulfil their responsibilities towards QNB Group.

### 3.5 The Chairman of the Board

The Chairman is responsible for heading the Board of Directors meetings and ensuring the proper functioning of the Board in an appropriate and effective manner, including timely receipt by the Board Members of complete and accurate information. He also has to approve the agenda of every meeting of the Board of Directors taking into consideration any matter proposed by any other Board Member. This may be delegated by the Chairman to a Board Member, but the Chairman remains responsible for the proper discharge of this duty by the said Board Member. The duties of the Chairman, in addition to the provisions of the Board Charter, also endeavour to encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board of Directors for ensuring that the Board of Directors is working in the best interest of the company in addition to ensure effective communication with shareholders and the communication of their opinions to the Board of Directors. The Chairman is also responsible for allowing effective participation of the Non-Executive Board Members in particular; he is also in control of promoting constructive relations between Board Members.

### 3.6 Independent and Non-Executive Board Members

All of QNB Group's BOD members are Non-Executive Members and none of them assume executive responsibilities. In line with QFMA Corporate Governance regulations, third of the BOD members are independent and no member holds a full-time or part-time job within the Group.

At the beginning of 2016, the BOD has completed the evaluation of the Board's performance as a whole related to the previous year, as well as the performance of its members by means of self-assessment and group-assessment criteria.

The special responsibilities of the Non-Executive Board Members are as prescribed in the rules set out in applicable laws and regulations. These include:

- Being actively involved in Board meetings and providing input to Board activities as stipulated in the Board Charter.
- Assisting and providing opinion on the Bank's strategic and business planning processes and constructively challenging proposals on strategy.

- Monitoring management's performance in achieving agreed goals and objectives and scrutinising the Bank's performance reports.
- Reviewing the integrity of financial information and ensuring that the Bank's financial controls and systems of risk management are robust and defensible.
- Raising to the Board's attention any shareholder concerns when other channels of communication are inappropriate.
- Participating in the Group Board Audit and Compliance Committee.
- Ensuring that the Bank and Shareholder interests are preserved and prioritised, especially in 'conflict of interest' situations.
- Participating in the development of protocols relating to Corporate Governance and ensuring their implementation in a consistent manner.
- Consulting an independent external advisor at the Bank's expense if necessary.

### 3.7 BOD Assessment

The BOD believes the performance assessment exercise will lead to closer working relationships among BOD members, greater efficiency in the use of the BOD's time, and increased effectiveness of the BOD as a governing body.

To ensure that the BOD and its individual Members are carrying out their roles/responsibilities effectively, Group Board Nomination Remuneration Governance and Policies Committee (GBNRGPC) has initiated the annual assessment exercise of the BOD committees and the BOD members. The BOD undertook the process of an annual assessment according to the new BOD performance methodology adopted during 2016. The assessment allows the BOD to demonstrate that it is accountable for its decisions and the overall operations of QNB Group: Full-Board Assessment.

Moreover, all BOD members completed a self-evaluation exercise indicating to what extent they are comfortable with their individual performance as members of the BOD: Self-Board Members Assessment.

The BOD performance assessment task related to 2016 was launched at the end the year and the results of the assessment will be reflected to the shareholders in the General Assembly Meeting.



### 3.8 Board Secretary

The BOD has appointed a Secretary of the Board that can be removed only by Board resolution. The BOD secretary is entrusted to record, coordinate and register all the Board's meetings, in addition to keeping custody of records, books and reports sent and received by the Board. The Secretary's functions also include the distribution of information and coordination among Members of the Board and between the Board and stakeholders within the Group, including shareholders, Executive Management and employees, and to ensure the timely access of Members of the Board to all minutes of meetings, information, documents and records related to the Group.

Mr. Mohamed Mahmoud Muslim Arar - Secretariat Management Diploma- is the Secretary of the BOD since 1990. He has previous experience in banking and secretarial work, as he has been a member of the Bank since 1974 in the Current Accounts Department of the Bank then moved to Credit Facility Management in 1980. He was appointed as Office Manager of the Group CEO in 1988.

Mr. Ghanem Hasan Al-Hail - Bachelor of Law-, is the Board Office Manager. He was the Head of the Legal Department of the Bank since 2008 up to February 2013 and has previous experience of six years at the Ministry of Civil Service and Housing.

Mr. Faisal Mubarak Al-Hitmi - Diploma in Business Administration, Accounting - is an Acting Senior Officer at Board Office since June 2016. He has previously worked in the Tenders and Vendors Management section in the Legal Department under Group Risk since June, 2014.

### 3.9 Board Meetings

The Board should hold at least six meetings during the year. The meetings are held regularly or when called for by the Chairman or by two Board Members, according to QNB Group's Articles of Association. The invitation for the Board meeting should be communicated to all members at least one week prior to the meeting. In this regard, any member can add a subject to the meeting's agenda. The Group's Articles of Association also provide detailed information on the attendance, quorum, voting and meeting requirements. The Board should periodically meet in order to ensure that it is adequately fulfilling its roles and responsibilities.

In 2016, the BOD held **six** meetings.

### 3.10 Board Members Resignation

Following the new commercial companies law No. 11 for the year 2015, the provisions of the article (105) have been considered in QNB Articles of Association article (27), stating that in the event that a Board Member is absent in three consecutive (or four non-consecutive) Board meetings, with no acceptable excuse by the Board, the member shall be legally considered as having resigned, to be in line with QFMA requirements.

In line with QCB requirements, QNB BOD policy has been amended to include a new provision regarding the resignation of BOD members stating that a Board member may resign by delivering written notice, signed by the Board member, to the Chairman and transmitted to the board. In case of resignation for reasons of irregularities observed by the member, the written letter should be addressed with a statement explaining all related details and must be documented in the Board of Directors Minutes of meeting.

### 3.11 The Committees of the Board

As per Corporate Governance practices, QCB and QFMA requirements, QNB Group BOD established several committees to assist in carrying out its supervisory responsibilities composed of Members of the Board who report directly to the BOD. The Chairman of the Board of Directors is not a member of any of these committees.

Each Board Committee is assigned to handle one or more of the tasks of the Board. The responsibilities of the Board Committees are duly documented terms of reference, which are approved by the BOD.

QNB Group BOD committees are the following:

- a. Group Board Executive Committee (GBEC).
- b. Group Board Audit and Compliance Committee (GBACC).
- c. Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC).
- d. Group Board Risk Committee (GBRC).

The following is a summary on the composition, duties and the working mechanism of these committees:

### 3.11.1 Group Board Executive Committee (GBEC)

The Group Board Executive Committee is composed of three Board Members; one of them is selected by the BOD as Chairman. The Group Chief Executive Officer attends all meetings, without voting rights.

#### GBEC main responsibilities:

- Review and endorse for the Board approval the long term strategy of QNB Group based on economic and market conditions and Board of Directors' directives.
- Review and endorse for the Board approval annual business plans and budgets across QNB Group in line with the long term strategy and changes in economical, market, and regulatory environments.
- Review and approve budgetary reallocations against budget approved items as per the quarterly management reports.
- Monitor QNB Group quarterly performance against strategy, business plan and budgets.
- Review and approve QNB brand vision and defined values with all associated brands across the Group.
- Review and approve QNB corporate social responsibility strategy in light of QNB brand values across the Group.
- Review and consolidate marketing and communication plans and resource distribution plans to efficiently and effectively align it to support QNB business development and growth.
- Facilitate the effective supervision and overall control of the Group's business by reviewing overall customer credit and investment exposures.
- Review and consolidate business development, products alignment, and resources distribution across QNB Group.
- Authorize those individual transactions and sectorial limits that fall within the authority delegated to the Group Board Executive Committee by the Board of Directors.
- Review credit proposals above the GBEC limit and make recommendations to the Board of Directors.
- Review and recommend the action to be taken on impaired loans in line with the delegated limits and authorities as approved by the Board of Directors and in line with Qatar Central Bank regulations.

The Committee held **four** meetings during the year 2016.

### 3.11.2 Group Board Audit and Compliance Committee (GBACC)

The Group Board Audit and Compliance Committee is composed of three Board Members majority are independent members. The Chairman of the Group Board Audit and Compliance Committee must be a financial expert and the other board members must have financial reporting background and knowledge. Members of the GBACC cannot be a member of any other Board Committee.

#### The committee has the following responsibilities pertaining to Financial Statements:

- Review significant accounting and reporting issues, including complex or unusual transactions, in the light of regulatory directives and professional pronouncements and correlate their impact on the financial statements of the Group.
- Review judgments by executive management in relation to responsibilities pertaining to financial statements.
- Review and endorse the annual financial statements, and consider whether they are complete, consistent and reflect appropriate accounting standards and principles before submission to the BOD for final approval.
- Review the Group's financial statement, notes thereto, related regulatory filings, and consider the accuracy and completeness of the information before release.
- Review with management and the external auditors all matters required to be communicated or disclosed under generally accepted auditing standards, or regulatory requirements.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors and consider whether they are complete and consistent before filing with regulators.
- Consider with internal and external auditors any fraud, illegal acts or deficiencies in internal control or other similar areas.
- Review any legal matters that could significantly impact the financial statements of the Group.
- Review with Group Compliance and external auditors any fines imposed by the regulators and/or other bodies.

**The committee has the following responsibilities pertaining to Internal Control:**

- Understand the scope of internal and external auditors' review of internal control over financial reports and obtain reports on significant findings and recommendations, together with management's responses.
- Obtain explanation from management and internal and external auditors on whether the Group's financial and operating controls are functioning adequately and effectively.
- In coordination with Group Board Risk Committee, consider the effectiveness of the Group's management of risks and internal controls over annual and interim financial reporting, regulatory and other reporting, including information technology security and controls.
- Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

**The committee has following responsibilities pertaining to Internal Audit:**

- Appoint/remove the Group Chief Internal Audit Executive.
- Review and approve the charter, plans, activities, staffing and organizational structure of Group Internal Audit Division.
- Ensure there are no unjustified restrictions or limitations on the functioning of Group Internal Audit, as well as on internal audit's access to the Group's records, documents, personnel as and when required in performance of their functions.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing and other applicable standards and best practices.
- On a regular basis, review the results of Internal Audit and meet separately with the Group Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence and report the results of the committee review to the BOD on regular basis.
- Ensure that management responds to recommendations by the internal auditors and that all information, records...etc. sought for and

required by internal auditors in the performance of their formal duties is/are made available to them by management in an unhindered manner.

**The committee has following responsibilities pertaining to Compliance:**

- The Committee will be responsible to appoint/remove the Group Chief Compliance Officer.
- Review and approve the charter, plans, activities, staffing and organizational structure of Group Compliance Division.
- Ensure the efficiency of the compliance function in detecting the deviations and breaches within the Group, and ensure the non-existence of any factors that would impact its independence and objectivity as well as proper reporting of the compliance function with appropriate consideration to Basel Committee requirements and FATF (Financial Action Task Force on Money Laundering) recommendations.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of investigation and follow-up (including disciplinary action) of any instances of non-compliance within the Group.
- Review the findings of any inspection by QCB and any other regulatory body and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence.
- Review the communication and enforcement of the code of conduct to Group personnel and monitoring compliance therewith.
- Ensure there is an effective mechanism for control, monitoring and reporting on the anti-money laundering and combating terrorism financing as well as international sanctions programs and related issues.
- Reviews the effectiveness of the whistle-blowing policy and recommends related actions/amendments to the BOD.
- Review and recommend the Corporate Governance annual report, prepared by Group Compliance, in accordance with regulatory requirements.
- On a regular basis, review the results of the compliance reviews and meet separately with the Group Chief Compliance Officer to discuss any matters that the committee or Group Compliance believes they should be discussed privately and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence.

**The committee has the following responsibilities pertaining to External Audit**

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Ensure timely reply by the Board to the queries and matters contained in the external auditor's letters and reports.
- Review the performance of the external auditors.
- Make recommendations to the Board of Directors regarding the appointment/reappointment/removal of the external auditors and their fees.
- On a regular basis, review the results of the external auditors and meet separately with them to discuss any matters that the committee or external auditors believe they should be discussed privately, including management responses to their reports and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence.

**The committee has the following responsibilities pertaining to Reporting Responsibilities:**

- Regularly report to the Board of Directors about the committee activities and result of the committee review of issues identified by regulators, external auditors, internal audit and compliance and related recommendations.
- Subject to applicable regulatory requirements, report annually to the shareholders, describing the committee's composition, role and responsibilities and how they were discharged, and any other information required by regulations.
- Review any other reports the Group issues that relates to Group Board Audit and Compliance Committee's area of responsibility.

The Committee is required to meet minimum four times per year in addition to immediately prior to publication of the annual, half yearly and quarterly results.

During 2016, The Committee met a total of **eight** times.

### 3.11.3 Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC)

During the year 2016, the role and responsibilities of this committee has been updated to reflect the new responsibilities pertaining to the nomination

and moving all responsibilities related to business development to the Group Board Executive Committee. The Group Board Nomination, Remuneration, Governance and Policies Committee is composed of three Board Members who are in majority non-executive and non-independent members including the chairman.

**GBNRGPC main responsibilities:**

- Identify eligible and qualified candidates for Board and Senior Executive Management positions according to the fit-and-proper criteria set by the Committee in addition to the Independency/non-executives requirements.
- Assess all candidates as per QCB, QFMA, and Commercial Companies law conditions and minimum requirements where applicable.
- Ensure that all new Directors receive proper induction program upon joining the Board by issuing a formal appointment letter and providing all Directors with induction Handbook containing all important information and documents that are relevant to the Director.
- Monitor the induction, training and continuous professional development of Directors pertaining to Corporate Governance matters.
- Assess and review annually the independency/non-executive criteria of each Board member.
- Ensure the remuneration framework and principles in place is in line with the remuneration policy and the Board's guidelines taking into consideration the balancing between achieved and realized profits and risk associated with the business activities.
- Approve and review the Group's remuneration and incentives guidelines and ensure that the remunerations of the Board of Directors and Executive Management are in line with the criteria and limits set forth by QCB and Commercial Companies law.
- Arrange the annual evaluation of performance of the Board, its Committees and individual Directors consistent with BOD Policy and provide related information at the Annual General Assembly Meeting.
- Direct and oversee the preparation and update of the Corporate Governance Manual in collaboration with the Executive Management and Group Board Audit and Compliance Committee.
- Prepare required recommendations and proposals to the BOD for approval pertaining to the scope of work of related management committees dealing with the GBGRNPC as well as other recommendations raised by Executive



- Management through appropriate channels.
- Oversee the overall Human Capital Policies and ensure the BOD and Senior/Executive Management succession planning.

The Committee held **four** meetings during the year 2016.

### 3.11.4 Group Board Risk Committee (GBRC)

The Group Board Risk Committee is a newly formed committee in order to meet BOD oversight responsibility over the Risk Management and QCB new regulatory requirements. The committee is composed of three members one of them is selected by the BOD as Chairman.

#### GBRC main responsibilities:

- Review and endorse for the Board approval the risk management strategy of the Group as well as Group Risk Appetite and Portfolio Strategies recommended by Group Management Risk Committee (GMRC) and review any changes in risk strategy/risk appetite arising.
- Review and compare the Group portfolio risk profile with the approved Group Risk Appetite and endorse GMRC recommended portfolio strategies for approval by Board.
- Approve risk frameworks, and Group Risk Policies and control structures in accordance with the approved strategy by the Board and oversee implementation of policies pertaining to the bank's internal control system.
- Ensure the effectiveness of the risk control framework and oversee the evaluation outcomes of the GMRC.
- Approve and oversee stress testing scenarios and results, as well as management action plans.
- Approve the Group's capital management framework and any further enhancement proposed by GMRC.
- Oversee the monitoring processes performed by GMRC and control framework for the risk management and the defined related roles and responsibilities across the Group.
- Evaluate the monitoring process made by GMRC on Group entities in the identification of Operational, Credit, Market, Strategic, Legal and Reputational risks, and action plans implemented to monitor and manage these risks.
- Evaluate and approve Contingency Funding Planning (CFP) document and ensure if any material conditions realize that will invoke the CFP.
- Ensure that no material impact/risk identified

by GMRC related to anti money laundering and terrorist financing as well as the 'know your customer' requirements.

- Review any breaches of risk limits or internal control failures (if any) and review investigation results performed by GMRC.

The committee held **four** meetings during 2016.

## 4. Board of Directors and Executive Management Members' Remuneration

The remuneration system within the Group forms a key component of the governance and incentive structure through which the Board and Executive Management promote good performance, convey acceptable risk-taking behaviour and reinforce the bank's operating and risk culture.

The Board through its Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC) (by delegation) is responsible for the overall oversight of management's implementation of the remuneration system for the entire bank. In addition, the GBNRGPC regularly monitors and reviews outcomes to assess whether the bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity. The Board reviews the remuneration plans, processes and outcomes on an annual basis.

In accordance with the Commercial Companies Law provisions, as well as the QCB circular 18-2014 dated 24 February 2014 related to the remuneration of the Board of Directors' Chairman and members, QNB Group adopted a special remuneration policy for the BOD in line with the said regulations, whereby the Group's Articles of Association have established a framework for the Board Members' remuneration which is far below the limits referred to in the Commercial Companies Law.

The remuneration policy of the BOD Members was duly acknowledged to be in line with QCB instructions; whereas the remuneration of the BOD Members is presented on an annual basis to the General Assembly for approval. GBNRGPC defines a specific policy for remuneration of the Executive Management before presenting it to the BOD for approval.

The policy defines a mechanism whereby the remuneration is directly linked to the effort and performance at both department and employee levels, through the achievement of assigned goals and objectives in accordance with the profitability, risk assessment and the overall performance of the Group.

## 5. Executive Management

### 5.1 Governance and Structure

The Board of Directors of QNB Group appointed on the 9<sup>th</sup> of July 2013 Mr. Ali Ahmed Al Kuwari as Acting Group Chief Executive Officer before being named in December 2014 as Chief Executive Officer for the Group.

Mr. Ali Al Kuwari has over 29 years of extensive experience in all aspects of Business: Strategic Planning, Sales and Marketing, Finance, Operations, Credit, Human Resources Development, Information Systems, System Analysis and Design, Programming, Business and Customer Partnership, and Business and Product Development. He held several executive positions with QNB, where he occupied the post of Executive General Manager - Chief Business Officer with responsibility for Corporate, Retail, Assets and Wealth Management, Treasury and International Divisions.

Mr. Abdulla Mubarak Al-Khalifa was appointed as "Executive General Manager - Chief Business Officer" in Mr. Ali Al Kuwari's place after the latter left the post to assume his current position.

In accordance with the Corporate Governance Code of QFMA, article (7) and the Corporate Governance instructions issued by QCB, in order to ensure the separation of powers between the Chairman of the BOD and the Group Chief Executive Officer (GCEO), the BOD has given due attention to this aspect and has adopted a clear policy since the establishment of the Bank with a complete segregation between the duties of Chairman of the BOD and the GCEO.

The GCEO is assisted in his duties by a specialised and highly qualified team from the Executive Management. Four Chiefs report directly to the GCEO: The Executive General Manager - Group Chief Business Officer; the Executive General Manager - Chief Operating Officer; General Manager - Group Chief Risk Officer; the General Manager - Chief Financial Officer; in addition to the General Manager of Strategy.

Two other independent Chiefs appointed by the Group Board Audit and Compliance Committee, who are responsible for generating reports and reporting on violations and concerns to the Committee and GCEO, are the Group Chief Compliance Officer and the Group Chief Audit Executive.

QNB's Executive Management is fully aware of its role in terms of Corporate Governance through its commitment to implement the legislative requirements and the BOD's instructions in a way that strengthens the control environment in the various processes and banking activities; this includes determining the deviations from the objectives, ensuring the convergence of operations to achieve the desired goals and implementing corrective actions when required.

Executive Management is also committed to assess the behaviour of individuals and organizational units through the development of effective internal controls which enhance the monitoring of business performance and risk measurement. In addition, soft controls have been implemented, such as incremental audit checks, segregation of duties, and restriction of powers, in addition to the implementation of ceilings on all banking operations through the adoption and monitoring of an authority matrix.

### 5.2 Executive Management Committees

The Executive Management formed a number of management committees as appropriate in order to effectively and efficiently handle their responsibilities and run the day to day activities.

Management Committees are endowed with full executive powers to take into force decisions and actions related to their field, scope, and structured hierarchy.

Currently, the management committees established at the Head Office are structured as follows:

- Tier 1 "Executive Committees, the "decision making" Committees which include (Central Purchasing, Risk, Credit, ALCO and Strategy) will report to the Board via Boards of Directors related Committee.
- Tier 2 "Management Committees, the "working committees" which include (Business Development, IT, HR and Operations and Services) will report to the parent Committee in Tier 1.
- Senior Management Committee: chaired by the GCEO and represented by the four chiefs (Executive GM- Chief Business Officer, Executive GM- Chief Operating Officer, Group Chief Financial Officer and Group Chief Risk Officer).

More details about the new management committees' structure are mentioned in section (17) of this report under Spotlights of Specific Corporate Governance Practices at QNB Group.

A summary of the tasks of the various committees is highlighted in the following section.

### 5.2.1 Group Management Risk Committee

The Group Management Risk Committee is headed by the GCEO, with the General Manager - Group Chief Risk Officer as the Vice Chairman. The Committee also includes the Executive General Manager - Chief Business Officer, Executive General Manager - Chief Operating Officer, General Manager - Chief Financial Officer, and General Manager Strategy. The Group Chief Audit Executive and Group Chief Compliance Officer attend the meetings as required observers. The Head of Group Operational Risk acts as Secretary for this Committee. The Committee holds quarterly meetings at minimum, provided that the majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority of the attendees, with the Chairman's vote deciding in case of a tie.

The committee held **four** meetings during 2016.

The Group Management Risk Committee establishes reviews and recommends QNB Group's risk management strategy and defines risk policies. It reviews the processes and control framework for the management of risks and defines related roles and responsibilities across the QNB Group. The Committee also reviews the Group portfolio risk profile and recommend portfolio risk management strategies to Group Board Risk Committee for endorsement in order to obtain BOD approval, and reviews the effectiveness of the operation of the risk control framework and submit to the Group Board Risk Committee the annual evaluation for approval by the Board, the committee monitors risk management activities from several perspectives: operational, credit, market, strategic, legal and reputational. The review of the Committee's policies and supervision of its activities falls under the responsibilities of the Board. The Committee reviews compliance with policies and procedures, audit recommendations, regulatory requirements, including combating money laundering and counter terrorist financing requirements.

The committee also implements and manages the Crisis Management Plan and framework and provides strategic direction during a crisis, including the management of external communications liaising with media, regulatory authorities, emergency services and government agencies. It also provides the Group Risk report and dashboards to the Group Board Risk Committee as and when required.

### 5.2.2 Group Credit Committee

The Group Credit Committee is headed by the GCEO, with the Group Chief Credit Officer as the Vice Chairman. The Committee also includes the Executive General Manager - Chief Business Officer, General Manager - Group Chief Risk Officer, General Manager of Corporate and Institution Banking, General Manager - Asset and Wealth Management, General Manager - International Banking and Assistant General Manager - Group Credit. The Senior Credit Officer - Group Credit acts as Secretary for this committee. The Committee meets at least every month, provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decision consensus is unanimous. Any proposal not supported by all members present is rejected.

The Group Credit Committee reviews, recommends and implements approved credit policies and procedures related to all corporate and financial institutions across the Group. The Committee also reviews and recommends the investment strategy, policies and procedures to the Group Board Executive Committee and BOD. The Committee reviews the delegated authorities related to credit and investments and recommends amendments to the BOD where appropriate. It also escalates its decisions to the Group Board Executive Committee where said decisions pertain to BOD credit facilities which exceed its authority. The Committee also assumes the responsibility to review and approve the range of investment products across the Group and approves acceptable brokers/dealers and custodians for the Group. It also monitors and reviews the performance of all the investment portfolio activities. In addition, the Committee monitors and reviews country risk exposures for compliance with the approved investment limits and ratios. The Committee also provides investment and credit risk reports to the Board as and when required.

The Committee held **Thirty Five** meetings during 2016.

### 5.2.3 Senior Management Committee

The Senior Management Committee is headed by the GCEO, and includes the Executive General Manager- Group Chief Business Officer, Executive General Manager- Group Chief Operating Officer, Group Chief Risk Officer and Group Chief Financial Officer. The General Manager- Group Strategy acts as Secretary for this committee. The Committee meets at least every month, provided that a majority of the Committee Members attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority of the attendees, with the Chairman's vote deciding in case of a tie.

The Committee is the parent committee of Group Information Technology Committee, Group Operation and Services Committee and Group Human Capital Committee and submit memos to the BOD Committees as well as the BOD as and when required.

The main function of this Committee is to assist the Board of Directors in overseeing the activities of the related Committees, discuss the critical topics and strategic matters related to QNB Group activities, it is also responsible for safeguarding an information flow which provides the Board at any time an adequate basis for steering the Bank as a whole and for meaningful and up-to-date information on its risk positions, and responsible for aligning all IT activities across the Group with QNB's vision, mission and business plan and to review Group wide IT standards.

The Committee held **twelve** meetings during 2016.

### 5.2.4 Group Asset and Liability Committee

The Group Asset and Liability Committee is headed by the GCEO, with the General Manager - Chief Financial Officer as the Vice Chairman. Other members of this Committee include the Executive General Manager - Chief Business Officer, Executive General Manager - Chief Operating Officer, General Manager - Group Chief Risk Officer, and General Managers of Treasury, Strategy and Corporate. Other members of senior management may be invited to attend if needed.

The Assistant General Manager - Trading acts as a Secretary for this Committee. The Committee meets every month, provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy.

The decisions are taken by majority, with the Chairman's vote deciding in case of a tie.

The Committee reviews and recommends the strategies, policies and procedures related to Asset Liability Management across the Group to the Group Board Executive Committee. It also monitors and reviews Treasury performance and products, including banking and trading book portfolios; interest rate risk; liquidity risk; and foreign exchange risk. The Committee also ensures compliance with Treasury's limits and ratios. The Committee oversees inter-group transfer pricing policy. It also monitors monthly financial performance and budget targets and market share targets against performance.

The Committee held **twelve** meetings during the year 2016.

### 5.2.5 Group Strategy Committee

The Group Strategy Committee is headed by the GCEO, with the Executive General Manager - Chief Business Officer as the Vice Chairman. The Committee also includes the Executive General Manager - Chief Operating Officer, General Manager - Group Chief Risk Officer, General Manager - Chief Financial Officer and General Manager - Strategy. The Assistant General Manager - Strategy and Business Development acts as Secretary for this Committee. The Committee meets at a minimum on a quarterly basis, provided that a majority of the Committee Members attend including the Chairman of the Committee or his deputy. The decisions are taken by majority, with the Chairman vote deciding in case of a tie.

The Committee held **six** meetings during 2016, in addition of two internal QNB Group Strategy Conferences which served as a forum to update all senior managers and country General Managers on the execution of QNB Group's 2020 strategy.

The main function of this Committee is to develop the vision and strategy for QNB Group which is submitted to the BOD for review and approval. The Committee monitors market developments and the competitive positioning against peers in the Middle East, Africa and Southeast Asia Regions. QNB's 2017 vision and strategy was reviewed and refined to a 2020 horizon. The Group's strategic plan was approved by the BOD and communicated to the Group.



### 5.2.6 Centralized Purchasing Committee

The Centralized Purchasing Committee is headed by the GCEO, with the Chief Financial Officer as Vice Chairman. The Committee includes the Chief Business Officer, Chief Operating Officer, Group Chief Risk Officer. Required observers in this Committee include the Group Chief Audit Executive, Group Chief Compliance Officer and Head of Legal and a representative from the concerned department. The Head of Tenders and Contracts Admin acts as a Secretary for this committee. The Committee meets as and when required, and the decisions are taken by majority, with the Chairman's vote deciding in case of a tie. The Centralized Purchasing Committee ensures the compliance with Tenders and Auction Policy directives manages relevant contractual relations and is committed to disclose any situation of conflicts of interest emanating from members. It reviews and approves the procedures for purchases and auctions, along with the formation of auction working groups to oversee bid openings, selection and evaluation. The Committee also reviews and approves vendor lists and associated products and services, and the awarding of tenders and auctions. It has the authority to form sub-committees in other jurisdictions where required.

### 5.2.7 Group Information Technology Committee

The Group Information Technology Committee is headed by the Group Chief Operating Officer, with the General Manager of Group Information Technology as Vice Chairman. The Committee includes, the General Managers of Group Operations, GM Group Strategy, GM Group Administration and General Services, GM Group Retail, GM International Banking and the Heads of Group Operational Risk, Infrastructure and Development and User services. The Executive Manager- IT Strategy and Governance acts as a Secretary for this committee. The Committee meets every two months at minimum provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions are taken by majority, with the Chairman's vote deciding in case of tie.

The Committee held **four** meetings during 2016.

The Group Information Technology Committee is responsible for establishing IT standards and aligning all IT activities across the Group to meet business plans and objectives. The Committee

also formulates and monitors the implementation of the annual IT strategy throughout the Group, including capital and operating expenditure budgets assigned to IT projects and services. It is also the responsibility of the Committee to prioritise the management of IT projects across the Group and to monitor the progress towards their implementation. In addition, this Committee sets, monitors and reports on the aspects related to technology key performance indicators (KPIs) and key risk indicators (KRIs). The Committee also makes relevant recommendations for enhancing the value and contribution of the Group's information systems, as appropriate.

### 5.2.8 Group Business Development Committee

The Group Business Development Committee is headed by the Group Chief Business Officer, with the General Manager of Corporate Banking as Vice Chairman. The Committee includes the GM of Asset and Wealth Management, GM Group Retail, GM International Banking, GM Group Treasury, GM Group Strategy, GM Group Communications and the CEO of QNB Capital. The Head of Cash Management Sales acts as a Secretary for this committee. The Committee meets on a monthly basis, provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority, with the Chairman's vote deciding in case of a tie.

The Committee held **eleven** meetings during the year 2016.

The Group Business Development Committee formulates the implementation framework for realising expansion plans and aligns the required regulatory, business, support and marketing resources. The Committee develops a five-year international expansion plan in line with QNB Group's five-year strategy. It also reviews mergers and acquisitions to implement appropriate integration standards across QNB Group's business. The Committee reviews the new business and product initiatives, as well as market share and competitor information and recommends business plan amendments as needed. It also reviews regulatory developments and their impact on business strategy and products. The Committee develops and monitors the implementation of operational standards across the Group and reviews the performance of Business Departments. It maintains inter-group working priorities in areas of business and operations, at



the same time it reviews support units' delivery against business objectives. It is also the Committee's responsibility to review and recommend marketing plans and branding opportunities, as well as the participation in events and to ensure maximum benefit from staff and management engagement.

#### 5.2.9 Group Operations and Services Committee

The Group Operations and Services Committee are headed by the Group Chief Operating Officer, with the General Manager, Group Operations as Vice Chairman. The Committee includes the General Managers of Group Administration and General Services, Group IT, Group Retail, Group Treasury, International Banking, and Asset and Wealth Management, Corporate and Financial Institutions, the Assistant General Managers of Operations Control and Excellence. The Head of Group Operational Risk, the Assistant General Manager Retail and Corporate Operations and Treasury Operation Custody and Trade Finance with the Executive Manager International Global Operations Support are observers. The Assistant General Manager of Operations Control and Excellence acts as Secretary for this Committee. The Committee meets quarterly at minimum, provided that the majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority, with the Chairman's vote deciding in case of a tie.

The Committee held **four** meetings during 2016.

The Group Operations and Services Committee ensures follow-up and conducts regular reviews of the Bank's operational activities, transaction monitoring, procedure execution and improvements, operational efficiencies, oversight of premises and facilities, and insurance and back-office centralization initiatives. The Committee aligns all operation activities with QNB Group's vision, mission and business plans. It conducts a regular re-engineering program to support continuous process and service improvement. The Committee prioritises the management of relevant projects and manages QNB Group's real estate interests. It reviews and monitors branch, office and ATM expansions across the Group. It also defines and monitors the implementation of security and safety standards across the Group. The Committee also monitors the implementation of internal and external signage and branding standards, and provides quarterly capital budget utilization and reassignments reports.

#### 5.2.10 Group Human Capital Committee

The Group Human Capital Committee is headed by the Group Chief Operating Officer, with the General Manager of Group Human Capital as Vice Chairman. The Committee includes the General Managers of Group Retail, International Business, Group Strategy, the Assistant General Managers of Human Resources Strategy and Integration, Human Resources Services and the Executive Manager of International Human Resources Integration who acts as Secretary for this Committee as well. The Committee holds quarterly meetings at minimum, provided that the majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority, with the Chairman vote deciding in case of a tie.

The Committee held **four** meetings during 2016.

The Group Human Capital Committee handles all human capital matters across the Group, including manpower planning, recruitment, job evaluations, promotions, disciplinary actions, and compensations and benefits review. The Committee also handles the integrated performance management and development, learning and development initiatives, staff rewards and recognition, and the implementation of staff suggestion schemes. The Committee regularly reviews the Human Resources policies and recommends changes as needed, and deals with the fulfilment of the nationalization program objectives.

## 6. Risk Management

QNB risk exposures are mitigated through various specific mechanisms for risk assessment and control. The success of risk management in QNB Group is generated from the ability to focus on the roles and responsibilities defined for the BOD, various committees, Executive Management, officers and staff. Risk management is considered an important element for the QNB Group to ensure continued profitability, and every employee in the Group is responsible for dealing with potential risks when carrying out his/her duties. The BOD assumes the ultimate responsibilities for monitoring QNB Group's risks by assuming the responsibility of risk assessment and supervision through Group Board Risk Committee in coordination with the GCEO, the Group Management Risk Committee, the Group Credit Committee, and the Group Assets and Liabilities Committee.

The BOD assumes full responsibility for the development of strategic risks and the application of the relevant principles, frameworks and policies. This includes the implementation of appropriate restrictions with respect to products, issuer, geographic location, and maturity. However, separate and independent entities responsible for the management and control of certain risks are nominated and pre-defined. Accordingly, QNB Group's Treasury, Risk Management and Internal Audit Divisions are responsible for the Group's commitment to trading restrictions imposed by the BOD. In this regards, detailed monthly reports are submitted to the Group Assets and Liabilities Committee.

The BOD also performs complete supervision over credit, market and operational risks affecting the Group. The BOD has determined the objectives and framework of the Group's risk management policy and is committed to monitor the various risks on a daily basis through the various committees that are responsible for the establishment of the risk management policy based on the objectives and mechanisms identified by the Board. The Group Risk Management Division, headed by the Group Chief Risk Officer, undertakes the implementation of the policy. Risk management policies and procedures are established in order to identify, assess and monitor the risks at Group level.

The Group Management Risk Committee is considered the ultimate executive authority vested to deal with the various risk aspects at Group level. Group Risk Division undertakes the formulation and review of the risk management strategy, defines the risk management policies, evaluates the activities of risk management and control mechanisms, and assesses and determines the Group's operational, credit, market, strategic, legal, and reputational risks. Group Risk also ensures the implementation of operational plans to monitor and

manage these risks, reviews and monitors cases of fraud and operating losses, and oversees the legal disputes at all levels of QNB Group.

The process of independent risk oversight is a part of the strategic planning for QNB Group, and includes business risks such as variables that may arise in the environment, technology and business.

## 7. QNB Group Organization Structure and Succession Plan

### 7.1 Organization Structure

As part of the on-going Corporate Governance project which started in 2007, the BOD is keen to update the organization structure of the Bank when required to be in line with international best practices, support the application of Corporate Governance and enhance the internal control of various management levels. The updates also fulfil the regulatory requirements and cover future plans of internal and external growth as well as the development of financial and banking services locally and abroad.

### 7.2 Succession Planning

QNB Group continued to drive the Leadership Continuity Planning as one of the strategic initiatives to ensure comprehensive business continuity framework in place and also to develop capable leadership pipeline. This exercise is reviewed quarterly and helps identify leadership talent and further groom them to assume higher and complex responsibilities that can support current business growth and in future as well.

### 7.3 Training and Development of Future Leadership

To develop good future leaders restricted not only within QNB but also globally, for turning strategy into action and capable of bridging levels and functions, QNB had designed various Leadership courses starting from supervisors to executive management and delivered by world-class institutions such as Franklin Covey and AON Hewitt.

During 2016, QNB Group conducted a bank-wide mandatory training course for employees in Qatar. The course is related to Policies, Procedures, Circulars and Forms, and how Policies and Procedures services can be utilized, in addition to providing a better understanding on the material that is published by the department.

Moreover, QNB Group continued to deliver the Leadership Development Program (LDP) and Management Development Program (MDP) for its' middle management, supervisors and team leaders in Qatar and Group's international locations in collaboration with renowned global institutions.

The below is a brief on the key developments in terms of main training programs and leadership developments conducted during 2016:

- To enable knowledge sharing and best practice migration within QNB's International Retail network, deputation program for the International Relationship Managers from QNB international network such as Egypt, UAE, Lebanon, UK and France.
- To enhance knowledge on international Retail business operations, 2 Qatari staff at Group QNB were deputed in two International branches (London and Paris) in Retail branches for a period of 6 Weeks.
- A team of QNB First Plus RMs were accredited for securities and investments by Chartered Institute for Securities and Investment (CISI, UK).
- Employees from International Retail have completed a green belt six sigma accreditation.

## 8. Internal Control System

The BOD assumes full responsibility for the QNB Group System of Internal Controls, whereby specific policies, guidelines and controls covering the entire Group's transactions have been devised. Moreover, the determinations of responsibility limits, performance monitoring, privileges and authorizations on all banking operations have been implemented in addition to a clear policy for segregation of duties and dual control. QNB Group's Executive Management is considered responsible for the overall control of these systems in coordination with the concerned General Managers, Divisional Managers and domestic and overseas Branch Managers. The responsibility of implementing efficient internal control systems at the Group level is the direct responsibility of every employee at the Group.

The Group Board Audit and Compliance Committee, on behalf of the BOD, performs on a regular basis a review of the framework of internal controls and assesses the internal systems through the evaluation of processes carried out by the Group Internal Audit and Group

Compliance in addition to the reviews that the external auditors conduct. The BOD is notified on a quarterly basis of control issues (including risk management); it confirms the adequacy of the existence of effective internal controls at Group level based on the recommendations and advice presented by the Group Board Audit and Compliance Committee as supported by the Group Internal Audit and Group Compliance through:

### 8.1 Group Internal Audit Division

The Group Internal Audit is an independent function within QNB Group that intends to add value to the Group's operations and improve their performance. It is the responsibility of the Group Internal Audit to determine and report on the failures or weaknesses in the systems and operations of the Group in order to control its activities and adequately manage its risks. The department also reviews the systems and internal controls for the activities of the Group by assessing the efficiency and effectiveness of the systems and the implemented procedures and by ensuring compliance with the control mechanisms implemented by management. The department also ensures compliance with all rules, regulations and internal procedures, and reviews the validity and reliability of the information that is provided to management. The Group Internal Audit submits its reports directly to the BOD or through the Group Board Audit and Compliance Committee.

The remuneration of the department is determined by the Group Board Audit and Compliance Committee, which enhances its objectivity and independence. The Group Chief Audit Executive is nominated by the Group Board Audit and Compliance Committee and submits periodic reports directly to the Committee and the GCEO. During 2016, Group Audit liaised on a quarterly basis with Group Finance, Group Compliance and External Auditors, ensuring the timely certification of quarterly results as per statutory requirements.

Audit participates in project committees of Information Technology, Corporate Governance, and Tender committees as a non-voting but value adding member. Audit actively participates in the deliberations of the Group Risk Committee as an Observer and updates Risk Analysis of Business as appropriate. In conformity with the IIA's Standards and Mandatory Guidance in the matter of assurance and consultancy activity, and in terms of the Group Internal Audit Charter, the GIAD reviewed during 2016 a number of policies, procedures, circulars, legal agreements, providing contextual,

legal, financial, control related value additions on a continual basis without prejudicing its right to subsequently audit such systems or processes.

## 8.2 Group Compliance Division

Group Compliance is an independent function, characterised by an official status within the Group, which undertakes the identification, evaluation, monitoring and reporting on compliance risks, which include the risk of legal sanctions, legislative and financial loss, or damage to the reputation of the Group as a result of failure to abide by laws and regulations, the charter of professional conduct and the standards of good practices. In order to enable Group Compliance to efficiently perform its functions and responsibilities, it has been granted authority to deal with compliance matters within the Group's activities and has been given unrestricted access to all information, employee records and Group operations in Qatar and abroad.

Group Compliance is also empowered to conduct investigations relevant to any possible irregularity. Group Compliance's responsibilities are carried out through the implementation of a compliance program that specifies its activities. The Group Board Audit and Compliance Committee approve the annual compliance plans, which are executed in accordance with the Group Compliance Charter and its policies and procedures. Group Compliance submits periodic reports to the Group Board Audit and Compliance Committee and the GCEO concerning compliance issues, irregularities, and the corrective actions hence implemented.

QNB compliance strategy consists in effectively managing of the Compliance Function at the Group in order to consolidate the Group competitive position and building trust relationships with all investors and stakeholders. The integration of strong Compliance Function into the daily management of business and strategic planning gives QNB Group a competitive advantage. Moreover, a robust Compliance Function helps QNB Group protect its reputation, lower the cost of capital, reduce costs and minimize the risk of investigation, prosecution and penalties.

Group Compliance is continually working to develop and enhance the in-built Compliance Function with a vision to maintain a healthy environment and practices. No penalty of whatever nature was imposed on QNB Group by any

regulatory authority during the year 2016.

## 9. External Audit

According to the Commercial Companies Law number (11) of 2015, Article (141) provisions, and QCB instructions; QNB Group's General Assembly appoints an external auditor for one fiscal year based on recommendations made by the Group Board Audit and Compliance Committee to the BOD, where the General Assembly assesses the evaluation of the remuneration.

The General Assembly Meeting held on 31<sup>st</sup> of January 2016 assigned Ernst & Young for the forth consecutive year in line with Commercial Companies Law number (11) of 2015 and QCB applicable regulations to audit QNB Group accounts until the 31<sup>st</sup> of December 2016. The external auditors attend the General Assembly meetings to present their report and answer shareholders' questions. Based on QCB's instructions, and in line with International Standards, the External Auditor conducts the review and the audit of the financial statements quarterly and annually according to the relevant International Standards on Auditing. The External Auditor presents his reports to the BOD and the General Assembly in conformity with the Laws of the State of Qatar.

## 10. QNB Global Ratings

During 2016, Fitch, Standard and Poor's, Capital Intelligence and Moody's affirmed QNB's rating. The QNB Group credit rating is considered amongst the highest in the region. The following table highlights the rating of QNB Group's by the most important rating agencies world-wide:

QNB Group	Fitch	Capital Intelligence	SandP	Moody's
Long-Term Rating	AA-	AA-	A+	Aa3
Short-Term Rating	F1+	A1+	A-1	P-1

## 11. Capital and Shares

The authorised, issued and fully paid up share capital of the Bank totalling QR8,396,753,250 consists of 839,675,325 ordinary shares of QR10 each. The ownership structure of QNB Group has been stable since its establishment in 1964. Qatar Investment Authority holds 50% of the ordinary shares of the Bank with the remaining 50% held by members of the public whereby any natural or legal person, except QIA, cannot, at any time, possess more than (2%) of the shares other than by way of



inheritance or testament. All shares issued are of the same class and carry equal rights.

This is considered as an important aspect designed to reduce the dominance of the majority shareholders on minority shareholders. Consequently, the BOD composition reflects the ownership structure whereby five of the ten BOD members are representatives of QIA, while the remaining five members are from the private sector and are elected by shareholders at the General Assembly meeting.

## 12. Shareholders' Rights

The Corporate Governance practices within QNB protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority shareholders. QNB Group maintains open and transparent channels of communication with its shareholders and has published all the information for investors and stakeholders on a regular basis through its website, as well as other media. The QNB Group has also developed a modern version on its website [www.qnb.com](http://www.qnb.com) that provides detailed reports to shareholders on Corporate Governance, financial data and other important information on the disclosure of financial and non-financial information.

A dedicated work team, led by the General Manager - Group Chief Financial Officer and the Assistant General Manager - Economic Financial Analysis and Research, are entrusted to provide analysts and shareholders with the latest updates on QNB Group's activities. The Bank's Articles of Association also confirm that all capital shares hold equal rights, without discrimination, in terms of ownership in the Bank's assets, profits, attendance to the General Assembly meetings and voting, in application of the principle of "one vote per share".

In accordance with the Commercial Companies Law, the Articles of Association states that the General Assembly shall hold one ordinary meeting within four months following the end of each financial year. The Board of Directors may call for a meeting of the General Assembly at its own discretion or whenever requested to do so for a certain purpose by the External Auditor or by shareholders holding at least one tenth of the capital.

In case of an extraordinary meeting, an application in writing shall be addressed to the Chairman by shareholders holding at least (25%) of the company share capital. Notification of the General Assembly meeting as well as the meeting agenda are published prior to its date as per the Commercial Companies Law and the Bank's Articles of Association, and is published on the Bank's website. Copies of the Annual Report and

financial statements are also published at least 15 days prior to the annual General Assembly meeting, to give the shareholders reasonable time to obtain and to discuss the Bank's performance with the Chairman of the BOD and other Members of the Board.

The General Assembly may hear any proposal included in the agenda by the Board of Directors, and such proposal may be presented by a number of shareholders owning not less than a tenth of the total number of shares. Shareholders have the right to vote during the General Assembly in person or be replaced by another shareholder as a proxy. The BOD presents its suggestions on the dividends distribution to the shareholders in the General Assembly based on QNB Group's performance and results, along with the Group strategy.

The shareholders have the sole authority to approve and decide about the profit allocation, together with the modalities.

## 13. Disclosure

The Corporate Governance framework within QNB ensures timely and accurate disclosure is made on all material matters regarding the Group, including the financial situation, performance, ownership, and governance of the Bank. It abides by all disclosure requirements and furnishes all financial information and audit reports accurately and transparently to remain in line with international best practices as well as local regulatory requirements including financial data, Qatar Central Bank's reports and the disclosures made to the Qatar Stock Exchange.

QNB is considered among the first companies to publish its financial statements in the Middle East and North Africa region. Based on this, the Bank is also committed to a clear policy of disclosure, in fact the Corporate Governance Report intended for QFMA and QCB includes information on the Board of Directors along with brief summaries of their roles and qualifications, as well as their membership in other companies' Boards of Directors (Appendix). Since there are no major shareholders other than Qatar Investment Authority, which own 50% of the Bank's Capital, no further details require disclosure regarding the major shareholders, For this purpose and in line with QCB new instruction issued during 2016 regarding the ownership limits and restrictions in the Financial Institutions, a dedicated Policy is being issued to detect the excess of ownership in QNB's capital and to monitor the process of a shareholders vote in the General Assembly meetings, the policy will be submitted to the BOD for approval and implementation early 2017.

QNB Group affirms that all statements supplied in this



regard are true, accurate and not misleading, to the best of its knowledge and belief. Moreover, all of the QNB Group annual financial reports comply with the International Financial Reporting Standards (IFRS) and the applicable provisions of Qatar Central Bank regulations. The External Auditors' report includes affirmations that they have received all required information and that the audit was conducted in accordance with the International Standards on Auditing (ISA).

Regarding Article (13) of the QFMA code relevant to conflict of interest in sections (13-4) that requires the Board Members to disclose their trading activities in company's stocks and other financial securities, Qatar Stock Exchange discloses on daily basis the "Intraday Insiders Trades Report" that specify the traded volume (buy/sell) in QNB's Capital.

## 14. Conflicts of Interest and Insider Trading

QNB Group has established its own internal policy applicable to related parties, personal account dealing, tenders, auctions and outsourcing based on the Commercial Companies Law and Qatar Central Bank instructions in this regard. According to this policy, all the QNB Group employees are required to periodically disclose any personal interests and dealing in the Bank's shares, including third parties that have relations with the Bank.

## 15. Handling Customers' Complaints

Customers' complaints are a crucial source of information in order to enhance and develop the Group's activities, whereby customers are considered key to success and prosperity. Some organizations consider the customer the backbone for their survival, continuity and success; therefore, the establishment of a Customer Satisfaction Unit that addresses their complaints has become a major and crucial objective for the Bank Executive Management in developed institutions. In the light of progress in legislation, laws and regulations that govern the relationship with the customers, and for the purpose of promoting and developing the transparency with stakeholders, QNB Group has established the framework and the appropriate mechanism for an independent unit specialised in managing customers' complaints (Complaint Management).

## 16. Sustainability and Corporate Social Responsibility

QNB Group is continuously seeking to enable economic and social development across the network, particularly in developing and emerging economies. Through our services, we help individuals and companies achieve their aspirations. But underpinning the substantial value we create in doing so, it is our aim to also raise living standards and help communities more broadly.

With more than 80 different nationalities working together in more than 30 countries, QNB Group is proud and deeply respecting its diversity. We work in an atmosphere of mutual respect and support and share the same values that define our bank and our approach to business. It is perhaps because of this that we have such a strong sense of belonging and a consistently high engagement score.

QNB Group has continued achieving its lofty goals with regard to its social responsibilities towards the local and the international communities for this year through the support of many initiatives that are intended to contribute to support the development within the countries where it operates. Moreover, the many events hosted by the Group reflected its orientation and highlighted its activities in the various areas that underpin the Group's corporate social responsibility, especially the activities carried out by the Group in foreign countries through its branches and representative offices located abroad.

The Group also considers spreading its social responsibility policy as a top priority, as the culture of promoting social awareness among individuals fosters interconnection between all and reflects the Group's commitment to the local and international communities in which it operates.

QNB vision in the many domains of intervention in terms of CSR is detailed below:

**Culture and Arts:** Culture and arts are the medium through which a nation manifests its heritage. They also help embed past traditions in future generations.

**Economic and International Affairs:** Hosting and participating in conferences and knowledge-sharing activities in economic and international affairs helps diversify national revenue sources, in Qatar and in emerging economies - a key aspiration.

**Health and Environment:** Health infrastructure and services are fundamental to human well-being - as is a respect for the environment.

**Social and Humanitarian Affairs:** By promoting a spirit of volunteering, QNB Group helps creating more harmonious, united communities.

**Supporting Local and International Sports Events:** Sporting participation and events are a hallmark of progress and a means to achieve healthy, vibrant people and communities.

**Youth and Education:** Education and how communities engage and give opportunities to their young people is a cornerstone of social and economic development.

Details of the key initiatives and events sponsored/ conducted by QNB in the above mentioned fields are presented in Section 2 of this report.

## 17. Spotlights on Specific Corporate Governance Practices at QNB Group

This part of the Corporate Governance report is intended to show specific practices and tools being applied at QNB Group as part of the Corporate Governance Framework. The purpose is to allow all the users of this report to gain further knowledge and better information of QNB best practices as part of its commitment to enhance and strengthen the Bank's Corporate Governance practices.

### 17.1 The New QNB Management Committees Structure Effective 2016

During 2016, in line with the expansion momentum, QNB Group has undergone an important overall and in-depth review of the existent management committees, their role, composition, reporting and decision-making processes. The review also covered the alignment of these committees with their peers and correspondent committees at the overseas branches and subsidiaries to fulfil the Consolidated Governance and Supervision Approach within QNB Group as per QCB requirements.

The exercise has also taken into consideration several governance and organizational factors and was conducted as a Group-wide project. The outcomes of this restructuring exercise are detailed below:

### 17.2 Management Committees Governance Rules

The Ten management committees at Head Office level were structured into:

1. Tier 1 "Executive Committees"; the "decision-making" committees which include (Centralized Purchasing Committee, Risk, Credit, ALCO and Strategy) will report to the Board via Board of Directors related Committees.
2. Tier 2 "Management Committees"; the "Working Committees" which include (Business Development, IT, HR and Operations and Services) will report to a parent committee in tier 1.
3. Senior Management Committee: will be chaired by the GCEO and represented by the four chiefs (Executive GM- Chief Business Officer, Executive GM- Chief Operating Officer, Group Chief Financial Officer and Group Chief Risk Officer). The committee will be formed to discuss the critical topics and strategic matters related to QNB Group activities; overseeing and monitoring the activities related to the operations management committees (Tier 2); decision making/preparation of Board decisions by collecting facts from related committees and providing opinions. Monitor the capital and operating expenditure budget assigned to IT projects and services. Review yearly the Information Technology strategy across the Group. Monitor the Key Performance elements relate to QNB divisions/branches and subsidiaries.

This will lighten the burden of the Executive Management in attending The Executive Committees' meetings, while ensuring that they continued to be chaired by the GCEO and that their meetings are attended by the Four Chiefs.

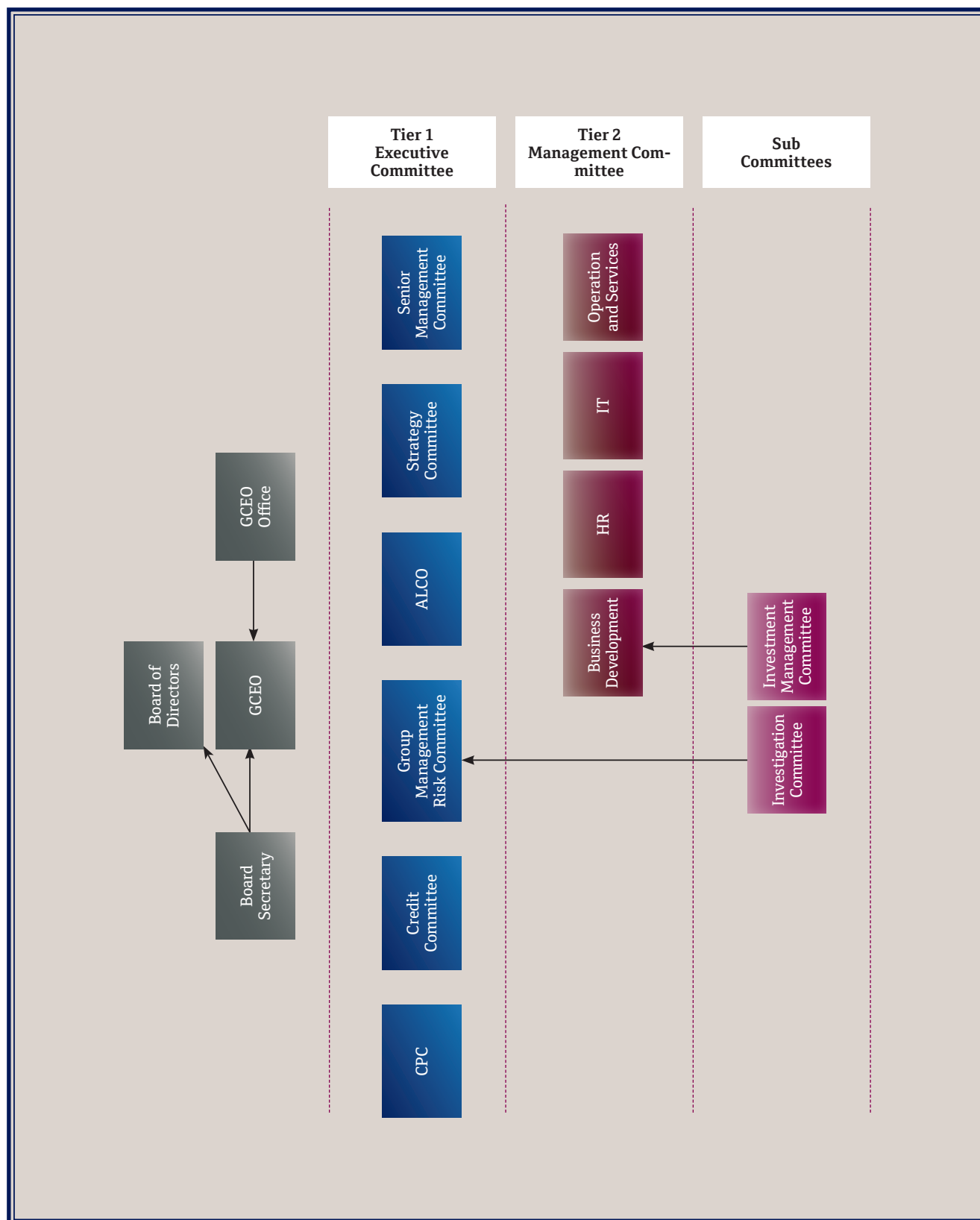
Below are the general principles that have been considered while designing the Governance and Operating rules:

- Existence of clear reporting lines and definition of responsibilities
- Clear monitoring and reporting lines from/to the Subsidiaries and Overseas Branches
- Clear disclosure and approval process for the important decisions (impacting the business/ operations)
- Effective supporting/control activities (FCD, Risk, Compliance, Audit) and communication tools

At the subsidiaries level, as a general rule, subsidiaries will be asked to form their respective board and management committees according to their own needs, size and nature, taking into consideration the Corporate Governance framework of QNB Group. For supervision and coordination purposes, those committees report and coordinate directly with the correspondent GM at QNB Group Head office level, and the peer committee at QNB level review the formation of those committees, the framework for rules and responsibilities, also monitor, investigate and resolve the significant issues that might be faced at the subsidiaries level.

At the overseas branch level, each branch will be asked to form one or more management committees on their own according to the size and activities, taking into consideration the Corporate Governance framework of QNB Group. The overseas branch committee' report the critical issues handled by them to QNB Head Office related division.

### 17.3 Management Committees Reporting Structure



## Conclusion

To serve the interests of the shareholders and all the other stakeholders, QNB Group Corporate Governance system is subject to on-going review, assessment and improvement. The Board of Directors proactively adopts governance policies and practices designed to align the interests of the Board and management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the organization.

The year 2016 was a new step ahead in QNB Group's journey in the Corporate Governance adoption and implementation exercise by working on enhancing several aspects and components of the Corporate Governance framework starting from the BOD committees structure, Management committees new set-up, new BOD performance assessment methodology, etc.

In line with its strategic vision to become one of the leading MEASEA banks by 2020, QNB Group will continue the improvement of its Corporate Governance framework in line with the regulatory requirements,

the organization needs and to match the expectations linked to its brand reputation in order to maintain the stability and soundness of the organization and the trust of the shareholders, potential investors and all the other stakeholders.

With reference to Article (31) of the Corporate Governance Code issued by the QFMA, QNB Group has provided the QFMA with the required annual report within the time stipulated for this task.

Article (18-5) of the QFMA's Code that stipulates the necessity to disclose any conflict between the recommendations of the Group Board Audit and Compliance Committee and the decisions of the BOD taken following these reported suggestions. We confirm that the system of regularly raising the adopted reports between the Group Board Audit and Compliance Committee and the BOD ensures full commitment of all responsible parties to abide by the Committee's recommendations, and that, during the year 2016, no such conflicts have occurred in QNB Group.

**Mansour Ibrahim Al-Mahmoud**

Member of the BOD  
Chairman of the GBACC

**Ali Shareef Al-Emadi**

Chairman of the Board of Directors



## Appendix (1) The Board of Directors - Biographies

Name of the Director	Brief Biography Summary
<b>H.E. Mr. Ali Shareef Al Emadi</b>  The Chairman	<p>H.E. was appointed as Chairman of QNB Group since 2013. He is also currently the Minister of Finance, Member and Secretary General of the Supreme Council of Economic Affairs and Investment and the President of the Executive Board of Qatar Airways and the Chairman of Qatari Diar. His Excellency has an extensive experience in the financial sector spanning over 20 years, with progressively higher posts culminated in being the GCEO of QNB from 2005 to 2013. Under his leadership, QNB Group became the largest and most profitable bank in the Middle East and North Africa, with the highest brand value and having one of the highest credit ratings. Earlier, he started his career at the Banking Control Department at Qatar Central Bank.</p>
<b>H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani</b>  Vice Chairman	<p>H.E. was appointed as a Board member since 2015 and he was elected Vice Chairman in beginning of 2016. H.E. is currently the Minister of State and Chief Executive Officer of Qatar Investment Authority, Member of the Supreme Council for Economic Affairs and Investment and Chairman of Ooredoo. H.E. is in the Advisory Board of the World Economic Forum's Gender Parity Program.</p>
<b>H.E. Sheikh Abdurahman Bin Soud Al-Thani</b>	<p>H.E. is a Board member since the beginning of 2016 and a member of the Group Board Nomination, Remuneration, Governance and Policies Committee. H.E. is currently the Minister of State, a member of the Arab Thought Forum in Amman, the Advisory Council at the Centre for Contemporary Arab Studies at Georgetown University in Washington. H.E. is also the chairman of Qatar Sports Federation of special needs.</p>
<b>H.E. Sheikh Hamad Bin Jabor Bin Jassim Al Thani</b>	<p>H.E. has been appointed as a Board member since 2004. He is the Chairman of the Group Board Risk Committee and the Group Board Executive Committee and a member of the Group Board Nomination, Remuneration, Governance and Policies Committee. H.E. is also currently a member of the Board of Directors of Qatar Electricity and Water (QEW), Qatar Chemical Company (Q-Chem), Board of Trustees of Qatar University, Qatar 2022 Supreme Committee, the Strategic Advisory Panel - Qatar Financial Centre, and the Chairman of National Legacy Committee 2022. H.E. is also member of the Board of Statistical Centre for the Gulf Cooperation Council (GCC) and the International Statistical Institute (ISI).</p>

## Appendix (1) The Board of Directors - Biographies - Continued

Name of the Director	Brief Biography Summary
<b>Mr. Ali Hussain Ali Al-Sada</b>	Mr. Ali Hussain Ali Al-Sada has been a member of the Board since 1998 and a member of the Group Board Risk Committee and the Group Board Executive Committee. He is also currently member of the Board of Qatar Navigation, Halul Offshore Service Company and Dlala Brokerage. He serves also as a Board Member and General Manager of Al Rouayes Real-estate and Investment. Mr. Ali Hussain Ali Al-Sada is also the Chairman of Qatar Syrian Company for Investment and Development, Vice Chairman of Tharawat Investment House as well as being a member of the Board of, Safwah Financial Services, and Investment Company.
<b>Mr. Bader Abdullah Darwish Fakhroo</b>	Mr. Bader Abdullah Darwish Fakhroo has been a member of the Board since 2001 and is a member of the Group Board Risk Committee and the Group Board Executive Committee. He is also the Chairman and CEO of Darwish Holding.
<b>Mr. Fahad Mohammed Fahad Buzwair</b>	Mr. Fahad Mohammed Fahad Buzwair has been a member of the Board since 2001. He is the Chairman of the Group Board Nomination, Remuneration, Governance and Policies Committee and also the Chairman of Buzwair Group Holding.
<b>Mr. Mansoor Ebrahim Al-Mahmoud</b>	Mr. Mansoor Ebrahim Al-Mahmoud has been appointed as a Board member since 2004. He is currently the Chairman of the Group Board Audit and Compliance Committee since early in 2016. He is also a member of the Board of Directors of Qatari Diar, Hassad Food Company, Doha Film Institute. He is also Qatar Museums Acting CEO and Advisor to H.E. the Chairperson.
<b>Mr. Ahmad Yousuf H.A. Kamal</b>	Mr. Ahmad Yousuf H.A. Kamal has been appointed as a Board member in early 2016. He is currently a member of the Group Board Audit and Compliance Committee and a member of the Board of Directors of Qatar Industrial Manufacturing Co.
<b>Mr. Khaled Hamad Al- Hajeri</b>	Mr. Khaled Hamad Al- Hajeri has been appointed as a Board member in 2016 and is currently serving as member of the Group Board Audit and Compliance Committee. He is currently the Director of Financial Control Department at the Ministry of Finance and member of the Board of Directors of Qatar Media Services W.L.L. (ELAN) and the Chairman of its Audit Committees.

## Appendix (2) Executive Management - Biographies

Name and Position	Brief Biography Summary
<p><b>Mr. Ali Ahmed Al-Kuwari</b></p> <p>Group Chief Executive Officer</p>	<p>Mr. Ali Ahmed Al-Kuwari joined QNB in 1988. Prior to his appointment as Group Chief Executive Officer in July 2013, he was the Executive General Manager - Chief Business Officer of QNB.</p> <p>Mr. Al Kuwari is also the Chairman of MasterCard Middle East and North Africa Advisory Board, Chairman of QNB Capital LLC, Chairman of QNB Indonesia and Chairman of QNB Privée Suisse in Switzerland. Vice-Chairman of Commercial Bank International (CBI) in the UAE, and Vice-Chairman of the Qatar Stock Exchange, in addition to a board member in Qatar Finance and Business Academy.</p> <p>Mr. Al-Kuwari has a Master's Degree of Science in Management Information System from the Seattle Pacific University, and a Bachelor's Degree in Math and Computer Science from Eastern Washington University. He also has attended a number of executive programs at Wharton School of Business, London Business School, Cambridge University and Duke University.</p>
<p><b>Mr. Abdulla Mubarak Al-Khalifa</b></p> <p>Executive GM - Chief Business Officer</p>	<p>Mr. Abdulla Al-Khalifa joined QNB in 1996 and currently serves as the Executive General Manager-Chief Business Officer and was previously General Manager, Corporate Banking. Mr. Al-Khalifa has more than 20 years of banking experience and is a member of the Board of Directors of the Housing Bank for Trade and Finance in Jordan, QNB Al-Ahli in Egypt, QNB Finansbank in Turkey, Ecobank in Togo and QNB Capital in Qatar. Mr. Al-Khalifa holds a Bachelor's Degree in Business Administration from Eastern Washington University in the United States.</p>
<p><b>Mr. Ali Rashid Al- Mohannadi</b></p> <p>Executive GM - Chief Operating Officer</p>	<p>Mr. Ali Rashid Al-Mohannadi joined QNB in 1996 and currently serves as the Executive General Manager and Chief Operating Officer and was previously General Manager, Retail Banking and General Manager, Information Technology. Mr. Al-Mohannadi is the Chairman of QNB Tunis, a member of the board of directors of the Housing Bank for Trade and Finance in Jordan, QNB Al-Ahli in Egypt and QNB Finansbank in Turkey; he is also a member of the board of directors of Commercial Bank International PSC and QNB Syria in Syria. Mr. Al-Mohannadi has almost 20 years of experience in the financial sector and has a Bachelor's Degree in Computer Science from Qatar University.</p>

## Appendix (2) Executive Management - Biographies - Continued

Name and Position	Brief Biography Summary
<b>Mr. Ramzi Mari</b>  GM - Chief Financial Officer	Mr. Ramzi Mari joined QNB in 1997 from the Bank of Jordan and currently serves as the General Manager, Chief Financial Officer. Mr. Mari has almost 25 years of experience in the banking sector and passed the certified public accountant exam in the State of California in 1989. Mr. Mari holds a Master's Degree in Accounting from California State University in the USA. He is a member of the Board of the Housing Bank for Trade and Finance in Jordan, QNB Al-Ahli in Egypt and QNB Finansbank in Turkey.
<b>Mr. Grant Eric Lowen</b>  GM - Group Chief Risk Officer	Mr. Grant Eric Lowen joined QNB in 2012 and currently serves as the General Manager, Group Chief Risk Officer. Prior to joining QNB, Mr. Lowen was with the Commonwealth Bank of Australia and worked in Risk and Finance roles within Westpac Banking Corporation and KPMG. Mr. Lowen has over 30 years of experience in the financial sector and is a Chartered Accountant and member of Chartered Accountants Australia and New Zealand. Mr. Lowen is a member of the Board of Directors of QNB Al-Ahli in Egypt, QNB Indonesia and QNB Finansbank in Turkey.
<b>Mr. Khaled Gamaleldin</b>  Group Chief Audit Executive	Mr. Khaled Gamal Eldin joined QNB in March 2014 as the Group Chief Audit Executive with 29 years of banking experience in leading banks in the region. Prior to joining QNB, Mr. Gamal Eldin worked as GM - Chief Internal Auditor for Al Rajhi Bank in Saudi Arabia and as GM - Chief Internal Auditor for Gulf Bank in Kuwait. In addition, Mr. Gamaleldin was previously working with QNB for 11 years in different roles in Internal Audit and as the Head of the Compliance Department. In addition, he worked as an Examiner in the Banking Control Department in the Central Bank of Egypt. Mr. Gamal Eldin is a Certified Public Accountant (CPA) from the State of Colorado, a Certified Fraud Examiner (CFE), and Certified Anti-Money Laundering Specialist (CAMS) and has an MBA in International Finance and a Diploma in Risk Management.
<b>Mr. Saleh Nofal</b>  Group Chief Compliance Officer	Mr. Saleh Nofal joined QNB in June 2003 and currently serves as the Group Chief Compliance Officer. Prior to joining QNB, Mr. Nofal was with Arab Bank, Jordan National Bank, the Arab World Auditing Bureau and a Jordanian public accountancy firm. Mr. Nofal has more than 28 years of experience in the banking sector and the Internal Audit field. Mr. Saleh holds a Bachelor's Degree in commerce; he is a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Compliance Officer and has a professional Diploma in Audit and Accounting and is a professional member of CAMS, IIA and ACFE.

## Appendix (3) QFMA Corporate Governance Checklist

Article		Clause	Compliant	Application	Non-compliant	Non-compliance justification	Not Applicable
3	Company's Obligation to comply with Corporate Governance Principles	3.1	✓	Section 1.3			
		3.2	✓	Section 1.2			
		3.3	✓	Section 1.2			
4	Board Charter	The Board shall make sure that the Company adopts a Charter for the Board of Directors detailing the Board's functions and responsibilities as well as the Board Members duties which shall be fulfilled by all Board Members. The said Board Charter shall be drafted to comply with the provisions of this Code, and shall be based on the Board Charter annexed to this Code and as may be amended from time to time by the Authority. The said Board Charter shall be published and made available to the public.	✓	Section 3.1			
5	Board Mission and Responsibilities	5.1	✓	Section 3			
		5.2	In addition to the Board functions and responsibilities as set out in the Board Charter, the Board shall be responsible for:				
		5.2.1	✓	Sections 3 and 4 and 7			
		5.2.2	✓	Section 3.4 and 3.1			
		5.3	✓	Section 3.2 and 3.11			
6	Board Members' Fiduciary Duties	6.1	✓	Section 3.4			
		6.2	✓	Section 3.4			
		6.3	✓	Section 3.4			
7	Separation of Positions of Chairman and CEO	7.1	✓	Section 5.1			
		7.2	✓	Section 5.1			
8	Duties of the Chairman of the Board	8.1	✓	Section 3.5			
		8.2	✓	Section 3.11			
		8.3	The duties and responsibilities of the Chairman of the Board of Directors shall, in addition to the provisions of the Board Charter, include but not be limited to the following:				
		8.3.1	✓	Section 3.5			



## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article	Clause	Compliant	Application	Non-compliant	Non-compliance justification	Not Applicable
		8.3.2	to approve the agenda of every meeting of the Board of Directors taking into consideration any matter proposed by any other Board Member; this may be delegated by the Chairman to a Board Member but the Chairman remains responsible for the proper discharge of this duty by the said Board Member ;	✓	Section 3.5	
		8.3.3	to encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board of Directors for ensuring that the Board of Directors is working in the best interest of the Company;	✓	Section 3.5	
		8.3.4	to ensure effective communication with Shareholders and communication of their opinions to the Board of Directors; and	✓	Section 3.5	
		8.3.5	to allow effective participation of the Non-Executive Board Members in particular and to promote constructive relations between Executive and Non- Executive Board Members;	✓	Section 3.5	
		8.3.6	to ensure the conducting of an annual evaluation to the Board's performance.	✓	Section 3.7	
9	Board Composition	9.1	The Board composition shall be determined in the Company's by-laws. The Board shall include executive, non-executive and independent Board Members so as to ensure that the Board decisions are not dominated by one individual or a small group of individuals.	✓	Section 3.2	
		9.2	At least one third of the Board Members shall be Independent Board Members and a majority of the Board Members shall be Non-Executive Board Members.	✓	Section 3.6	
		9.3	Board Members shall have adequate expertise and knowledge to effectively perform their functions in the best interest of the Company and they shall give sufficient time and attention to their role as Board Members.	✓	Section 3.3	
		9.4	The ownership of a nominee standing for independent Board membership in the Company's capital shall not exceed the number of shares required for Board membership.	✓	Section 3.6	
10	Non-Executive Board Members	10.1	Duties of the Non-Executive Board Members include but are not limited to the following:			
		10.1.1	Participation in the meetings of the Board of Directors and providing independent opinion on strategic matters, policy, performance, accountability, resources, key appointments and operation standards;	✓	Section 3.6 and in accordance with the applicable QNB Corporate Governance Manual	
		10.1.2	Ensuring that priority shall be given to the Company's and Shareholders' interests in case of conflict of interests;	✓	Section 1.1 and 3.6 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
		10.1.3	Participation in the Company's Audit Committee;	✓	Section 3.6 and 3.11	
		10.1.4	Monitoring the Company's performance in realizing its agreed objectives and goals and reviewing its performance reports including the Company's annual, half yearly and quarterly reports; and	✓	Section 3.6 and 3.11	
		10.1.5	the development of the procedural rules for the Company's corporate governance for ensuring their implementation in a consistent manner; and	✓	Section 1.1 and 3.6 and in accordance with the applicable QNB Corporate Governance Manual	
		10.1.6	Availing the Board of Directors and its different Committees of their skills, experiences, diversified specialties and qualifications through regular presence in the Board meetings and effective participation in the General Assemblies and the acquisition of a balanced understanding of Shareholders' opinions.	✓	Section 3 and in accordance with the applicable QNB Corporate Governance Manual	
		10.2	A majority of the Non-Executive Board Members may request the opinion of an independent consultant, in relation to any of the Company's affairs, at the Company's expense.	✓	Section 3.6 and in accordance with the applicable QNB Corporate Governance Manual	
11	Board Meetings	11.1	The Board of Directors shall hold meetings regularly, so as to ensure that the Board is effectively performing its duties. The Board shall meet at least six times during a year.	✓	Section 3.9	
		11.2	The Board shall meet when convened by its Chairman or upon the written request of two Board Members. The invitation for the Board meeting and agenda shall be communicated to each Board Member at least one week before the date of the meeting, noting that any Board Member may add any item to the agenda.	✓	Section 3.9	

## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article			Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
12	Board Secretary	12.1	The Board shall appoint a Board Secretary whose functions shall include recording the minutes of all the Board meetings and safekeeping records, books and reports submitted by or to the Board. Under the direction of the Chairman, the Board Secretary shall also be in charge of ensuring timely access to information and coordination among the Board Members as well as between the Board and the other stakeholders in the company including shareholders, management, and employees.	✓	Section 3.8			
		12.2	The Board Secretary shall ensure that Board Members have full and timely access to the minutes of all Board meetings, information, documents, and records pertaining to the Company.	✓	Section 3.8			
		12.3	All Board Members shall have access to the services and advice of the Board Secretary.	✓	Section 3.8			
		12.4	The Board Secretary may only be appointed or removed by a Board resolution.	✓	Section 3.8			
		12.5	The Board Secretary should preferably be a member of a recognized body of professional accountants, or a member of a recognized or chartered body of corporate secretaries, or a lawyer or a graduate from a recognized university or equivalent. He should have at least three years of experience in handling the affairs of a public company listed in the Market.	✓	Section 3.8			
13	Conflict of Interests and Insider Trading	13.1	The Company shall adopt and make public general rules and procedures governing the Company's entering into any commercial transaction with a Related Party (the Company's "Related Party Policy"). In any event, it shall not be permitted to enter into any commercial transaction (or contract) with any a Related Party unless in strict compliance with the aforementioned Related Party Policy. The said policy shall include principles of transparency, fairness and disclosure in addition to the requirement that a related party transaction be approved by a majority vote of the shareholders, without the concerned Related Party participating in the voting.	✓	Section 14			
		13.2	Whenever an issue involving conflict of interests or any commercial transaction between the Company and any of its Board Members or any Party related to said Board Member, is discussed in a Board meeting, the said issue shall be discussed in the absence of the concerned Board Member who may not in any event participate in the voting on the matter. In any event, such transaction shall be made at market prices and on arm's length basis and shall not involve terms that are contrary to the interests of the Company.	✓	As per QNB Group wide Policies and QNB Corporate Governance Framework			
		13.3	In any event, such transactions shall be disclosed in the Company's annual report and specifically referred to in the General Assembly following such commercial transactions.	✓	As per QNB Group wide Policies and QNB Corporate Governance Framework			
		13.4	Trading by Board Members' in the Company's shares and other securities shall be disclosed and the Company shall adopt clear rules and procedures governing trading by Board Members and employees in the company securities.	✓	The disclosure is made in the Qatar Exchange website under insider trades window			
14	Other Boards Practices and Duties	14.1	Board Members shall have full and immediate access to information, documents, and records pertaining to the Company. The Company's executive management shall provide the Board and its committees with all requested documents and information.	✓	Section 3.8 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		14.2	The Board Members shall ensure that the Nomination, Remuneration and the Audit Committee members, the Internal Audit and representatives of the External Auditors attend the General Assembly.	✓	Section 3.3 and 9 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		14.3	The Board shall put in place an induction program for newly appointed Board Members in order to ensure that, upon their election, Board Members are made fully aware of their responsibilities, and have proper understanding of the manner in which the Company operates.	✓	Section 3.3 and 17 As per QNB Group wide Policies and QNB Corporate Governance Framework			
		14.4	The Board Members are responsible for having an appropriate understanding of their role and duties, and for educating themselves in financial, business, and industry practices as well as the Company's operations and functioning. In this respect, the Board shall adopt an appropriate formal training to enhance Board Members' skills and knowledge.	✓	Section 3.3 and 3.11 and 17			
		14.5	The Board of Directors shall at all times keep its Members updated about the latest developments in the area of corporate governance and best practices relating thereto. The Board may delegate the same to the audit committee or the governance committee or any other body as it deems appropriate.	✓	Section 1.2 and 2.1 and 17 and QNB BOD Policy			
		14.6	The Company's articles of association shall include clear procedures for removing Board Members in the event of failing to attend Board meetings.	✓	Article 27 QNB AOA			

## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article		Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
15	Board Committees	The Board shall evaluate the advantages/feasibility of establishing specialized Board committees to overmatch critical work progress. Upon deciding on the committees to be set up, the Board has to take the committees mentioned in this code into account.	✓	Section 3.11			
16	Board Members Appointment. The Nomination Committee	16.1 Nominations and appointments of Board Members shall be made according to formal, rigorous and transparent procedures.	✓	Section 3.2 and 3.3			
		16.2 The Board shall constitute a Nomination Committee chaired by an Independent Board Member and comprised of Independent Board Members which shall recommend Board Members' appointments and re-nomination for election by the General Assembly (for the avoidance of doubt, nomination by the Committee does not deprive any shareholder of his rights to nominate or to be nominated);	✓		Except as mentioned in Section 3.11		
		16.3 Nominations shall take into account inter alia the candidates' sufficient availability to perform their duties as Board Members, in addition to their skills, knowledge and experience as well as professional, technical, academic qualifications and personality and should be based on the Fit and Proper Guidelines for Nomination of Board Members' annexed to then Code as amended by the Authority from time to time;	✓	Sections 3.3 and 3.11			
		16.4 Upon its establishment, the Nomination Committee shall adopt and publish its terms of reference explaining its authority and role.	✓	Sections 3.11 and 17			
		16.5 The Nomination Committee's role shall also include conducting an annual self-assessment of the Boards performance.	✓	Section 3.7			
		16.6 Banks and other companies shall comply with any conditions or requirements relating to the nomination, election or appointment of Board Members issued by Qatar Central Bank or any other relevant authority.	✓	Section 3.3			
17	Board Members' Remuneration, Remuneration Committee	17.1 The Board of Directors shall establish a Remuneration Committee comprised of at least three Non-Executive Board Members the majority of whom must be Independent.	✓		Except as mentioned in Section 3.11		
		17.2 Upon its constitution, the Remuneration Committee shall adopt and make available its terms of reference explaining its role and main responsibilities.	✓	Sections 3.11 and 4			
		17.3 The Remuneration Committee's main role shall include setting the remuneration policy of the Company including remuneration of the Chairman and all Board Members as well as Senior Executive Management	✓	Sections 3.11 and 4			
		17.4 The Remuneration Policy shall be presented to the shareholders in the General Assembly for approval and shall be made public.	✓	Sections 3.11 and 4			
		17.5 Remuneration shall take into account the responsibilities and scope of the functions of the Board Members and members of Senior Executive Management as well as the performance of the Company. Compensation may include fixed and performance-related components, noting that such performance related components should be based on the long-term performance of the Company.	✓	Section 4			
18	Audit Committee	18.1 The Board of Directors shall establish an Audit Committee that shall be comprised of at least three members the majority of whom should be Independent. The Audit Committee must include at least one member with financial and audit experience. If the number of available Independent Board Members was not sufficient to fill the Audit Committee membership, the Company may appoint members that are not Independent Board Members provided that the Chairman of the Committee is Independent.	✓	Section 3.11			
		18.2 In any event, any person who is or has been employed by the Company's external auditors within the last 2 years may not be a member of the Audit Committee.	✓	Section 3.11 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		18.3 The Audit Committee may consult at the Company's expense any independent expert or consultant.	✓	Section 3.6 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		18.4 The Audit Committee shall meet as needed and regularly at least once every three months and shall keep minutes of its meetings.	✓	Section 3.11			

## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article	Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
18	Audit Committee	18.5	In the event of any disagreement between the Audit Committee's recommendations and the Board's decision including where the Board refuses to follow the Committee's recommendations concerning the external auditor, the Board shall include in the Company's Governance Report, a statement detailing such recommendations and the reason(s) behind the Board of Directors' decision not to follow the recommendations.	✓	Conclusion Section	
		18.6	Upon its establishment, the Audit Committee shall adopt and make public its terms of reference explaining its main role and responsibilities in the form of an Audit Committee Charter including in particular the following:	✓	Section 3.11 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
		18.6.1	a. to adopt a policy for appointing the External Auditors; and to report to the Board of Directors any matters that, in the opinion of the Committee, necessitate action and to provide recommendations on the necessary procedures or required action;	✓	Sections 3.11 and 9	
		18.6.2	b. to oversee and follow up the independence and objectivity of the external auditor and to discuss with the external auditor the nature, scope and efficiency of the audit in accordance with International Standards on Auditing and International Financial Reporting Standards;	✓	Sections 3.11 and 9	
		18.6.3	c. to oversee, the accuracy and validity of the financial statements and the yearly, half-yearly and quarterly reports, and to review such statements and reports. In this regard particularly focus on:	✓	Section 3.11 and 13	
			1. Any changes to the accounting policies and practices;	✓	Section 3.11 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
			2. Matters subject to the discretion of Senior Executive Management;	✓	Section 3.11 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
			3. The major amendments resulting from the audit;	✓	Section 8 and 13	
			4. Continuation of the Company as a viable going concern	✓	Section 3.11 As per QNB Group wide Policies and QNB Corporate Governance Framework	
			5. Compliance with the accounting standards designated by the Authority;	✓	Section 3.11 As per QNB Group wide Policies and QNB Corporate Governance Framework	
			6. Compliance with the applicable listing Rules in the Market; and	✓	Section 3.11 As per QNB Group wide Policies and QNB Corporate Governance Framework	
			7. Compliance with disclosure rules and any other requirements relating to the preparation of financial reports;	✓	Section 13	
		18.6.4	d. to coordinate with the Board of Directors, Senior Executive Management and the Company's chief financial officer or the person undertaking the latter's tasks, and to meet with the external auditors at least once a year;	✓	Sections 3.11 and 8 and 9	
		18.6.5	e. to consider any significant and unusual matters contained or to be contained in such financial reports and accounts. And to give due consideration to any issues raised by the Company's chief financial officer or the person undertaking the latter's tasks, or the Company's compliance officer or external auditors;	✓	Sections 3.11 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
		18.6.6	f. to review the financial and Internal Control and risk management systems;	✓	Sections 3.11 and 8 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
		18.6.7	g. to discuss the Internal Control systems with the management to ensure management's performance of its duties towards the development of efficient Internal Control systems;	✓	Sections 3.11 and 8 and As per QNB Group wide Policies and QNB Corporate Governance Framework	

## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article	Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
19	18.6.8	h. to consider the findings of principal investigations in Internal Control matters requested by the Board of Directors or carried out by the Committee on its own initiative with the Boards' approval;	✓	Sections 3.11 and 8 and As per QNB Group wide Policies and QNB Corporate Governance Framework		
	18.6.9	i. to ensure ;coordination between the Internal Auditors and the External Auditor, the availability of necessary resources, and the effectiveness of the Internal Controls;	✓	Sections 3.11 and 8		
	18.6.10	j. to review the Company's financial and accounting policies and procedures;	✓	Sections 3.11 and 8 and 9		
	18.6.11	k. to review the letter of appointment of the External Auditor, his business plan and any significant clarifications he requests from senior management as regards the accounting records, the financial accounts or control systems as well as the Senior Executive management's reply;	✓	Section 3.11 and 9 and As per QNB Group wide Policies and QNB Corporate Governance Framework		
	18.6.12	l. to ensure the timely reply by the Board of Directors to the queries and matters contained in the External Auditors' letters or reports;	✓	Section 3.11 and 8		
	18.6.13	m. to develop rules, through which employees of the Company can confidentially report any concerns about matters in the financial reports or Internal Controls or any other matters that raise suspicions. And to ensure that proper arrangements are available to allow independent and fair investigation of such matters whilst ensuring that the aforementioned employee is afforded confidentiality and protected from reprisal. Such rules should be submitted to the Board of Directors for adoption;	✓	Section 3.11		
	18.6.14	n. to oversee the Company's adherence to professional conduct rules;	✓	Section 3.11		
	18.6.15	o. to ensure that the rules of procedure related to the powers assigned to the Board of Directors are properly applied;	✓	Section 3.11 and As per QNB Group wide Policies and QNB Corporate Governance Framework		
	18.6.16	p. to submit a report to the Board of Directors on the matters contained in this Article ;	✓	Section 3.11		
	18.6.17	q. to consider other issues as determined by the Board of Directors;	✓	Section 3.11		
	Compliance, Internal Controls and the Internal Auditor	19.1	The Company shall adopt Internal Control Systems, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance code and compliance with related laws and regulations. And the Internal Control Systems shall set clear lines of responsibility and accountability throughout the Company's departments.	✓	Sections 8 and 6	
		19.2	Internal Control Systems shall include effective and independent risk assessment and management functions, as well as financial and operational internal audit functions in addition to the external audit. The Internal Control Systems shall also ensure that all related-party transactions are handled in accordance with the requirements related thereto.	✓	Sections 8 and 6	
		19.3	The Company shall have an internal audit function with clearly defined functions and role. In particular, the internal audit function shall :	✓	Section 8	
		19.3.1	audit the Internal Control Systems and oversee their implementation;	✓	Section 8	
		19.3.2	be carried out by operationally independent, appropriately trained and competent staff; and	✓	Section 8 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
		19.3.3	submit its reports to the Board of Directors either directly or through the Board's Audit Committee; and is responsible to the Board; and	✓	Section 3.11 and 8	
		19.3.4	Has access to all Company's activities; and	✓	Section 8	
		19.3.5	Be independent including being independent from the day-to-day Company functioning. Its independence should be reinforced for example by having the Board determine compensation of its staff.	✓	Section 8	
		19.4	The internal audit function shall include at least one internal auditor appointed by the Board of Directors. This internal auditor shall report to the Board or the Chief Executive Officer of the Company, either directly or through the Audit Committee.	✓	Section 3.11 and 8	



## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article		Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
19	19.5	The internal auditor shall prepare and submit to the Audit Committee and the Board of Directors an “internal audit report” which shall include a review and assessment of the Internal Control system of the Company. The scope of the Internal Audit Report shall be agreed between the Board (based on the Audit Committee recommendation) and the internal auditor and shall include particularly the following:	✓	Section 3.11 and 8			
		- Control and oversight procedures of financial affairs, investments, and risk management	✓	Section 8			
		- Comparative evaluation of the development of risk factors and the systems in place to respond to drastic or unexpected market changes.	✓	Section 8 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		- Assessment of the performance of the Board and senior management in implementing the Internal Control Systems, including the number of times the Board was notified of control issues (including risk management and the manner in which such issues were handled by the Board.	✓	Section 3.11 and 8			
		- Internal Control failure, weaknesses or contingencies that have affected or may affect the Company’s financial performance and the procedure followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company’s annual reports and financial statements).	✓	Section 8 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		- The Company’s compliance with applicable market listing and disclosure rules and requirements.	✓	Section 8 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		- The Company’s compliance with Internal Control systems in determining and managing risk.	✓	Section 8 and 3.11			
		- All relevant information describing the company’s risk management operations.	✓	Section 8			
	19.6	The Internal Audit Report shall be prepared every three months.	✓	Section 8			
	20	External Auditor	20.1	An External Auditor who is independent, and qualified, and appointed upon the recommendation of the Audit Committee to the Board and the decision of the Company’s General Assembly, shall undertake an annual and semi-annual independent audit. The purpose of the said audit is to provide an objective assurance to the Board and shareholders that the financial statements are prepared in accordance with this Code, related laws and regulations and international financial reporting standards and accurately represent the financial position and performance of the Company in all material respects.	✓	Section 3.11 and 9	
20.2			The External Auditor shall comply with the highest professional standards and he shall not be contracted by the Company to provide any advice or services other than carrying out the audit of the Company. The External Auditor must be completely independent from the Company and its Board Members and shall not have any conflict of interests in his relation to the Company.	✓	Section 9 and As per QNB Group wide Policies and QNB Corporate Governance Framework		
20.3			The Company’s External Auditor must attend the Company’s annual ordinary General Assembly where he shall deliver his annual report and answer any queries in this respect.	✓	Section 9		
20.4			The External Auditor is accountable to the shareholders and owes a duty to the Company to exercise due professional care in the conduct of the audit. The External Auditor is also responsible for notifying the Authority and any other regulatory authority should the Board fail to take proper action concerning suspicions raised or identified by the External Auditors.	✓	Section 9		
20.5			listed company shall change its External Auditor every three years at a maximum.	✓	Section 9 and As per QNB Group wide Policies and QNB Corporate Governance Framework		

## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article		Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
21	Disclosure	21.1	✓	Section 13 and 3.11 and Appendix 1 and Appendix 4			
		21.2	✓	Section 13			
		21.3	✓	Section 13 and 3.11			
		21.4	✓	Section 13 and 12			
22	General Rights of Shareholders and Key Ownership Element		✓	Section 12 and 13			
23	Ownership Records	23.1	✓	QNB receive the shareholders register from QCSD on monthly basis and keep valid records of share ownership .			
		23.2			✓	QCSD is entrusted with this responsibility as per QFMA regulations. Disclosure was made under section 13	
		23.3	✓	Section 12			

## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article			Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
24	Access to Information	24.1	The Company shall include in its articles of association and by-laws Procedures of Access to Information to ensure that shareholders rights of access to Company documents and information in a timely manner and on a regular basis, are preserved. The Access to Information Procedures shall be clear and detailed and shall determine:	✓	Article 43 QNB AOA			
		24.1.1	the Accessible Company Information including the types of information that is made accessible on an on-going basis to individual shareholders or to shareholders representing a minimum percentage of the Company's share capital, and	✓	Section 12			
		24.1.2	Clear and express procedures to access such information.	✓	Section 12			
		24.2	The Company shall have a website where all relevant information and public information and disclosures must be posted. This includes all information that is required to be made public by this Code and any related laws and regulations.	✓	Section 12			
25	Shareholders' Rights with Regard to Shareholders' Meetings		The Company's articles of association and by-laws shall include provisions ensuring effective shareholders' right to call for a General Assembly and be convened in a timely manner; the right to place items on the agenda, discuss matters listed on the agenda and address questions and receive answers thereupon; and the right to make informed decisions.	✓	Article 42 and 44 QNB AOA			
26	Equitable Treatment of Shareholders and Exercise of Voting Rights	26.1	All shares of the same class, shall have the same rights attached to them.	✓	Section 12 and Article 15 of QNB AOA			
		26.2	Proxy voting is permitted in compliance with related laws and regulations.	✓	Section 12 and Article 35 of QNB AOA			
27	Shareholders' Rights Concerning Board Members' Election	27.1	The Company's articles of association and by-laws shall include provisions ensuring that shareholders are given information relating to Board Members' candidates including a description of candidates' professional and technical skills, experience and other qualifications.	✓	Article 38 QNB AOA			
		27.2	Shareholders shall have the right to cast their votes for Board Member's election by Cumulative Voting.	✓	Article 20 of QNB AOA			
28	Shareholders' Rights Concerning Dividend Distribution		The Board of Directors shall submit to the General Assembly a clear policy on dividend distribution. This shall include them background and rationale of such policy in terms of the best interest of the Company and the shareholders.	✓	As per QNB Group wide Policies and QNB Corporate Governance Framework			
29	Capital Structures, Shareholders' Rights, Major Transactions	29.1	Capital Structures should be disclosed and Companies should determine the type of shareholders agreements that should be disclosed.	✓	Section 11 and QNB AOA			
		29.2	Companies shall adopt in their articles of association and/or by-laws provisions for the protection of minority shareholders in the event of approval of Major Transactions where the said minority shareholders have voted against such Major Transactions.	✓	Article 43 QNB AOA			
		29.3	Companies shall adopt in their articles of association and/or by-laws, a mechanism ensuring the trigger of a public offer or the exercise of Tag Along Rights in the case of a change in ownership exceeding a specific percentage (threshold) . The thresholds should take into consideration shares held by third parties but under the control of the disclosing shareholder, including shares covered by shareholder agreements which should also be disclosed.	✓	QNB AOA and Existing in QNB Group wide Policies and QNB Corporate Governance Framework			
30	Stakeholders' Rights	30.1	The rights of Stakeholders are to be respected. Where Stakeholders participate in the corporate governance arrangements; they shall have access to relevant, sufficient and reliable information on a timely and regular basis.	✓	Section 12			
		30.2	The Board of Directors shall ensure that the Company's employees are treated according to the principles of fairness and equity and without any discrimination whatsoever on the basis of race, gender, or religion.	✓	As per QNB Group wide Policies and QNB Corporate Governance Framework			
		30.3	The Board shall develop a remuneration policy and packages that provide incentive for the employees and management of the Company to always perform in the best interests of the Company. This policy should take into consideration the long term performance of the Company.	✓	Section 3. 11 and 4			
		30.4	The Board shall adopt a mechanism enabling company employees to report to the Board suspicious behavior, where such behavior is unethical, illegal, or detrimental to the Company. The Board shall ensure that the employee addressing the Board shall be afforded confidentiality and protected from any harm or negative reaction by other employees or the employee's superiors.	✓	Section 3.11 and As per QNB Group wide Policies and QNB Corporate Governance Framework			
		30.5	Companies must comply in full with the provisions of this Article as it is excluded from the compliance principle or the non-compliance justification.	✓	As per QNB Group wide Policies and QNB Corporate Governance Framework			

## Appendix (3) QFMA Corporate Governance Checklist - Continued

Article	Clause	Compliant	Application	Non-compliant	Non-compliance Justification	Not Applicable
31	The Corporate Governance Report	31.1	The Board shall prepare an annual Corporate Governance Report signed by the Chairman.	✓	Chairman Foreword	
		31.2	This Report shall be submitted to the Authority on an annual basis and whenever required by the Authority and shall be attached to the annual report prepared by the company in compliance with the periodical disclosure requirement.	✓	As per QNB Group wide Policies and QNB Corporate Governance Framework	
		31.3	The Corporate Governance Report shall include the agenda of the company's ordinary General Assembly and distribute a copy of it among the participants in the meeting.	✓	Agenda distributed as per the Companies Law	
		31.4	The said Report shall include all information related to the application of this Code, including notably:			
		31.4.1	Procedures followed by the Company in this respect;	✓	Section 1.3 and 1.4	
		31.4.2	Disclosure of any violations committed during the financial year, their reasons and the remedial measures taken and measures to avoid the same in the future;	✓	Section 8.2	
		31.4.3	Disclosure of members of the Board of Directors and its Committees and their responsibilities and activities during the year, according to the categories and terms of office of said members along with the method of determining the Directors and Senior Executive Managers remuneration;	✓	Section 4 and BOD Biographies with the exception of the Board members categories	
		31.4.4	Disclosure of internal Control procedures including particularly the Company's oversight of financial affairs, investments, and risk management;	✓	Sections 8 and 6	
		31.4.5	Disclosure of the procedure followed by the Company in determining, evaluating and managing significant risks, a comparative analysis of the Company's risk factors and discussion of the systems in place to confront drastic or unexpected market changes;	✓	Sections 8 and 6	
		31.4.6	Disclosure of the performance assessment of the Board and senior management in implementing the Internal Control systems, including identification of the number of times when the Board was notified of control issues (including risk management) and the way such issues were handled by the Board;	✓	Sections 8 and 6 and 3.7	
		31.4.7	Disclosure of the internal control failures or weaknesses or contingencies that have affected or may affect the Company's financial performance and the procedures followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company's annual reports and financial statements);	✓	Sections 8 and 13 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
		31.4.8	Disclosure of the company's compliance with applicable market listing and disclosure rules and requirements;	✓	Sections 8 and 13 and As per QNB Group wide Policies and QNB Corporate Governance Framework	
		31.4.9	Disclosure of the company's compliance with Internal Control systems in determining and managing risks;	✓	Section 6 and 8	
		31.4.10	All relevant information describing the Company's risk management operations and Internal Control procedures.	✓	Section 6 and 8	

## Appendix (4) QCB Corporate Governance Disclosure Requirements

Clause	Description	Disclosure	Clause
1	Shareholding	1.1 Shareholding breakdown by Nationality	Qatar 92.34% - Others 7.66 % (as of 31/10/2016)
		1.2 Shareholding breakdown by Number of Shareholders	Total No. of shareholders 2954 and total No. of shares 839,675,325 (as of 31/10/2016)
		1.3 Government's Shareholding	50%
		1.4 Principal Shareholders (Above 10%)	Only QIA own more than 10%
		1.5 Significant Shareholders (Above 5%)	Only QIA own more than 5%
2	Board of Directors and Executive Management	2.1 Board Detailed Functions	Please refer to Section 3
		2.2 Types of Transactions requiring Board Approval	Please refer to Section 14
		2.3 Board Members	Please refer to the BOD Biographies Appendix (1)
		BOD Shareholding	QIA representative directors do not hold any QNB Shares
		2.4 Mr. Fahad Mohammed Fahad Buzwair	1.218.000
		Mr. Bader Abdullah Darwish Fakhroo	1.356.000
		Mr. Ali Hussain Ali Al-Sada	110.566
		2.5 New Board Members Induction measures	Please refer to Section 2.1 and 3.3
		2.6 Board Election Process	Please refer to Section 3.2 and 3.3
		2.7 Insider Trades	Qatar Exchange Website, "Intraday Insiders Trades Report"
		2.8 Membership Termination Arrangements	Please refer to Section 3.10
		2.9 Number of Board Meetings and dates	Please refer to Section 3.9
			1 <sup>st</sup> Meeting: 13 January 2016
			2 <sup>nd</sup> Meeting: 31 January 2016
			3 <sup>rd</sup> Meeting: 14 March 2016
			4 <sup>th</sup> Meeting: 12 May 2016
			5 <sup>th</sup> Meeting: 4 September 2016
			6 <sup>th</sup> Meeting: 30 November 2016
		2.10 Attendance record	Please refer to QNB Annual Report
		2.11 Board and Executive Management Remuneration Policy	Please refer to Section 4
		2.12 Key Senior Management	Executive Management Biographies Section
		2.13 Executive Management Shareholding	Key Executive Managers do not hold any QNB shares.
		2.14 Business Ethics Charter	Please refer to QNB Policy, BOD Charter and QNB Code of Ethics.
3	Board Committees	3.1 Board Committee Names	Please refer to Section 3.11
		3.2 Committee Members Attendance	Please refer to QNB Annual Report
		3.3 Total Committee Members Remuneration	Please refer to Section 4
		3.4 Committees Scope and Major Issues/ Outcomes	Please refer to Section 3.11, Major Issues Disclosed to Qatar Exchange



## Appendix (4) QCB Corporate Governance Disclosure Requirements - Continued

Clause	Description	Disclosure		Clause
4	Corporate Governance	4.1	Separate Section within the Annual Report	Please refer to QNB Annual Report
		4.2	Reference to the Corporate Governance Manual	Please refer to Section 1
5	External Auditors	5.1	Audit Scope Related Fees	QR2,100,000 For the year 2016
		5.2	Reasons for replacing/reappointing the External Auditor	This is subject to the General Assembly Meeting decision based on the recommendation of GBACC to the BOD.
6	Other Disclosures	6.1	Related-party transactions	Please refer to Section 14
		6.2	Communication with shareholders and investors	Please refer to Section 12
		6.3	Risk Management	Please refer to Section 2.4 and 6
		6.4	Review of Internal Audit Procedures	Please refer to Section 2.5 and 8
		6.5	Financial Statements	Please refer to QNB Annual Report and Website
		6.6	Balance Sheet	Please refer to QNB Annual Report and Website
		6.7	Income statement	Please refer to QNB Annual Report and Website
		6.8	Cash flow statement	Please refer to QNB Annual Report and Website
		6.9	Statement of Changes in Equity	Please refer to QNB Annual Report and Website
		6.10	External auditor certificate	Please refer to QNB Annual Report and Website
		6.11	Statement of responsibility by the Board of Directors	Please refer to Section 1
		6.12	Detailed Steps to ensure independent decision making on related-party Transactions/Agreements	Please refer to Section 14
		6.13	Evaluating the Performance of the Board and Directors	Please refer to Section 3.7

# Corporate Governance Report - 2016