



# Corporate Governance Report 2019

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# Chairman’s Foreword



Dear Shareholders,

Greetings,

A robust corporate governance framework is an essential component for any international bank. That is why at QNB, we have embedded strong standards and international best practice in our approach to governance across the entire footprint of the bank. Effective corporate governance measures serve not only to protect the bank and its customers, but also to reassure all our stakeholders, from regulators and investors to our customers and partners.

An important foundation to implementing sound corporate governance structures in QNB Group is transparent reporting. The Group remains committed to reporting both financial as well as non-financial information to our investors, stakeholders, and affiliates, as to keep them well-informed and engaged about the Group’s activities.

QNB Group continuously appraises, develops and enhances its corporate governance framework and processes. Our corporate governance mechanism combines aspects of internal control, risk and compliance. It is regularly evaluated by our comprehensive methodology set in place to assess the soundness of our corporate governance environment.

A balance between the roles and responsibilities of the Board and Executive Management is achieved through segregation of duties, which serves to underpin our collective responsibility to ensure our corporate governance is sustained at every juncture. While the Board maintains ultimate responsibility and exercises diligent oversight of the bank’s affairs, including key areas such as strategy and risk, the responsibility for the bank’s daily business management are delegated down through the Executive Management staff to every employee of the bank.

In 2019, we delivered a range of enhancements across all aspects of our governance framework both in our home and in a host jurisdictions, in line with our commitment to improve and unify a range of controls and systems across QNB’s international network. These included improvements in compliance activities, enriched corporate governance measures and practices, reviewed Board mechanisms and policies for effective governance, enhanced corporate governance measures at our overseas entities, promoted greater openness and transparency, strengthened the frameworks and tools to combat financial crime, and boosted risk awareness across our overseas network. The governance strategy for overseas entities involves extending sound corporate governance practices and policies downstream to overseas offices and subsidiaries, to ensure appropriate control structures and arrangements, which contribute to an effective chain of Group oversight.

We express our appreciation of all the efforts exerted by all the supervisory bodies in the State of Qatar, to raise the standards of corporate governance of national companies. In accordance, I am pleased to present the Annual Corporate Governance Report for 2019, which demonstrates our ongoing commitment to guiding corporate strategy that upholds the principles of business ethics, transparency and our commitment to international best-practice in corporate governance across QNB Group’s entire footprint. By enhancing all areas of corporate governance, we ensure that the bank and its customers are protected, investors are reassured, and that we are fully compliant with all regulatory requirements from Qatar Central Bank and Qatar Financial Markets Authority as well as regulators in the jurisdictions where we operate.

**Ali Shareef Al- Emadi**  
Chairman of the Board of Directors



## Introduction

QNB Group recognises that long-term economic goals and objectives come into realisation by way of sound corporate governance, which is firmly entrenched within the organisation. This also bolsters investor confidence and facilitates long-term growth. An important foundation to implementing sound corporate governance structures in QNB Group is transparent reporting, the Group remains committed to reporting both financial as well as non-financial information to our investors, stakeholders, and affiliates. Effective corporate governance is not an end in itself; it is a means to the proper functioning of a financial institution devoted to its investors and stakeholders. In its essence, corporate governance involves maintaining a set of balanced relationships and interests between a company's management, its board, its shareholders, the community and other stakeholders. Corporate governance also provides the structure through which the goals and objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

QNB has a robust set of corporate governance measures in place across the Group that combine aspects of internal control, risk and compliance. QNB Group has a comprehensive methodology set in place to evaluate the robustness of our corporate governance infrastructure, to gauge, assess, and monitor our corporate behaviour during the fiscal year. In light of changes in either financial or regulatory requirements, QNB Group understands the value of progression, hence: the Group adopts corporate governance principles that are evolutionary in nature to meet, or rather exceed, the Groups' changing business objectives. No corporate governance structure can be deemed sound without the factoring in of legislative and regulatory compliance elements, such aspects embody regulators' desire to hold financial institutions to only the highest standards of ethicalness and transparency, a standard that QNB Group upholds.

QNB Group disseminates a sound corporate governance culture across the organisation to motivate directors, managers and employees to maximise operational efficiency and comply with sound principles of conduct, hence ensuring high returns on investment and long-term productivity growth. QNB has a legacy of accountability, trustworthiness and financial dependability across the jurisdictions where it operates, and as such, a reputation for financial soundness. In an effort to strive for economic prosperity, QNB Group's undertakings function in a manner consistent with our overall business and corporate governance strategy, which aims to create business integrity and garner greater market confidence.

QNB's well-being, reliability, trustworthiness, safety and dependability are key to the financial stability of the Group, and the manner in which it conducts its business and corporate governance activities, which is central to creating market confidence and business integrity in the region and across the jurisdictions where it operates. This Corporate Governance Report demonstrates QNB Group's ambitions and efforts to comply with regulatory requirements issued by Qatar Central Bank (QCB), Qatar Financial Markets Authority (QFMA) and all other relevant regulatory authorities that our operations reside in.

## 1. The QNB framework for corporate governance

What typically influences sound corporate governance practices is an array of regulatory, legal, ethical, and economic domains that must be accounted for by financial institutions, and in line with that, QNB Group maintains a multi-tier corporate governance framework that ensures the proper incorporation of such vital domains. The soundness of QNB's corporate governance framework is fundamental to the success of its business as it reinforces trust in the brand that allows QNB to deliver sustainable and comprehensive change in line with QNB Group values. QNB Group has a duty to create a viable and durable corporate governance structure that takes into consideration, the rights of stakeholders and investors, the related requirements set by our regulators, the societal and environmental obligations we aspire to fulfil, and the economic goals we continuously strive to ascertain. QNB Group's ability to pursue key corporate governance objectives, seize new opportunities and meet newer demands is dependent on our ability to manage risks effectively so that we remain in adequate compliance at every level and in every jurisdiction QNB operates. QNB Group believes that long-term success is a by-product of good corporate governance and by having effective management attributed with entrepreneurial, ethical, and far-sighted qualities, corporate governance is strengthened.

QNB Group's corporate governance framework contextualises the principles of sound corporate governance from international best practices issued by the Basel Committee on Banking Supervision (BCBS), the Organisation for Economic Cooperation and Development (OECD), the International Corporate Governance Network (ICGN), International Chamber of Commerce (ICC) and other leading international institutions. As a result, the corporate governance standards across QNB Group are naturally pursued in a manner consistent with applicable local laws, regulations and codes.

QNB Group's Board of Directors (BOD) reviews, maintains and approves a comprehensive set of corporate governance policies and procedures to assure and ensure that the BOD and Executive Management exert effective vigilance in the management of the Group's businesses and activities. Care and attention is devoted to ensure that corporate governance measures employed are compatible with the legal and regulatory requirements and that they reflect the actual orientation to comply with the international standards. 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, duly supported by the Executive Management team.

QNB Group maintains a Corporate Governance Manual based on the latest regulatory updates from both QCB and QFMA in addition to the international best practices. The Corporate Governance Manual is an important policy document, which defines the corporate governance approach of the Group, the structuring and responsibilities of the Board and Management committees. The Manual is also an extremely sought after document for any business, shareholders, rating agencies, investors and other stakeholders as they are all increasingly focusing on the application of sound corporate governance processes as evidence of a demonstrable commitment to delivering long-term value and sustainability. The Manual sets out the role of the BOD, the Chairman, the Chief Executive Officer and the established committees of the Board and the Executive Management. In addition to that, the Manual alludes to QNB's corporate governance framework and its components, risk management and internal control framework, role of external audits, disclosure requirements, and shareholders' and stakeholders' rights.

### 1.1 Key corporate governance guiding principles

In application of article (3) of the QFMA Corporate Governance Code, principles of corporate governance are intended to assist public companies boards and management in their efforts to implement appropriate and effective corporate governance practices. Although there is no 'one size fits all' approach to governance that will be suitable for all companies, QNB Group believes that the creation of sustainable long-term value is the ultimate measurement of a successful corporate governance approach, and it is important that shareholders and other stakeholders understand why the bank has chosen to use particular governance structures, practices and processes to achieve this objective.

QNB Group adopts and maintains the following primary guiding principles for corporate governance:

- the Board approves corporate strategies that are intended to build sustainable long-term value; selects the Group Chief Executive Officer (GCEO); oversees the GCEO and Executive Management in operating the company's business, including allocating capital for long-term growth and assessing and managing risks, and sets the 'tone at the top' for ethical conduct;

- the Management develops and implements corporate strategy and operates the company’s business under the Board’s oversight, with the goal of producing sustainable long-term value creation;
- the Management, under the oversight of the Board and its Group Board Audit and Compliance Committee (GBACC), produces financial statements that fairly present the Group’s financial condition and results of operations and makes timely disclosures that investors need, to assess the financial and business soundness and risks of the company;
- the Group Board Audit and Compliance Committee (GBACC) maintains and manages the relationship with the external auditor, oversees the Group’s annual financial statement audit and internal controls over financial reporting, and oversees the bank’s risk management and compliance programmes;
- the Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC) plays a leadership role in shaping the corporate governance practices of the Group, strives to build an engaged and diverse Board whose composition is appropriate in light of the bank’s needs and strategy, and actively conducts succession planning for the Board;
- the Board and Management engage with long-term shareholders on issues and concerns that are of widespread interest to them and that affect the Group’s long-term value creation. Shareholders that engage with the Board and Management in a manner that may affect corporate decision-making or strategies, are encouraged to disclose appropriate identifying information and to assume some accountability for the long-term interests of the bank and its shareholders as a whole. As part of this responsibility, shareholders should recognise that the Board must continually weigh both short-term and long-term uses of capital when determining how to allocate it in a way that is most beneficial to shareholders and to building long-term value; and
- in making decisions, the Board may consider the interests of all of QNB Group components, including stakeholders such as employees, customers, suppliers and the community in which the Group operates;

QNB Group strongly considers 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.

### 1.2 QNB’s Approach to establish effective corporate governance

QNB Group’s approach to corporate governance is founded upon a rich legacy of fair, ethical and transparent governance practices, many of which were in place even before they were mandated, by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour. As a global organisation, the corporate governance practices followed by the Group are compatible with leading international standards and best practices. Through the governance mechanism in the Group, the Board along with its committees undertake the fiduciary responsibilities to all the stakeholders by ensuring transparency, fairness and independence in the decision-making process.

The corporate governance approach is further strengthened with the adherence to the proprietary QNB Group Business Excellence Model as a means to drive excellence along with the Balanced Scorecard methodology for tracking progress on long-term strategic objectives. Furthermore, QNB’s ‘Code of Conduct’, serves as a guide to the Group, its Directors, management and employees, in articulating and reinforcing QNB’s values, ethics and business principles. It is supplemented with an appropriate mechanism to report any concern pertaining to non-adherence to the said Code.

During 2019, QNB Group maintained effective application of all aspects of the QFMA issued Corporate Governance Code and which provides a comprehensive framework for corporate governance of listed companies including the main principles for the protection of the shareholders’ rights and focuses on the principles pertaining to strengthening the internal control systems in the company and to apply and fulfil the requirements contained therein. Going forward, QNB Group is also working towards further enhancing, managing and reporting it’s environmental, social and governance (ESG) measures.

QNB is in full compliance with Qatar Central Bank and Qatar Financial Markets Authority obligations with respect to corporate governance.

### 1.3 Commitment to ensuring compliance with corporate governance regulations

The Board of Directors and Executive Management believe that corporate governance is an essential element to enhance shareholder confidence, specifically that of 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, during 2019, all necessary efforts were focused towards continuing to create and maintain awareness of the importance of corporate governance within QNB Group and on enhancing corporate governance measures.

In application of article (4) of the QFMA Corporate Governance Code, the annual Corporate Governance Report submitted annually to both regulators (QCB and QFMA) aims to ensure a transparent disclosure of the governance practices within QNB Group. It embodies the Group’s values and policies that all parties must conform to. The report includes and covers areas including: the capital structure, control measures, key corporate governance achievements, shareholders’ rights and fair treatment, description of BOD charters and its committees, related party transactions policy, succession planning, and periodic review of professional conduct principles, in order to ensure the application of best professional practices that meet QNB Group’s needs and objectives.

## 2. QNB’s achievements during 2019 to enhance the corporate governance framework

An important role of Group Compliance is to promote good corporate governance across QNB Group, and at the centre of sound governance is an effective BOD. QNB took many pragmatic strides in 2019, which lead to a number of enhancements to the Group’s existing corporate governance framework. To meet increasingly complex regulatory requirements, QNB Group Compliance brought in multiple improvements that are directly aligned with international best practices in order to promptly resolve or mitigate compliance risks associated with QNB’s business activities. Furthermore, actions initiated by QNB Group Compliance continue to provide a stable backbone of support for QNB Board of Directors and Senior Management.

Tone at the top is a critical prerequisite for the creation of a solid foundation comprised of good corporate governance and compliance structures through which the Board of Directors, Board Committees, Executive Management and

all other QNB Group employees operate. Furthermore, effective compliance monitoring and awareness programmes have been implemented across different levels at QNB Group. Risk, governance and compliance aspects continue to evolve rapidly, as to meet the inherent need for banks to move away from silo-based working cultures and make the shift towards more collaborative working cultures. The below topics summarise QNB’s key efforts in 2019, with respect to the enhancement of the corporate governance framework.

### 2.1 Enriched corporate governance measures and practices

As part of reinforcing its robust corporate governance culture across the Group, QNB fortified its corporate governance measures and practices across all levels of the Group. The following sections outline the main governance areas evaluated, enhanced and strengthened in QNB Group’s corporate governance framework.

#### Bolstered governance: Board of Directors’ independency assessment

QNB’s Board of Directors are pivotal to the efficacy of the Groups’ corporate governance framework, as their diverse background, knowledge, competency and expertise builds a foundation whereon long-term success becomes a tangible commodity, then an attainable goal which achieves sustainable growth. The long-term success of the Group is dependent on a quality Board where the Directors are competent, well-qualified, committed, with diverse experiences and who have independence of mind and perspectives.

During 2019, and in adherence with BOD independency and executive to non-executive stipulations of the QCB and QFMA, QNB conducted a comprehensive evaluation and assessment of independency in QNB Board of Directors.

#### Holistic governance – an intensive Board self-assessment

QNB seeks to continuously improve and measure Board engagement and effectiveness throughout the year, and the ‘annual Board self-assessment survey’ is a key governance tool that provides the Board with a practical engagement opportunity to share any recommendations or considerations they may have on Board governance and effectiveness. Group Compliance facilitates and coordinates this annual Board self-assessment exercise to aid QNB Group’s Board of Directors with reviewing and optimising their holistic performance on an annual basis.

The self-assessment survey completed by the Board provides the Group with the ability to gauge the operative nature of BOD engagement, composition, culture, and effectiveness. In such, the self-assessment process provides much needed contemplation into the dynamics of Board member interaction, and the ways through which their interaction fulfils QNB’s strategic business goals.

A key by-product of the annual assessment is retrospection, to help the Board identify better and innovative ways to deal with a number of situations or challenges that may arise and which is a prerequisite for the longevity and success of a financial institution. Board annual assessments ensure that fit and proper Directors are working together effectively. At the core of quality governance at QNB is a performance-driven Board undertaking corporate decisions with sustainability and ethicalness in mind.

**Periodic review of Board Charter and policies for effective governance**

In line with good corporate governance practices, as well as regulatory requirements, Group Compliance spearheaded a number of periodic reviews and subsequent updates of Board-related charters, policies and processes. Maintaining updated and unified Board-related documentation is a fundamental part of the Group’s commitment to defining the roles of Directors and the Board as a whole. Furthermore, the statement of the roles and responsibilities of BOD members through the Board Charter and policy works to deter conflicts from arising between Directors, and facilitates cooperation between them during decision-making.

The Board-related charter, policies and processes reflect QFMA’s and QCB’s requirements on corporate governance. QNB Group is committed to furthering an adaptive corporate governance structure that factors in amendments to Board Charters and policies where relevant regulatory and international leading practices necessitate it.

**Enhanced and strategic corporate governance measures at overseas entities**

As the Group grows in size and expands its operations to international markets, governance and decision-making interactions between entities can become more challenging. As a result, QNB has established effective communication channels and oversight mechanisms, to align Head Office’s corporate governance with that of our overseas entities. The Group also maintains a set of corporate governance

guidelines that take into account the variety of regulatory challenges that may arise when overseas branches and international subsidiaries integrate QNB Head Office policies and practices into their own.

In 2019, Group Compliance released an updated set of corporate governance guidelines for overseas branches to provide them with a set of practical guidelines and supervisory standards in the areas of corporate governance. The guidelines aid overseas entities in aligning their corporate governance practices with Head Office requirements as well as, their own local regulatory requirements. Moreover, the guidelines set out the process, criteria and minimum requirements for effective governance at the overseas branches and outline the mechanisms for effective supervision and monitoring of the relationship between QNB Head Office and the overseas branches. These guidelines also offer overseas entities the flexibility to take into consideration applicable laws and regulatory instructions of the jurisdictions where they operate.

Measures are also in place to oversee the adoption of the Group-wide policies and procedures across QNB entities. The governance principle for overseas entities thus involves exchanging sound corporate governance practices, to ensure an effective chain of Group oversight.

**Evaluation of management at subsidiaries: QNB representatives’ assessment**

QNB as part of its global operations, maintains interests and connections at its subsidiaries and consequently has frequent related decision-making levels and interactions. This may give rise to a number of challenges with respect to synergising strategic objectives, implementation and monitoring of plans, dissemination of corporate culture, risk management, reporting and mitigations of potential conflicts of interests, among other matters. With a view to mitigate associated risks and to aid seamless governance measures, QNB Group (as the holding company) nominates executive managers from QNB Head Office as representatives at the Board level of each QNB subsidiary. This facilitates alignment of corporate governance initiatives, protects stakeholders and creates an adequate setting for sustainable development across the Group.

These representatives help maintain an optimal synergy between Head Office and subsidiaries to protect QNB’s interests and foster an adequate control environment.

Group Compliance in collaboration with required stakeholders aims to facilitate governance at the subsidiary level by evaluating the performance of QNB representatives positioned across the subsidiaries. This performance evaluation, conducted on an annual basis, demonstrates how QNB representatives utilise the pre-established escalation channels for communication to follow-up on the implementation of directives, performance and deficiencies remediation. Additionally, the Group-wide oversight framework established at subsidiaries to report directly to QNB Qatar’s Board (as the parent company) was examined and appraised.

**Promoting integrity – conflict of interest and insider trading**

QNB Group believes accountability in governance stems from adherence to sound principles of fairness and responsibility. Ethically-focused policies such as the Conflict of Interest and Insider Dealing Policy promotes integrity within the bank. It is essential for the bank to be able to identify actual and potential conflicts of interest and manage them fairly and appropriately.

In this context, cognisant Board members, senior managers, employees, and third-party vendors are obligated to raise or disclose potential conflicts of interest at QNB Group in line with the associated policy, so as to allow the Group to adequately address, identify and manage such conflicts. The established Conflict of Interest and Insider Dealing Policy guides all employees from top management to entry-level employees, as they make every effort to meet their obligations to QNB’s Board, shareholders, clients, personnel and all stakeholders. The policy addresses potential conflicts of interest between QNB and its employees, contains prohibitions, restrictions and disclosure requirements to ultimately protect the Group’s reputation.

**Maintaining a foundation of openness, disclosure and transparency**

QNB’s governance components set clear standards for promoting transparency and disclosure, encourage equality and justice among shareholders and more generally all stakeholders. In this regards, QNB maintains a ‘Disclosure and Transparency Policy’ to further our reputation for fairness.

This policy incorporates both regulatory requirements and international best practices offering stakeholders and shareholders the information needed for well-informed investment decisions. Furthermore, proper disclosure and transparency of information has a positive impact on QNB’s ability to exhibit trustworthiness, avoid reputational harm, and cultivate prosperous investor relationships. Sound disclosure and transparency practices ensure that necessary information is made available to required stakeholders in a timely, accurate, cost-effective and understandable manner.

Disclosure and transparency components also incorporate relevant material environmental, social, and governance (ESG) information that investors and other stakeholders increasingly seek.

**Protecting shareholders’ rights**

QNB Group is committed to protecting shareholders’ rights in accordance with the required by-laws, regulations and as part of its corporate governance framework. To accomplish this, the bank exercises diligence and care in conducting all its operations, including effective and efficient use of resources to maximise shareholder benefits.

QNB Group ensures that all shareholders are entitled to their rights fairly and equally and that they are protected against any violation to those rights. To ensure that shareholders’ assets are protected against any misuse that may occur from the BOD, Executive Management or relevant stakeholders, QNB Group maintains a robust Shareholders’ Rights Policy.

The protection of shareholder rights is central to corporate governance and at QNB, the protection of shareholder rights incorporates ethical corporate behaviour, an accurate legal and regulatory framework, and robust enforcement of policies and procedures.



Whistle-blowing

QNB Group maintains robust guidelines, channels, safeguards and protection mechanisms to encourage whistle-blowing across the Group. The Whistle-blowing Policy at QNB encourages employees to raise genuine concerns within the Group without fear of reprisals, rather than overlooking a problem. The Whistle-blowing Policy at QNB Group provides guidelines on the whistle-blowing concept and sets minimum standards for these matters within QNB to ensure that any such cases reported by the employees in good faith are properly dealt with. Thus, the objective of this policy is to provide employees with a channel for whistle-blowing, to ensure that appropriate action is taken on a timely basis and to ensure that QNB Group's reputation is maintained. Generally, the misconduct is a violation of law(s), rule(s), regulation(s); fraud, bribery, health and safety violations, corruption and/or a direct threat to public interest.

Whistle-blowing encourage employees to report wrongdoings or violations that they are aware of or have suspicions or concerns about, to earmarked responsible and designated internal authority within QNB Group, so that appropriate action can be taken immediately to resolve the problem. Furthermore, it serves to minimise the Group's exposure to reputational or financial damage that may occur when employees circumvent internal mechanisms and demonstrates to employees and stakeholders that QNB is serious about adherence to its code of conduct.

Anti-bribery and corruption measures

At QNB Group, an emphasis on the way of doing things is just as important as what to do. QNB seeks to create a workplace environment where each employee achieves the highest business and personal standards. It is QNB's policy to conduct all business in an honest and ethical manner. QNB Group takes a zero-tolerance approach to bribery and corruption and in implementing and enforcing effective systems to counter bribery and corruption.

In addition, QNB maintains a robust Anti-Bribery and Corruption Policy that applies to the entire QNB Group workforce, in terms of all dealings and transactions in all countries where QNB operates. The entire QNB workforce, including others acting on behalf of QNB Group, are required to read, understand and abide by this policy. In addition, QNB Group Board members and Senior Executives are required to enforce the policy. Where QNB Group engages third parties such as agents, distributors or joint venture partners, it has the obligations to complete sufficient due diligence when entering into arrangements to ensure that they are not acting corruptly. This

allows QNB to periodically monitor their on-going compliance.

2.2 Promoting ethical and professional behaviour

Tone at the top

The tone at the top sets out QNB's desire and commitment towards honesty and integrity while ensuring professional standards within the Group. Starting from the Board of Directors, QNB Group continuously encourages its senior members to be a role model for others to follow as the tone at the top has a trickledown effect on all employees within the Group. This also serves as an effective risk mitigation tool against fraud, corruption and bribery, insider dealing, conflict of interest, etc.

During 2019, QNB Group enhanced robust governance-related policies and procedures, including (but not limited to) areas such as the 'Board Policy', 'Anti-Bribery and Corruption Policy', 'Conflict of Interest and Insider Dealing Policy', 'Transparency and Disclosure Policy', 'AML and CFT Policy', 'Know Your Customer (KYC) Policy', 'Stakeholders' Rights Policy', 'Fraud Control Policy', 'Data Protection Policy', 'Code of Conduct (Ethics)', 'Outsourcing and Vendor Management Policy', 'Management Succession Policy', 'Chinese Walls Policy' and 'Whistle-blowing Policy', with a view to control, curb and report unethical behaviour, including but not limited to fraud, corruption, embezzlement, bribery, insider trading, conflicts of interest, customer privacy violations, discrimination, harassment, violations of laws and misrepresentation of facts. In addition to the documentation infrastructure in place, employees were also provided with tailored training courses on related aspects to drive the spirit of the Group's code of ethics, which all employees at the Group are bound to comply with.

Enhancing spirit of compliance and promoting ethical behaviour

Maintaining a strong compliance culture is a priority on the agenda of the Board of Directors and the Executive Management. This is reflected across QNB Group through various initiatives such as policies and procedures, circulars, staff trainings, awareness sessions, brochures, etc. A Code of Ethics and Conduct is in place which is considered to be an integral part of QNB policies and forms a framework and guidance for the conduct of business. It also serves as a reference point when dealing with entities and personnel, especially colleagues, customers, suppliers and regulators. It is applicable to all staff at QNB and in subsidiaries where QNB has a controlling interest.

2.3 Enhanced frameworks and tools to strengthen financial crime compliance structures

QNB's anti-money laundering and combating terrorism financing (AML/CTF) framework and related activities are strategically managed by Group Compliance through robust systems and controls in place to detect and deter the flow of illicit funds through the bank's financial system. During 2019, as part of QNB's periodic 'Diagnostic Assessment' to achieve its AML/CTF framework objectives, the following initiatives were implemented across the Group.

Robust and effective AML/CTF programme: risk-based approach

In line with international best practice and in order to implement a robust and effective AML/CTF programme, Group Compliance ensures that identifying, assessing and understanding money laundering and terrorist financing (ML/TF) risks forms an integral part of the ML/TF risk management for Head Office and overseas branches and subsidiaries. Money laundering and terrorist financing risk assessments helps in the prioritisation and efficient allocation of resources. Furthermore, ML/TF risk assessments assist QNB to apply AML/CTF measures that are in line with a risk-based approach (RBA).

Know your customer: appropriate customer risk measures

In order to prevent QNB from being used, intentionally or unintentionally, by criminal elements for money laundering and terrorist financing activities, it is important to create a robust know your customer (KYC) regime. As part of ensuring an efficient KYC regime, Group Compliance is overseeing the implementation of the global KYC platform across QNB Group to ensure an accurate view of the quality of the customers' KYC information and to enhance the profiling and monitoring processes. Additionally, this platform will ensure an accurate risk classification of QNB customers.

Enhanced AML/CTF technologies and systems

Robust AML/CTF technologies and systems form an essential part of an effective AML/CTF framework. In line with QNB's AML/CTF risk-based approach, Group Compliance has enhanced customer screening by implementing an ongoing customer-screening tool to detect, prevent and manage sanctions risks.

Group-wide AML/CTF oversight

International best practice requires QNB to implement Group-wide AML/CTF programmes,

including policies and procedures for sharing information within the Group for AML/CTF purposes. In order to ensure that overseas branches and subsidiaries apply AML/CTF measures consistent with Head Office requirements, Group Compliance continues to effectively discharge its robust oversight responsibility. In this regard, Group Compliance conducts periodic reviews (on-site and off-site) with a focus on evaluating and assessing the AML/CTF measures the overseas entities have in place and to ensure that these comply with applicable regulations.

Reporting: focus on effective and efficient transaction monitoring

QNB has implemented a robust customer transactions-monitoring system and Group Compliance conducts periodic risk-based approach reviews of the system in order to ensure the efficiency of the system in mitigating the money laundering and terrorist financing risk QNB may face.

Enhancing the AML/CTF culture: training and awareness

Training is one of the most important ways to ensure that AML/CTF measures are properly implemented across QNB. In order to ensure that QNB employees are equipped to deal with ever more sophisticated money laundering schemes, Group Compliance continues to ensure that AML/CTF training is robust, risk based and specialised. Group Compliance has developed an AML/CTF training programme and regularly delivers AML/CTF related trainings customised for domestic QNB departments/business units and overseas branches and subsidiaries. These trainings involve face-to-face training sessions, e-trainings, brochures, awareness emails and circulars, on-site visits to domestic branches and video calls to overseas branches and subsidiaries.

2.4 Strengthening the sanctions compliance framework

QNB understands that a robust and effective Sanctions Compliance Framework forms the cornerstone of effective prevention, detection and mitigation of business risk against terrorism financing, financing of proliferation and sanctions of non-compliance with economic and trade global sanctions programmes imposed by the EU, UN, OFAC, UKHMT and other regulatory entities. QNB's Sanctions Compliance Framework adopts a risk-based approach and some of the key related initiatives in 2019 have been described as below.

**Engaging with a premier global financial crime advisory firm**

In 2019, Group Compliance engaged with a global premier strategic financial crime advisory firm with the aim of strengthening sanctions management and to respond to financial challenges across the jurisdictions where QNB operates. This engagement will assist QNB to enhance its ability in dealing with sanctions risks by adapting world-class practices aligned with global financial frameworks.

**Enhancing operational capabilities**

Apart from investing in industry-standard solutions to detect, prevent and mitigate sanctions related risks, Group Compliance increased its operational capabilities in 2019 by building a strong and sustainable capacity plan, capable of fully supporting and advising QNB Group business initiatives such as ventures, new services and products.

**Redesigning sanction training programme and awareness**

New training initiatives included a redesign of the Sanctions Awareness training material, developing new specialised training materials for QNB branches and development and implementation of a Sanction e-learning course to reflect new sanction trends and techniques.

**Sanction monitoring and assurance**

In 2019, Group Compliance conducted a number of sanctions reviews of functions such as Operations and Trade Finance Departments and performed assessments across QNB overseas branches and subsidiaries. The objective was to ensure sanction standards are being met across the QNB Group at the same level and deviations are limited to acceptable levels in line with the overall sanction risk appetite. New initiatives have also been launched including the establishment of centralised communications channels for all global sanctions policy changes and trigger events that warrant QNB assessment and further actions.

**2.5 Setting in motion the fraud control framework**

A dedicated Fraud Control Unit is in place reporting under Group Compliance, with an established Fraud Control Programme demonstrating the expectations of the Board of Directors and Executive Management and their commitment to high integrity and ethical values regarding managing fraud risk. A Group-wide Anti-Fraud Policy is also in place covering QNB Group, including its international branches and subsidiaries. During 2019, the Fraud Control Unit supported QNB Finansbank and QNB Al Ahli to build a fraud control

framework to ensure alignment and consistency with the Group fraud framework and standards. The key developments relating to the fraud control area during the year consisted of the following.

**Fraud risk assessment**

The Fraud Control Unit has conducted comprehensive fraud risk assessments across several products during the year, leveraging walk-throughs, deep dives, and task force reviews to identify specific fraud schemes and risks, assess their likelihood and significance, evaluate existing fraud control activities, and recommend remedial actions to mitigate residual fraud risks.

**Fraud monitoring, prevention and detection**

The Fraud Control Unit performs ongoing monitoring and investigation of alerts, referrals and exception reports to mitigate the risk of fraud events occurring or not being detected in a timely manner. The Fraud Control Unit has also rolled out e-learning fraud awareness training for employees across the Group, and has a well-embedded fraud reporting mechanism for international branches and subsidiaries.

**Enterprise fraud management system**

During 2019, an ‘Enterprise Fraud System’ was successfully implemented and rolled out with a focus to cover the PSD2 fraud monitoring and reporting requirements for our businesses in the UK and France. Phase 2 of the project plan will kick-off in 2019 and planned for roll-out during 2020 and will cover online and offline screening of financial transactions, including non-monetary activities, across users, accounts, products and channels, to identify and prevent internal and external fraud across QNB Group.

**2.6 Tax transparency: effective implementation of automatic exchange of information (AEOI) regimes across QNB Group**

QNB Group, including its overseas branches and subsidiaries, operate under a wide range of legal and regulatory environments. In this regard, QNB Group is required to comply with domestic and international tax identification, reporting and information exchange practices of all countries in which it has business operations.

An effective compliance programme should leverage existing financial crime compliance conduct and tax (including tax transparency regimes) procedures and controls in order to address the risk of customer tax evasion and the facilitation thereof. As such, QNB maintains a robust anti-tax evasion compliance

programme and is in conjunction with the applicable guidance issued by the authorities in jurisdictions where QNB Group conducts business.

The increasing customer tax reporting requirements around the world and the digitisation of the administration of tax has enlarged QNB’s tax compliance burden further. Non-compliance with the regulations, could expose QNB Group to financial costs, penalties or reputational damage because of failing to comply with required laws and practices. QNB Group understands the importance of being compliant with the tax compliance regimes and works towards ensuring that the applicable procedures are appropriately implemented in line with regulations where we operate. The Tax Compliance Unit within Group Compliance is continuously working to improve QNB’s processes to ensure QNB’s banking services are not associated with any arrangements known or suspected to facilitate tax evasion or money laundering. The Tax Compliance Unit applies global initiatives to improve tax transparency across QNB Group.

The worldwide regulations highlighted above were designed to put in place adequate agreements between countries to exchange customers’ information aimed, primarily, at combating tax evasion. The Tax Compliance Unit is responsible for managing the entire spectrum of the US Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) related responsibilities across QNB Group.

The Tax Compliance Unit is the main point of contact as subject matter experts (SMEs) in FATCA and CRS-related queries. The team provides assistance to the different business units domestically and compliance officers at overseas branches and subsidiaries where it serves as the liaison point in FATCA/CRS implementation and reporting programmes.

During 2019, the Tax Compliance Unit has successfully led comprehensive initiatives and programmes to ensure that the required FATCA and CRS reportable data set by the regulatory authorities in Qatar and by applicable jurisdictions in overseas branches and subsidiaries was duly submitted. Additionally, the Tax Compliance Unit assisted with the FATCA and CRS reporting obligations to those jurisdictions while completing these requirements. For 2020, a significant number of systems and process enhancements have been strategically planned. These systems and processes should improve significantly QNB’s structure and process regarding tax-identification and reporting

requirements to regulatory authorities.

**2.7 Enriched compliance monitoring and oversight**

**Compliance self-assessment framework**

Group Compliance enhanced its ‘Compliance Self-Assessment Framework’ during 2019. The main objective behind this framework is to identify areas that pose the greatest compliance risks, i.e. relevant to corporate governance, sanctions, regulatory compliance and AML/CTF activities. This undertaking helps QNB prioritise compliance risks assessments by assigning proper ratings to risks observed, mapping them to the applicable risk owners and effectively allocating resources to perform risk mitigation tasks. The framework also incorporates a ‘self-awareness questionnaire’ directed towards the bank’s domestic divisions, overseas branches and subsidiaries and the feedback is evaluated and validated to identify weaknesses and work on areas of improvement.

Overall, this framework focuses on consolidating the risk monitoring process to a more granular and rationalised level, driven by a methodical and objective risk-based approach to ensure adequate protection of QNB Group from being exposed to any financial or reputational risks while conducting its banking activities.

**Compliance monitoring programme**

Group Compliance is responsible for engaging and coordinating with QNB business divisions, overseas branches and subsidiaries to ensure appropriate adherence to the regulatory standards. To effectively monitor compliance risks and develop a strong compliance culture, organisations require a comprehensive Compliance Monitoring Programme (CMP) that holistically assesses where the key risks are, and what mitigating actions are undertaken. In this regard, Group Compliance has rolled out the enhanced CMP across QNB Group in order to effectively monitor the Group’s compliance with all relevant regulatory requirements. Any shortfalls are immediately rectified with the support of the process owners and the related policies and procedures are updated.

Additionally, Group Compliance has established a robust mechanism for ensuring that all observations noted and reported during the compliance reviews are closed by the relevant process owners as per the agreed timeline and that any high risks pending are escalated to the senior management in a timely manner.



**Compliance self-awareness questionnaire (CSAQ)**

The Compliance Self-awareness Questionnaire (CSAQ) is another integral component of the CMP. Tied to the ‘Compliance Self-assessment Framework’, the CSAQ was initiated and developed by Group Compliance in 2014 with the objective of testing domestic divisions/subsidiaries and overseas branches and subsidiaries awareness with regards to their compliance responsibilities. The exercise is used as a multipurpose tool, intended to help QNB to determine whether good business practices and adequate internal controls, which are required by the regulators as well as through the Policies and Procedures of QNB Group, are being observed and complied with by the respective divisions, branches and subsidiaries of QNB Group. During 2019, Group Compliance has enhanced its annual CSAQ exercise to include areas related to internal controls, fraud control and privacy and data protection.

The CSAQ exercise serves as a mechanism in disseminating the compliance culture across QNB Group and in assessing areas where QNB domestic divisions and overseas branches and subsidiaries took steps in the right direction in building a strong compliance culture.

**Compliance self- awareness at overseas branches and subsidiaries**

CSAQ for international branches and subsidiaries is part of Group Compliance’s self-assessment framework. The CSAQ was enhanced in 2019 by refining the scoring methodology in coordination with the Group’s strategy. Furthermore, the scope of the CSAQ has been expanded to cover 10 compliance pillars rather than six. The scope currently covers governance, compliance with policies and procedures, Chinese walls, whistle-blowing, internal control management, outsourcing requirements, and compliance with AML/CTF/KYC, sanction requirements, fraud control, privacy and data protection, and particulars.

During 2019, Group Compliance conducted and completed the annual assessment with international branches and subsidiaries. Furthermore, Group Compliance devised a domestic CSAQ for QNB’s international subsidiaries in-line with the approach adopted at Head Office in order for international subsidiaries to assess their domestic divisions, branches, and subsidiaries.

**Addressing new regulatory developments**

Group Compliance on an ongoing basis reviews, adopts and implements the regulatory requirements including but not limited to those instructed by QCB, QFMA and QFCRA in addition to the FATF recommendation. For this purpose, QNB Group Compliance has implemented a robust, proficient and effective mechanism to monitor implementation of new regulations. Projects are progressing well to comply with any new regulatory developments. The most critical recent QFMA requirements include: management assessment of QNB Group’s internal controls, new FS rulebook, splitting of shares for listed companies and new requirements for BOD candidates. Similarly, QCB has issued new guidance on measuring and monitoring large exposures, assets and liabilities maturities ladder, and capital adequacy requirements (Pillars 1 and 2). Simultaneously, the compliance function has been busy providing numerous trainings across divisions on recent regulatory developments in order to further strengthen the compliance culture at the bank with the sole ambition of achieving QNB Group’s goals, objectives and expansion strategy.

**Outsourcing activities monitoring framework**

Group Compliance streamlined the Outsourcing and Third Parties Activities Framework to monitor QNB overseas entities. The enhancements are primarily taking into consideration the compliance, internal control, and data protection perspectives. Group Compliance has identified that 10 key components should be in place in this regard through the shared guidelines with all overseas branches. These components are covering the following: regulatory requirements, documentation infrastructure, appropriate approvals, risk assessment, due diligence/ enhanced due diligence, key controls, contracts/ authentications contingency plan, documentation/ archiving, custody, and ongoing assessment.

Group Compliance will collaborate with other divisions to allow them to leverage the Group Compliance Outsourcing Framework, this will increase efficiency and avoid duplication as well as ensuring proper segregation of duties among divisions.

**2.8 Augmenting the capability and skillset of the Group Compliance team**

QNB attaches great importance to the professional improvement of its employees and supports them in obtaining training, certifications and professional development opportunities in an effort to increase the work quality and ensure compliance with international standards. In this sense, employees within Group Compliance are encouraged to pursue continued development and obtain internationally accepted certifications, professional qualifications and credentials in the field of financial crime, regulatory compliance and governance to help QNB Group create a difference in the industry.

QNB Group fosters and promotes a continuous learning environment for its employees. In this regard, Group Compliance has ensured that all its employees possess the necessary skills and experience to perform their duties effectively. In order to further increase the employee’s expertise and motivate the employees, the bank also provides them with full study sponsorship for completing professional examinations for the ACAMS, CISI, CIA, PMP, etc.

**2.9 Group Compliance training and awareness towards QNB staff: Incorporating leading practices**

QNB Group embraces and emphasises the importance of compliance-related training as a key part for moulding QNB Group culture and for nurturing a positive environment towards compliance initiatives. This approach serves to enhance Compliance awareness among employees to protect QNB Group’s reputation globally. Group Compliance is also conscious of the fact that adequate training and development provided to employees serves as an effective and essential mechanism in maintaining a committed and competent workforce. The Compliance Training Programme provides guidelines and emphasises the priorities in order to achieve QNB Group’s strategic objectives of reducing reputational risk and increasing the operational effectiveness of handling compliance matters by proper allocation of resources. The robust and comprehensive Compliance Training Programme at QNB serves to highlight the fact that compliance of the bank’s business activities with relevant regulations, internal policies and best practices, is not only attributed to Group Compliance, but applies to each employee of the bank.

In 2019, Group Compliance developed a new ‘Spirit of Compliance’ training for QNB staff which covers a wide array of relevant topics such as: regulatory framework for QNB, highlighting recent regulatory developments; spotlight on important compliance-related issues and identification/escalation of non-compliance-related issues. These trainings involve face-to-face training sessions, awareness emails and circulars. The trainings are conducted according to a well-tailored frequency depending on the targeted population, level of experience, and nature of job requirements. In order to enforce the training requirements, the attendance and learning objectives are also embedded into QNB staff’s individual KPIs which ensure effective monitoring.

Group Compliance focused on enhancing its ‘Risk-Based Approach towards Training Programmes’ in 2019, across the compliance training courses provided to QNB Qatar, domestic subsidiaries and overseas branches and subsidiaries. The compliance training strategy focused on aligning the content of the training courses with QNB employee needs, while enhancing the trainees experience and thus improving the programme effectiveness. Training courses are designed to focus on addressing practical situations and insights into actual compliance issues faced by the staff or observed by Group Compliance during the course of their banking activities.

Training attendance and learning objectives are inbuilt into QNB employee goals and KPIs across international and domestic QNB divisions and monitored by Group Compliance and QNB’s Group Human Capital Division to ensure 100% training attendance and that proper disciplinary action is taken against absence without proper justification.

**2.10 Relationship with regulators**

QNB Group Compliance acts as a medium for all communication between the bank and the regulatory authorities. During 2019, Group Compliance further exerted its efforts to strengthen the bank’s crucial relationship with the regulators. The major interaction of the bank with these regulators includes: inquiries raised by the business; follow-up/feedback on new circulars; and reporting of regulatory requirements, etc. Additionally, in order to support the business, Group Compliance helped obtain the necessary regulatory approvals from QCB, QFMA, QFCRA and any other relevant authorities for offering new products and services as well as the enhancement of the bank’s existing products and services suite.

**Regulatory reporting**

QNB Group has in place a highly efficient mechanism to collate and report all required information from a regulatory perspective in a timely and accurate manner. In this mechanism, the responsibility of submitting required regulatory reports is streamlined and rests with the appropriate business units. Group Compliance coordinates and ensures that the information shared is true and accurate and is submitted within the given deadlines. Group Compliance has also taken the lead to provide assistance to the regulators on any inquiries and inspections in order to resolve pending issues that may lead to violations or financial penalties.

**2.11 International compliance for enhanced governance**

**General Data Protection Regulation initiatives**

The General Data Protection Regulation (GDPR) is a European Union (EU) regulation that can affect organisations globally. The regulation aims to protect the fundamental rights to privacy for individuals by adopting principles, rules and the conditions organisations must follow when processing personal data. In the past year, GDPR has come to prominence as regulators fined organisations that failed to comply with the requirements.

Group Compliance have a dedicated Data Protection Team including a Data Protection Officer (DPO) who are responsible for maintaining, developing and enhancing the Privacy Operating Model throughout QNB. Data Protection Laws are complex and vary between jurisdictions, it is important that any embedded framework is flexible to adapt and take into account cross-jurisdictional laws. As a result the Data Protection Team developed a robust framework using GDPR as the benchmark and the highest standard but equally took into account local laws where applicable.

Group Compliance takes data protection extremely seriously and are planning significant investment and adding resources in the coming years to enhance and protect individual’s personal data. Currently, Group Compliance are in the final stages of implementing a Global Data Protection System enabling automation of crucial activities. The QNB Data Protection Framework is continuously enhanced to ensure they meet not only the regulations but also QNB corporate governance standards.

**Compliance documentation infrastructure alignment at QNB international subsidiaries**

Group Compliance has initiated a project to align the compliance documentation at QNB subsidiaries with QNB Group compliance standards. An updated record of their existing compliance documentation infrastructure at QNB subsidiaries was developed by gathering all the required data and consolidating it through a related log covering policies, procedures, frameworks, manual, guidelines and registers. In addition, a relevant gap analysis was performed for the gathered data.

**Internal control framework for overseas branches**

In 2019, Group Compliance devised an Internal Control framework and internal control programme to assess and monitor internal control activities at QNB’s overseas branches. The framework and the programme underwent multiple iterations. The latest of which involved working alongside Group Operations Risk and the latest developments in our consultant’s Internal Controls Over Financial Reporting (ICOFR) engagement. The programme currently consists of five modules as follows:

- Internal Control Repository;
- Annual Internal Control Plan;
- Design Effectiveness Assessment;
- Operating Effectiveness Assessment; and
- Issue Management and Reporting.

These modules were devised in an integrated and interlinked manner and were automated where possible. The revised framework and Programme was launched in 2019. The aim is to capture key risks and key controls in 2020 and to expand the scope further to cover all controls by 2022.

**Group compliance’s consolidated supervision approach over QNB’s international subsidiaries**

In 2019, Group Compliance extended the scope of its oversight over the Group’s international subsidiaries by establishing and enhancing the channels of communication with the same. These channels include but are not limited to video conferencing, periodic reporting, ongoing monitoring, integration action plans, Group Compliance site visits, and regular communication.

The goal behind establishing these communication channels is to enhance the Consolidated Supervision Approach, which has been adopted by the Group as a whole and Group Compliance in particular, to assess and monitor our international subsidiaries corporate governance, compliance, and financial crimes frameworks.

Group Compliance will continue to work alongside our international subsidiaries closely in order to achieve the Group’s Vision 2030.

**2.12 Governance of strategic planning decisions, sustainability initiatives and innovation**

QNB Group recognises the importance of thinking beyond delivering customer profit as the Group understands the value of protecting people, societies and the environment. Through addressing environmental, social and governance (ESG) issues using a focused business approach, QNB Group aims and strives to make a significant contribution towards improving society’s standards. The Group realises new business opportunities exist within sustainable financing and, accordingly, QNB’s Strategy Division manages, initiates, and strategises ESG goals and objectives across the Group. During 2019, QNB Group bolstered its sustainability-focused initiatives by undertaking the following.

**Key strategic performance initiatives**

QNB Group undertook a range of initiatives to generate greater revenue and cost synergies by closely integrating with QNB’s majority-owned international subsidiaries. Such integration activities aligned overseas entities with QNB’s overall sustainability strategy, business and operating model. The primary objective of this initiative is to extract value across all businesses by leveraging capabilities, streamlining global product offerings and consolidating operations –thus, improving efficiency and further enhancing QNB Group’s governance across its international network.

The Group’s drive for increasing operational efficiency is yielding substantial cost savings in addition to sustainable revenue-generating income streams. Furthermore, Group Strategy has also been focusing on channel migration to improve proximity and customer experience. Greater emphasis has been placed on innovation via digitisation and automation with the aim of facilitating straight through processing.

**New business development plans in overseas branches and subsidiaries**

During 2019, QNB Group has begun to introduce global standards in all majority-owned international subsidiaries, specifically around controls, training, communication and consolidation of vendor agreements. Acknowledging that some of the Group’s best-in-class capabilities reside in QNB international subsidiaries, the Group also benefited

from the reverse engineering and cross-pollinating capabilities in retail, cards and small to medium-sized enterprises (SMEs). Similarly, QNB Group rolled out a new Group Strategic Planning Framework across subsidiaries to facilitate: business plan development, execution of performance management plans, project management and portfolio management plans, to be in harmony with the Group’s practices.

**Environmental, social and governance sustainability initiatives**

In 2019, Group Strategy continued the roll-out of QNB’s sustainability strategy across the QNB Group, the strategy included publishing QNB’s Sustainability Report aligned with the Global Reporting Initiative (GRI) standards that informs stakeholders of the Group’s performance in dealing with ESG topics. QNB’s Board of Directors place emphasis on sustainability initiatives and are provided with an annual update (at a minimum) on sustainability strategy, risks and opportunities. Similarly, QNB’s Board has also approved a Group-wide Sustainability Policy – this policy covers a set of commitments that align sustainability practices implemented at QNB Qatar with those adopted by QNB’s international branches and majority-owned subsidiaries. QNB Group also achieved a disclosure score of 100% against the Qatar Stock Exchange’s ESG voluntary reporting guidelines that strengthened QNB Group’s ambitions and commitments in ESG reporting.

**Governance of economic and innovation-focused activities**

In relation to economic efforts, the Group Strategy Division at QNB Group has increased their interaction and engagement with the economics team of certain QNB Group subsidiaries in order to share resources, exchange outputs and align macroeconomic views and projections with them. Innovation teams in Turkey, Egypt and Qatar met and harmonised the innovation exercises for the Group. Group Strategy’s innovation efforts are to define and standardise a Group-wide market-driven and employee-driven approach to innovation. The Group aims to foster collaboration on innovation projects by establishing key engagement rules between innovation teams. Also established for facilitating innovation were two governance levels, domestic governance and global governance. Where the former validates a local innovation initiative, and the latter seeks senior management approval for global innovation initiatives.

2.13 Strategic and operational risk management governance measures

Financial institutions often operate within a dynamic and ever-changing financial environment, which means that the possibility, occurrence and subjection of banks to risks greatens, thus necessitating a correlative risk mitigation response. Accordingly, QNB Group has put in place a robust risk management framework and related governance structure that adequately and proactively highlights and strives to mitigate any crucial areas of concern to BOD members, senior management and the relevant departments/ concerned parties. In an effort to strengthen risk governance measures and preserve the safety of QNB Group during 2019, Group Risk launched several initiatives in line with QNB's Risk Management framework, such initiatives include the following.

Operational risk governance framework

As the size and scope of an organisation rapidly develops when they expand elsewhere around the world, it becomes most vital for an organisation to implement a sufficient risk governance framework. Understandably, the Group Risk division recognises that QNB Group has embarked on a number of new geographical expansions during 2019 and in turn new operational risk management methodologies, policies, approaches, and strategies were developed. Accordingly, QNB implemented an Operational Risk Management Policy and Guidelines, including the new IT-RCSA (risk and control self-assessment) methodology.

Restructuring and expansion of operational risk management

In 2019, the Group Risk Division expanded their Operational Risk functionalities and responsibilities for effective and efficient management of operational risks across the Group. Accordingly, the Operational Risk team is now responsible for discovering, addressing and mitigating international, business and division-specific operational risks.

Incorporation of group structures at overseas entities for effective risk management

To achieve greater alignment between overseas entities adopted standards for risk practices and QNB's risk management framework, Group Risk Division utilised a number of limits and controls to enhance oversight, improve reporting lines and deepen engagement at overseas branches and international subsidiaries. Furthermore, Group Risk Division places a significant level of importance on reviewing international branches and subsidiaries risk governance policies in order to examine whether

overseas entities risk governance policies efficiently mitigate risks, and are aligned with QNB Group's risk management framework.

QNB Group realises that overseas branches may encounter a number of challenges while implementing foreign risk practices into their own, therefore QNB Group established the 'Group Operational Risk Management' Committee to aid as well as evaluate overseas branches' operational risk practices.

New operational risk mitigation and monitoring systems/programmes

During 2019, senior management utilised the Risk Mitigation Action (RMA) management framework to analyse various risk-oriented aspects of QNB Group. The purpose of RMA is to create an adaptive risk-learning environment where senior management discusses risk-related information within the Group Operational Risk Management Committee and Group Management Risk Committee with the aim of making proactive risk management practices come to fruition.

Developments were also undertaken by the Group Risk Division to enhance Third-Party Risk Management (TPRM) policies, as the bank proceeded to roll out TPRM of key and high-risk third parties and suppliers. Also examined within the TPRM framework, was the involvement of focus groups, including IT security, compliance and data privacy functions on controls. In addition to that, the Group Risk Division held training sessions on Third-Party Risk to inform international branches and business lines on the proper way to conduct TPRM.

Addressing QCB's requirements under Basel IV

In line with QCB's requirements, the Group Risk Division aims to capture operational risk loss data required for future Basel IV operational risk capital calculations. Moreover, QNB Group maintains adherence to QCB Basel III requirements through disclosure of a capital risk report, which included a comparative analysis of the 'internal ratings-based' (IRB) approach and its related impacts.

Strategic risk management system enhancements

QNB Group Risk Division undertook a number of system enhancements to satisfy the Group's risk appetite and to adequately address proportionate risks. Accordingly, Group Risk put in place a stress scenario simulation in order to produce a range of results that will satisfy various strategic, business and regulatory needs as part of enhancing capital management and planning. Additionally, the Group's AML system underwent a series of updates prior to expanding its coverage internationally to enhance

management of balance sheet risks, and improve reporting on liquidity risk.

In relation to the country risk and limit monitoring dashboard, Group Risk developed an automated country risk and limits monitoring process that enables senior management to create proactive risk mitigation policies after getting a comprehensive view of global, regional and country-specific risk exposures.

2.14 Financial disclosure regimes reflected in the corporate governance framework

The principle of transparency is a central component of QNB Group's corporate governance framework whereby financial disclosures are timely and transparently shared with regulators, shareholders and stakeholders. QNB Group understands that establishing an ethical financial control environment is a prerequisite for good investor relations, understandably the financial reports QNB gives its investors shape the economic decisions they take within the company. Therefore, transparent financial disclosures are a key strong indicator of the strength of a company's practices, which QNB Group continually strives to embolden.

Adoption of IFRS 16 – Leases

In line with the International Financial Reporting Standards (IFRS), QNB Group has adopted IFRS 16 with effect from 1 January 2019. The new standard requires lessees to recognise nearly all leases on the balance sheet, which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 results in a more faithful representation of a company's assets and liabilities and greater transparency about the company's financial leverage and capital employed. The Group's activities as a lessor are not material and hence do not have any significant impact on its consolidated financial statements.

Adoption of IFRS 9 – Financial Instruments

Through the implementation of IFRS 9, financial institutions need to be able to meet regulators granular reporting requirements more effectively. The IFRS 9 system also enhances financial auditable disclosures. Following the adoption of IFRS 9 by QNB Group, host regulators in other countries where QNB holds presence have formalised their own IFRS 9 implementation timelines. Therefore, QNB Group has formulated suitable methodologies in an effort to support international entities and branches in fulfilling their own regulatory obligations and requirements.

Preparedness for implementation of value added tax (VAT) in Qatar

With the upcoming implementation of the value added tax (VAT) regime in Qatar, QNB has begun preparing itself for the implementation of VAT with the assistance of an external consultant to guide the implementation process at QNB Group and to identify key areas for improvement to comply with the upcoming tax regulations in this regard.

Winner of the best IR website from the Qatar Exchange Awards

QNB Group was the winner of the 2019 Best Investor Relations (IR) Website during the fourth Annual IR Excellence Programme Awards organised by Qatar Exchange. This is testament to QNB's continuous commitment towards achieving quality investor relations and raising the bar on local and international markets. The IR Excellence Programme reflects the Qatar Stock Exchange's desire to achieve best international practices among companies listed in Qatar for a transparent and investment-friendly environment.

2.15 Creating bolder opportunities for wealth and assets to thrive upon

Asset and wealth management custodial activities

The Group made notable strides in 2019 to strengthen trade execution, compliance and risk management, settlements and reporting by implementing a straight through automated processing system for asset and wealth management. Within the Group's Asset and Wealth Management Division, custody systems have been enhanced with the aim of increasing a 'client's overall experience' and providing the bank with an overall improved approach to reporting custodial risks. QNB Group recognises international clients are becoming an increasingly important factor for investment. Accordingly, QNB ran a new investment mandate on behalf of a Far Eastern sovereign institutional investor.

QNB Private Banking initiatives

QNB Group launched new investment and banking products across a number of international branches and subsidiaries to increase the quality of service offered to investors and VIP clients. Moreover, the Group undertook a new Private Banking branding campaign, which focused on attracting new VIP clients using multiple advertisement and communication mediums. QNB Group enhanced their relationship with VIP customers in 2019, using a new and secure Private Banking messaging platform, which connects relationship managers with VIP customers to ensure information and instructions are exchanged in a timely and efficient manner.



2.16 Cash management enhancements

CBX internet banking system

Following last year’s upgrade to our Cash Management system by implementing the ‘CBX Platform’, it now enables QNB to handle higher volumes and improve efficiency. The new system for corporate and SME clients supports QNB’s customers’ businesses and in turn allows them to expand their business horizons across the international footprint.

SWIFT for corporate and global payment initiative (GPI)

A new SWIFT service enhancement was developed for corporate clients to accommodate new real-time tracking on a client’s payments through SWIFT service and payment initiation and reporting reconciliation across QNB international branches.

2.17 Enhanced IT infrastructure to support governance and controls

During 2019, QNB’s Group Information and Technology Division (GITD) released several initiatives to address evolving IT challenges and focused on the effective implementation of systems and controls that will help QNB to minimise related risks. These solutions involved the following.

Enterprise payment hub solution (EPH)

The enterprise payment hub solution roll-out to QNB’s international branches is in progress to centralise the payment processing and ensure efficient monitoring. Enterprise payment solution streamlines and standardises the payment processes by creating an efficient and effective payment-processing platform across channels and payment systems. EPH provides benefits such as improved straight through processing (STP), reduced operational costs and interoperability across various global and local payment networks.

Internet banking technology upgrade

Internet banking technology upgrade is an ongoing process, which was initially aimed to uplift the internet banking technology to support Micro-services, WebLogic 12c Tenant architecture and client-side framework upgrade in line with QNB’s efforts to provide high-tech, feature-rich, secure and fast internet banking facilities. The project will be delivered by 2020.

Payment gateway implementation

GITD has initiated the implementation of QNB payment gateway, which will enable the bank to acquire e-commerce transactions without depending on third-party gateways. The QNB payment gateway will provide easy merchant on-boarding, merchant/customer portals, support different payment methods and will facilitate error-free settlements and reconciliation.

Fund management system

QNB’s fund/portfolio management platform is being replaced with a new platform to overcome the current system limitations. The new platform provides state-of-the-art front, back and middle office systems and an investors’ services system to enable the business unit to serve its asset management clients with investments in multiple asset classes (equity, fixed income, derivative instruments and commodities), multiple currencies and multiple markets and to support trade processing and settlement of these assets by integrating with Reuters, Bloomberg and SWIFT.

Business continuity project

This project is aimed at enhancing the existing ‘offsite’ disaster recovery (DR) infrastructure in order to support the core business continuity and recovery objectives in the event of a disaster or crisis. This project includes significant enhancement of IT infrastructure to almost on a like for like basis with Main/DR Data Centre including IT assets, hardware, systems and connectivity.

Robotic process automation (RPA)

This system is implemented to automate routine operations by following a set of defined steps, conditions and loops in order to complete the process. It is mainly used to process a set of tasks in the legacy systems for which an integration layer is not available. RPA is an area of focus for QNB to reduce the processing time, avoid human errors, enable multi-tasking processing, provide high availability, reduce operational expenditure and evade frauds and conflict of interest.

Ensuring system availability

Group Information Technology Department is continuously investing in IT infrastructure to maintain high system availability and fast recovery. System availability rating of 99.99% was yet again achieved in 2019. Proactive maintenance, real time system health-check, automatic monitoring/alert mechanism 24x7 system support are the main drivers behind the high system availability rating.

2.18 Internal audit – an integral part of corporate governance practices

New and enhanced internal controls

During 2019, Group Internal Audit Division (GIAD) developed and enhanced QNB’s retail audit programmes and implementation scripts, focusing on covering gaps and observing inadequacy of system level controls, which resulted in an improvement of the evidentiary requirements for verification and assertion of cash and securities processes.

In addition, internal audit programmes related to QNB international branches were enhanced. These enhancements aimed for an optimal coverage of high-risk areas and emerging topics such as financial crime risk to satisfy and meet the evolving expectation of regulators. In addition to this, a review of the first adoption of IFRS 9 in QNB international branches has been one of the key highlights during 2019.

Supervision of regulatory requirements

QNB is constantly working to ensure that all the internal audit requirements are completed in an accurate and timely manner, with special attention to those assignments implemented by regulators in 2019. In this regard, Group Internal Audit Division performed detailed reviews of KYC-AML processes of QNB’s local subsidiary QNB Capital to conform to the requirements of the QFCRA Regulations.

Additionally, as per QCB requirements, Group Internal Audit Division also analysed the real estate and shares collateral records of the bank, and reconciled these records with those maintained by relevant authorities such as the Land Registry Department under Ministry of Justice and Qatar Stock Exchange respectively.

Audit of information technology (IT) and information security (IS) governance and management

GIAD performed an internal audit of cybersecurity-related governance and management processes, including the Security Operations Centre (SOC). During this audit, key IT processes were reviewed which underpin to enhance IT governance (e.g. access control, IT support and services, incident and problem management). Also, specific coverage of IT and IS governance aspects was considered in each IT audit of infrastructure, system applications and international branches.

Implementation of new policies, procedures and tools

In 2019, a new Financial Crime Audit unit was established within Group Internal Audit, which works closely with audit teams, to enhance the financial crime risk (FCR) audit standards/methodology and to provide guidance and oversight to ensure adequate coverage of FCR. The Unit also undertakes its own audits of branches and subsidiaries subject to high FCR risk. AML/CTF risk is considered one of the major risks covered by GIAD and the team provides assurance that existing processes and related controls are adequate and effective and that practices across QNB international branches are compliant with the respective countries’ regulations, Group policies and procedures as well as industry best practices.

Inter-group and international group structure enhancements

GIAD has developed a framework for the support and oversight of internal audit functions in QNB international subsidiaries to ensure harmonisation of their internal audit policies, methodologies and tools throughout the entire audit cycle. In addition, GIAD ascertained the completeness of their universal and risk-based internal audit plans. Additionally, GIAD continued to expand the level of support and monitoring of internal audit functions in QNB international branches including more frequent interactions with local internal audit managers to improve their audit processes/delivery for a better value addition to management and key stakeholders. GIAD also conducted a three-year analysis of common audit issues raised in international branches to draw senior management attention on functions and processes requiring Group level support to ensure that proper risk mitigating actions are taken. Furthermore, a review of the client advisory and project management fiduciary services of local subsidiary (QNB Capital) in Europe was completed with special focus on corporate governance requirements.

Development of national staff programmes

GIAD have continued with sustained priority for development of Qatari national talent by encouraging Qatari staff to take up professional certifications and designations. Initiatives like internal knowledge sharing, on-the-job training and guidance continue to get high priority.

Programmes and initiatives planned for 2020

Group Internal Audit Division has initiated a process for collation and dissemination of information relating to risk and controls for domestic branches based on audits over the past several years. This will form the basis of a structured training-cum-educative programme aimed at branch staff to enhance their competency and subject matter expertise. The material has been prepared and vetted and will be distributed to the branch staff in Qatar in collaboration with, and assistance from, the Learning and Development team for logistical matters. This is expected to be completed during 2020.

- In accordance with the corporate governance model for oversight and supervision of QNB subsidiaries, an IT and IS audit governance and supervision model has been developed for local oversight of subsidiary IT and IS audit functions, including:
  - a common global IT and IS audit methodology and framework – for effective implementation in 2020; and
  - global IT and IS audit universal coverage and risk assessment standardisation across Head Office and subsidiaries – for effective implementation from 2020.

2.19 Global governance practices across the international business network gearing for growth

QNB Group launched several initiatives during 2019 to enhance its global presence and the practices of international branches and subsidiaries, some of these initiatives include the following.

Geographical expansion

In 2019, QNB Group obtained the necessary approvals from the Hong Kong Monetary Authority to open a branch in Hong Kong, one of the world’s global financial hubs. The branch opened will provide a full range of banking products and services. In addition, QNB’s trading securities and wealth management experts will be available to assist customers in the newly-opened Hong Kong branch. Opening a branch in such an important market is another vital step in QNB Group’s international expansion plans to support its growth strategy and market leadership in MEASEA, as well as to establish a foothold in highly competitive markets in South East Asia, at the centre of which lies Hong Kong. A significant volume of Hong Kong’s trade flows through countries where QNB Group is present. Hong Kong is the gateway for

QNB Group’s clients to mainland China and wider Asia and is the first stop for globalising Chinese corporates. Moreover, the branch can further assist Chinese investments in the Middle East and Africa.

Enhanced systems and controls at international branches and subsidiaries

QNB Group enhanced its oversight and reporting systems of overseas branches as well as subsidiaries governance models during the course of 2019. Accordingly, the Group established better and efficient channels of communication between senior management operating in different jurisdictions, this enables concurrent facilitation and sharing of vital information in a diligent and timely manner. In consequence, QNB Group strived to ensure homogeneity of the corporate governance practices international branches and subsidiaries adopt.

2.20 Human resources management and corporate governance: strategic partners

The long-term goals, objectives and governance practices set by QNB Group require an educated, experienced, skilled, and well-aided workforce that Group Human Capital Division constantly works to improve upon. Accordingly, Group Human Capital Division aims to enhance the level of confidence QNB has in its employees in 2019, as the Group undertook several employee-focused initiatives and programmes to create an ambitious and driven workforce equipped with the skills, talents, and tools necessary to further QNB Group’s success. QNB Group Human Capital Division used a number of new approaches, programmes and initiatives to improve QNB employee’s performance and support their professional growth, some of these included the following.

Career development

QNB Group emphasises the importance of career development to all its employees. In 2019, Group Human Capital ran multiple initiatives for selected junior employees, such as the Career Progression Programme and the Job Rotation Programme, to ensure their careers develop in a fast tracked, well-structured and time-bound manner. In accordance, these initiatives subjected selected employees to rigorous analysis on their own functionalities, activities, tasks, and roles within QNB Group. Thus, QNB employees were encouraged to pursue retrospection, grasp the opportunities available to them and discover the right path towards career development within QNB Group.

Succession and continuity planning

QNB Group adopted a new approach to succession that focused on assessing the level of competency in an individual’s technical and leadership capability and to identify potential successors for key leadership roles. In line with that, QNB Group developed an individual-specific strategy pinpointing a potential successor’s unique development needs and activities within a development plan, which reviews bi-annually with the intention of aligning the successor’s current developmental activity with their desired future prospects. Furthermore, Group Human Capital meets successor’s developmental needs through the 70-20-10 learning philosophy as well as through various learning platforms made available for all QNB employees (i.e., on-the-job training, classroom training, and e-learning training) to better their performance.

QNB Group has also continued its efforts to increase the amount of leadership opportunities available for those seeking leadership, working towards becoming successors and for those who display the required skillsets. In accordance with opportunity creation, Group Human Capital cooperated with industry leaders and experts in the development of QNB’s leadership and technical programmes, which offer employees an optimum learning opportunity using in-house learning courses. Additionally, QNB Group uses leadership continuity planning as a strategic prerequisite for the development of an efficient and capable leadership pipeline.

Group-wide training

QNB Group unveiled a significant number of wide-ranging training opportunities for staff in Qatar as well as across its international network of branches and subsidiaries with the aim of supporting development and training of all QNB employees. Furthermore, Group Human Capital Division led initiatives to improve both technical and behavioural aspects affecting employee performance and capabilities, and such initiatives were developed in line with international best practices. Since QNB Group furthers human capabilities using a knowledge-based approach, QNB employees are continuously engaged in informative and relevant training programmes such as (but not limited to) combating financial crimes (CISI), QFMA rules and regulations and certificate in treasury fundamentals, and ACAMS qualifications, to bolster their professional knowledge and qualifications.

Communication initiatives and developments

In 2019, Group Human Capital improved the lines of communication between senior management and employees using various communication methods like C-level meetings, round-table meetings with the GCEO, and bi-monthly meetings with general managers (GMs). Moreover, such methods establish a fit and proper environment for the discussion of concerns and enquiries on which to flourish upon, so that GMs and employees can get a higher sense of purpose and clarity about their roles and responsibilities within their respective divisions.

2.21 QNB’s commitment to integrity and corporate social responsibility

Good corporate governance embodies more than just economic goals and objectives, as the innate measure of soundness places more of a resounding emphasis on the impact organisations have on improving social, environmental, and communal living standards. QNB Group incorporates such an emphasis using strategic corporate social responsibility (CSR) initiatives. QNB regularly engages in CSR undertakings to create better societal and environmental structures withstanding against the ebbs and flows of change.

In consequence, QNB Group’s corporate governance practices forge a tight and prosperous relationship between economic gains generated and CSR-focused spending, thus creating a harmonious balance between corporate and philanthropic behaviour. QNB encourages employees to engage in QNB’s corporate social activities in order for them to remain knowledgeable and engaged in the process. In an effort to strengthen QNB Group’s approach to corporate social responsibility, in 2019 QNB hosted a measurable number of corporate social, environmental, cultural and educational events that included the following.

A. Participation of QNB Group in social and environmental events

International Health Day

QNB Group recognises the prominent role health plays in shaping the general well-being of its employees. Accordingly, in 2019, QNB Group arranged a health examination for staff in celebration of International Health Day. In addition to the health check-up, employees were able to obtain professional medical advice on the proper way to incorporate healthy living into their daily routines.

Qatar Sustainability Week

QNB organised a number of events and activities during Qatar Sustainability Week 2019 as part of the Group-wide sustainability programme. Over the course of a week, QNB raised awareness among its employees and customers of the importance of growing environmental challenges, and promoted actions to reduce their impact.

World Autism Awareness Day

On World Autism Awareness Day, QNB Group organised an event, which staff members and members of the public could attend, garnering support for understanding autism by learning about the symptoms, obstacles, and therapy options available for those living with autism.

Environmental initiatives

QNB raised environmental awareness in the organisation by implementing recycling programmes across main offices and upgrading LED lighting across all its major offices. By doing the aforementioned actions, QNB Group aims to reduce company waste and improve energy efficiency throughout its buildings.

International Women’s Day

QNB Group realises the success of an organisation is, dependent on the contributions of those working to improve it. In consequence, when International Women’s Day was celebrated worldwide, QNB Group distributed flowers to all female employees in honour of the female contribution and representation at QNB Group.

World White Cane Day

QNB Group comprehends the importance of celebrating perseverance and accomplishment in society, most prominent of which are the successes of the blind and/or visually impaired. In accordance, QNB Group joined forces with the Qatar Social and Cultural Centre for the Blind to hold an event displaying the tools and devices used to aid and support the visually impaired on World White Cane Day. The event aimed to raise awareness about blindness, educate people about the basic skills to interact with those who have vision impairment and remove negative stereotypes about disability.

B. Cultural and educational activities

Garangao Night

On the fifteenth night of the holy month of Ramadan, Garangao festivities start with the exchange of Garangao gifts among members of society. In consequence, QNB Group participated in the Garangao celebrations held at Mall of Qatar, Souq Waqif and Kidzania in Qatar. Since the Group believes in sharing the occasion with the public and with QNB employees and in line with that, the Group proceeded to hand out Garangao gifts to all its employees on Garangao eve.

Learn to invest

In line with QNB Group’s commitment to bolster its corporate social responsibility (CSR), the Group seized the opportunity to encourage and educate junior students at Qatar Stars League (QSL) on the topic of investment during the ‘Learn to Invest’ event sponsored by QSL in partnership with QNB.

Darb Al Saai

The month of December signifies a period of heightened societal interconnectedness in Qatari society, as the country holds a significant number of celebratory festivities and programmes in preparation of Qatar’s National Day. Darb Al Saai is considered one of the main venues where such festivities and programmes are held. During 2019, QNB Group collaborated with Darb Al Saai holding a series of traditional games and activities in celebration of Qatari heritage and national identity with members of the public.

Financial Educational Campaign

QNB Group cooperated with the Qatar National Library (QNL) to partake in the ‘Save, Share and Spend’ campaign hosted by them. The campaign aimed to encourage entrepreneurship, spread financial awareness, and develop the financially inquisitive minds of this generation. The Financial Educational Campaign also aimed to equip young aspiring entrepreneurs with the financial skills necessary to conquer the financial challenges of the future.

Kidzania Summer Camp

QNB Group believes that the growth and fruition of education begins with children and, accordingly, QNB collaborated with Kidzania, an educational theme park where children role-play as adults with jobs to earn currency, to show children how to open their own business at Kidzania world.

QITCOM

In an effort to promote innovation and to increase bilateralism between the financial and ministerial sector on innovation, QNB Group collaborated with the Ministry of Transport and Communications in 2019 to host the Qatar Information Technology and Exhibition (QITCOM). Under the patronage of H.H. the Emir, QITCOM is an international digital forum that displays smart technological innovations, which are created based on a preapproved topic for the year, this year the topic was ‘Safe Smart Cities’. QITCOM connects innovators with international expertise, industry specialists and key decision makers with the aim of solidifying the most innovative technologies within the tech industry.

IAAF

In 2019, QNB Group sponsored two of the international Association of Athletics Federation (IAAF) championship competitions held in Doha. The IAAF championship engaged the public with the various events organised, allowing them to show active support to those partaking in the event.

C. Leading digital innovation: QNB Group new platform

In 2019, QNB Group launched a new website, which featured all banking news and services in a manner more interactive and comprehensive than before. The new website offers users and investors easy access to the latest vital information regarding QNB’s financial standing, news, insights, CSR sustainability initiatives and corporate governance activities. In line with that, QNB Group will synchronise the new website design across all QNB international branches and subsidiaries to raise the quality of service QNB Group offers its customers on a worldwide scale.

The bank’s internet banking services, deemed the most wide-ranging e-banking services in the region, now shows services in a more coherent and user-friendly way. QNB Group is committed to safeguarding customer security while lessening the amount of time and effort customers spend when managing their accounts and transactions. The modern design and advanced features of the new website reflect QNB’s proclivity to roll out a more efficient, reliable and secure e-banking experience for all QNB customers.

3. Key corporate governance participants: the Board of Directors (Board/BOD)

Effective corporate governance requires a clear establishment and understanding of the respective roles of the Board, management and shareholders, their relationships with each other and their relationships with other corporate stakeholders. In addition to the core guiding principles of corporate governance described above, this report describes the roles of the key corporate governance participants in the following sections, with particular focus on the Board of Directors and the Executive Management.

3.1 Roles and responsibilities of the Board of Directors

The Board of Directors is responsible for the leadership, oversight, control, development and long-term success of the Group. It is also responsible for instilling the appropriate culture, values and behaviour throughout the organisation. The BOD is entrusted by the shareholders with the authority to govern QNB Group and to discharge the following responsibilities:

- governing QNB Group and overseeing its operations;
- setting the Group’s vision, mission and objectives;
- providing 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;
- minimise the Group’s risk exposure, including the appointment and the oversight of the Executive Management;
- establishing compensation, performance evaluation and ensuring succession planning;
- ensuring the accuracy of the Group’s financial statements including the timely reporting and disclosure of financial information to regulators and shareholders;
- providing a system by which information on unlawful or unethical behaviours can be reported to the Board; and



- ensuring compliance with new laws and regulations as well as QNB Group Articles of Association.

The Board of Directors have the vital role of overseeing the bank’s management and business strategies to achieve long-term value creation. Selecting a well-qualified Group Chief Executive Officer (GCEO) to lead the bank, monitoring and evaluating the GCEO’s performance and overseeing the GCEO succession planning process are some of the most important functions of the Board.

A balance between the roles and responsibilities of the BOD and Executive Management is achieved through segregation of duties. The BOD provides overall strategic direction and oversight through the review and approval of major strategic initiatives, policies and objectives while day-to-day management of QNB Group is entrusted to the GCEO.

The Board delegates to the GCEO and through the GCEO, to other Executive Management, the authority and responsibility for operating the bank’s daily business. BOD members exercise vigorous and diligent oversight of the bank’s affairs, including key areas such as strategy and risk, but they do not manage or micromanage the bank’s business by performing or duplicating the tasks of the GCEO and Executive Management team.

The Board has also adopted the Board Charter that is reviewed periodically, which provides a framework on how the Board operates as well as the type of decisions to be taken by the Board and which decision should be delegated to management with periodic reports submitted to the Board on the exercise of the delegated powers. The Board Charter can be found on the QNB Group website and is also available in print to any shareholder upon request.

### 3.2 Board of Directors structure and composition

According to the Articles of Association, ten (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 have 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.

H.E. Mr. Ali Shareef Al Emadi was appointed Chairman of QNB Group since 2013. He is also currently the Minister of Finance of Qatar, the Secretary General to the Supreme Council for Economic Affairs and Investment, Chairman of Qatar Financial Centre, President of the Executive Board of Qatar Airways and member of the Supreme Committee for Delivery and Legacy. He is also the Vice-Chairman of the Board of Directors in Qatar Investment Authority (QIA), and a member of the Board in Qatar Petroleum (QP). His Excellency has extensive experience in the financial sector spanning almost 27 years, with progressively higher posts culminating in him being the GCEO of QNB from 2005 to 2013. Under his leadership, QNB Group became the largest and most profitable financial institution in the Middle East and North Africa, having one of the highest credit ratings. Earlier, he started his career at the Banking Control Department at Qatar Central Bank.

### 3.3 Board term and renewal

During the QNB Annual General Assembly Meeting (AGM) held on 10 February 2019, Board elections were held in line with the regulatory requirements on board composition, wherein five members were elected to the QNB Group Board of Directors representing the private sector and five were appointed through the Qatar Investment Authority (QIA). The Board members were elected for a three-year term from 2019 to early 2022. The results of the AGM were disclosed on the QNB website in QNB’s pursuit to advocate transparency.

The Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC) 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 Meeting based on the applicable QCB and QFMA requirements as well as initiating the annual performance self-assessment of the Board and Board Committees. The candidate for Board membership shall provide a written acknowledgment stating that he is not undertaking any legally prohibited job position to combine it with the QNB Board membership.

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 assigned tasks.

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. QNB Group is required to send a list of names and data of Board membership candidates, along with the candidate’s curriculum vitae and original copies of candidacy requirements, to QFMA at least two weeks prior to the Board election date.

### 3.4 Board qualifications

Members of the BOD have the requisite expertise and management skills that qualify them to conduct their duties in 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 members. They are also committed to investing the required amount of time and attention to accomplish their duties for the duration of their term.

### 3.5 Independent and non-executive Board members

During 2019, all of QNB Group’s BOD members are non-executive members and none of them assumes executive responsibilities, moreover, at least one-third of the BOD members are independent and no member holds a full-time or part-time job within the Group.

BOD members challenge management proposals constructively, they also examine and review management performance in meetings against agreed objectives and targets. In addition, they draw on their experience and knowledge to handle any challenges facing the Group and in relation to the development of proposals on strategy.

QNB considers the current size and composition of the Board to be within an appropriate range. Moreover, the current size of the Board is sufficient to enable its committees to operate while being dynamic and responsive to the needs of the Group. The Board has the appropriate blend of skills, knowledge and experience, from a wide range of industries and backgrounds, necessary to lead the Group.

### 3.6 Prohibition of combining positions

In 2019, none of the Board members are a board chairman or a vice-chairman for more than two companies that have their headquarters located in the State of Qatar. Also, none are a BOD member for more than three shareholding companies which have their headquarters located in the State of Qatar, and not a managing director in more than one company which is headquartered in the State of Qatar, and do not combine two memberships of two companies exercising a homogenous activity.

The Chairman and the members of the Board provide an annual acknowledgment that none of them combines the prohibited positions according to the regulatory requirements. The Board Secretary maintains such acknowledgements in the file prepared for this purpose.

### 3.7 Board members’ duties

All Board members comply with the following duties:

- attending meetings of the Board and committees regularly and not withdrawing from the Board;
- giving priority to the interests of QNB Group shareholders and all stakeholders over their own interests;
- providing opinion on the bank’s strategic matters, policy of project implementation, staff accountability systems, resources, key appointments and operation standards;
- monitoring the bank’s performance in realising its agreed objectives and goals and reviewing its performance reports including the Company’s annual, half yearly and quarterly reports;
- supervising the development of the procedural rules for the Group’s governance to ensure their implementation in an optimal manner in accordance with QFMA and QCB requirements;
- using their diversified skills and experience along with diversified specialties and qualifications for effective and productive management of the Group, and working to achieve the interests of the bank, partners, shareholders and other stakeholders;
- effective participation in the general assemblies, and achieving its members’ demands in a balanced and fair manner;

- no-one makes any statements, shares data or information without prior written permission from the Board of Directors, and an official spokesperson will be appointed for the Group for this purpose; and
- disclosure of financial and trade relations, and litigants, including the judicial, recourses that may affect negatively on carrying out the tasks and functions assigned to them.

The Board members, at the bank’s expense, may request an opinion of an independent external consultant in issues relating to any of the bank’s affairs.

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.

### 3.8 Board and committee evaluations

The Board have an effective mechanism for evaluating its performance on a continuing basis. Meaningful Board evaluation requires an assessment of the effectiveness of the full Board, the operations of Board committees and the contributions of individual Directors on an annual basis. The results of these evaluations are reported to the full Board, and there will be a follow-up on any issues and concerns that emerge from the evaluations. The Board, under the leadership of the Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC), periodically considers what best approach will result in a meaningful assessment of the Board and its committees.

Accordingly, the GBNRGPC initiate the annual assessment exercise of the BOD committees and the BOD members. The BOD undertook the process of an annual assessment according to the BOD performance methodology. 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 – Board members self-assessment.

The BOD performance assessment task related to 2019 was launched at the end the year and the results of the assessment will be reflected to the shareholders in the General Assembly Meeting scheduled early 2020.

### 3.9 Board Secretary

The BOD is supported by a Secretary who, under the direction of the Chairman, ensures that communication and information flows between Board members. The Board Secretary is also responsible, in coordination with the Group Compliance Division, for assisting the Chairman in all matters relating to corporate governance, and provides assistance for the Chairman and all members in conducting their duties.

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. The Secretary may, upon the Chairman’s approval, require the assistance of any employee of the bank to perform his duties.

Mr. Mohamed Mahmoud Muslim Arar – Secretariat Management Diploma – is the Secretary of the Board of Directors 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, then moving to Credit Facility Management in 1980. He was appointed as Office Manager of the Group CEO in 1988.

Mr. Faisal Mubarak Al-Hitmi – Diploma in Business Administration, Accounting – is a Senior Officer at the 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.

### 3.10 Board meetings

According to QNB Group’s Articles of Association, 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. The invitation to 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.

In line with QFMA requirements, QNB Articles of Association (article 28) state that the absent member may, by written request to the Chairman, delegate any other Board member to represent him in attendance and voting. A Board member cannot represent more than one member.

The Board meets periodically in order to ensure that it is adequately fulfilling its roles and responsibilities. In 2019, the BOD held **six** meetings.

### 3.11 Board members’ resignation

Following the 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 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.

### 3.12 Board decisions

In line with QFMA requirements, QNB Articles of Association (article 29) state that the resolutions of the Board of Directors shall be passed by a majority of votes of the members who are present. If the votes are equal, the vote of the Chairman or his substitute

shall prevail. The Board, in case of urgency, may pass its resolutions by circulation, provided the consent of all members is procured in writing and the resolutions are discussed in the next meeting and recorded in the minutes of the meeting.

### 3.13 The committees of the Board

As per corporate governance practices, regulatory (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. In application of article (19) of the QFMA corporate governance Code, 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 in the terms of reference, which are approved by the BOD. The ultimate responsibility for QNB Group rests with the Board even if it sets up committees. During the year 2019, the Board of Directors has not delegated any of its power to a third party and does not issue a general or an open-ended delegation.

QNB Group BOD committees are the following:

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

QNB Board of Directors conducts periodic evaluations of its committees’ achievements and believes and maintains that the BOD committees have clear roles, well understood and supported by all Board members. BOD committees serve as a valuable resource to the Board Chairman and the GCEO in guiding the organisation and improving the overall Board performance.

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

3.13.1 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 are the following:

- 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;
- authorise 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 as per the QNB Group approved authority matrix;

- review and recommend the action to be taken on impaired loans in line with the delegated limits and authorities as approved by the BOD and in line with QCB regulations; and
- report the committee’s activity to the BOD on a periodic and annual basis, including the identified and key issues/approved decisions and recommended actions to be taken by the Board of Directors when required.

The Committee held **four** meetings during 2019.

3.13.2 Group Board Audit and Compliance Committee (GBACC)

The Group Board Audit and Compliance Committee is composed of three Board members, the 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 a financial reporting background and knowledge. Members of the GBACC cannot be a member of any other Board committee, and the Chairman 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 judgements 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 statements, 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; and
- 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 controls 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 the 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; and
- 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 the following responsibilities pertaining to **internal audit**:

- appoint/remove the Group Chief Audit Executive;

- review and approve the charter, plans, activities, staffing and organisational structure of the Group Internal Audit Division;
- ensure that 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 a regular basis; and
- 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 organisational 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 programmes and related issues;
- review 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; and
- 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 auditor’s proposed audit scope and approach, including coordination of audit effort with internal audit to ensure their compliance with the implementation of the best International Standards on Auditing and preparing the financial reports in accordance with International Financial Reporting Standards (IFRS/IAS) and (ISA) and their requirements;

- 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 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; and
- review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Group, including non-audit services.

The Committee has the following responsibilities pertaining to **reporting responsibilities**:

- evaluate the critical issues reports submitted by the Group Chief Compliance Officer and Group Chief Audit Executive, including those critical issues related to QNB Group subsidiaries;
- 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; and
- review any other reports the Group issues that relate to Group Board Audit and Compliance Committee’s area of responsibility.

The Committee is required to meet a minimum of four times per year in addition to immediately prior to publication of the annual, half yearly and quarterly results. During 2019, the Committee met a total of

**eight** times which is above the minimum number of meetings required by article (19) of the QFMA corporate governance code.

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

The Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC) is composed of three Board members, the majority of which are non-executive and independent members.

GBNRGPC’s main responsibilities consist of the following:

- 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 a list of all accepted/rejected candidates along with their supporting documents are sent to QCB for prior approval before election and detailing the reasons/ justifications for acceptance/rejection;
- ensure that all new Directors receive a proper induction programme upon joining the Board by issuing a formal appointment letter and providing all Directors with the 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;
- submitting the list of BOD membership candidates to the Board including its recommendations and sending a copy to QFMA;
- ensure the remuneration framework and principles in place are in line with the remuneration policy and the Board’s guidelines taking into consideration the balancing between achieved and realised profits and risk associated with the business activities;

- approve and review the Group’s remuneration and incentives guidelines and ensure that the remuneration of the Board of Directors and Executive Management are in line with the criteria and limits set forth by QCB/QFMA and Commercial Companies law;
- ensure that the Directors’ remuneration is in line with QCB criteria and limits. The remuneration of the BOD members is presented on an annual basis to the General Assembly for approval;
- assess on an annual basis the adequacy and appropriateness of the remuneration and incentives policy and coordinate with Group Board Risk Committee in the assessment of risk-based incentives;
- arrange the annual evaluation of the 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 Board of Directors for approval pertaining to the scope of work of related management committees dealing with the GBNRGPC as well as other recommendations raised by Executive Management through appropriate channels;
- review on a regular basis the BOD structure and composition and consider/assess the need to appoint independent BOD members;
- review and assess on a periodic basis any changes to international and local corporate governance practices that could have an impact on how the QNB Group operates and manages its governance policies;
- oversee the overall Human Capital Policies and ensure the BOD and Senior/Executive Management succession planning;
- when required, inform the Board of Directors of key sustainability-related risks and opportunities; and

- oversee the annual review of all major policies across the Group.

The Committee held **four** meetings during 2019.

3.13.4 Group Board Risk Committee (GBRC)

The Group Board Risk Committee is intended to meet BOD oversight responsibility over the Risk Management and QCB and other related regulatory requirements. The Committee is composed of three members, one of them is selected by the BOD as Chairman.

GBRC’s main responsibilities consist of the following:

- review and endorse for Board approval, the risk management strategy of the Group as well as Group Risk Appetite and Portfolio Strategies recommended by the 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 the GMRC recommended portfolio strategies for approval by the 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;
- approve the Group’s principle risks and risk taxonomy identified as part of the Enterprise Risk Management Policy and framework;
- approve the Group’s annual ICAAP regulatory submission, related processes, test elements and Recovery and Resolution Planning that outlines credible options for recovery. Oversee the implementation of policies pertaining to the bank’s ICAAP, capital and liquidity plans, policies and obligations;
- 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 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 the Contingency Funding Planning (CFP) document and ensure if any material conditions occur that will invoke the CFP;
- oversee the monitoring process of legal issues including major litigation cases and compliance with laws, policies and procedures;
- oversee the monitoring process performed by GMRC on fraud and other operational losses across the Group and ensure adequacy of the controls to mitigate/avoid the risk;
- oversee and approve parameters for contingency plans for all Group entities in order to ensure adequate business continuity and address the risk involved;
- carry out any other function that may arise from time to time as a result of Board directions, QCB, QFMA, QFCRA regulation, and applicable foreign regulation or market developments;
- approve country risk limits for the Group in line with QCB as well as internal country risk appetite allocation requirements;
- ensure that no material impact/risk identified by GMRC related to anti-money laundering and terrorist financing as well as the ‘know your customer’ (KYC) requirements; and
- 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 2019.

4. Segregation of the Chairman and Chief Executive Officer roles

The role of the Chairman of the BOD and Group Chief Executive Officer (GCEO) at QNB are distinct and separate in accordance with leading practices, such as the QFMA corporate governance code, article (7), and the corporate governance instructions issued by QCB.

The Chairman of the Board 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 ensuring effective communication with shareholders and the communication of their opinions to the Board of Directors. The Chairman is also responsible for inspiring effective participation of all the Board members and promoting constructive relations between them.

The GCEO is tasked with the authority and responsibility for operating the bank’s daily business. The GCEO is assisted in his duties by a specialised and highly-qualified team from the Executive Management. BOD Chairman and members exercise vigorous and diligent oversight of the bank’s affairs, including key areas such as strategy and risk, but they do not manage or micromanage the bank’s business by performing or duplicating the tasks of the GCEO and Executive Management team.

5. Remuneration of the Board of Directors and Executive Management

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 applicable laws and regulations, such as the Commercial Companies Law provisions, as well as the QCB circular related to the remuneration of the Board of Directors’ Chairman and members and QFMA requirements, 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 is duly acknowledged to be in line with QCB instructions and QFMA requirements, whereas the remuneration of the BOD members is presented on an annual basis to the General Assembly for approval. The 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.

QNB discloses the remuneration of the BOD and Executive Management in the Annual Report (i.e. Consolidated Financial Statements section)

6. Executive management

6.1 Governance and structure

The Board of Directors of QNB Group appointed, in November 2018, Mr. Abdulla Mubarak Al-Khalifa as the new Group Chief Executive Officer. Mr. Abdulla Al-Khalifa took over the post of the GCEO from Mr. Ali Ahmed Al-Kuwari who served as the GCEO of QNB Group from 2013 to 2018. Mr. Ali Ahmed Al-Kuwari now assumes the position of Minister of Commerce and Industry in Qatar.

Prior to being appointed as the GCEO of QNB Group, Mr. Abdulla Mubarak Al-Khalifa was the Executive General Manager – Chief Business Officer at QNB Group. He joined QNB in 1996 and has almost 23 years of diverse banking experience. Mr. Al-Khalifa is currently the Chairman of the Board of Directors of QNB Capital and QNB Suisse. In addition, he is the Board member at Ooredoo, Qatar Mining, and MasterCard Middle East (Dubai). Mr. Al-Khalifa holds a Bachelor's Degree in Business Administration from Eastern Washington University in the United States.

The GCEO is assisted in his duties by a specialised, seasoned and highly-qualified Executive Management team. Six (6) chiefs report directly to the GCEO. Our Executive Management team has 29% female representation, one of the highest for any major bank in the region and demonstrating our commitment to enhancing gender diversity at senior positions:

- Executive General Manager – Group Chief Business Officer;
- Executive General Manager – Group Chief Operating Officer;
- General Manager – Group Chief Financial Officer;
- General Manager – Group Chief Risk Officer;
- General Manager – Group Chief Credit Officer; and
- General Manager – Group Chief Strategy Officer.

There are two (2) 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 GBACC Committee and GCEO, i.e. the Group Chief Compliance Officer and the Group Chief Audit Executive. The Group Chief Compliance Officer and the Group Chief Audit Executive report directly to the Board through the GBACC.

QNB’s Executive Management team is fully aware of their role in terms of corporate governance through their commitment to implementing 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 assessing the behaviour of individuals and organisational 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.

6.2 Executive and management committees

The Executive Management at QNB Group have formed a number of executive and management committees in order to effectively and efficiently handle their responsibilities and run the day-to-day activities of the bank.

The committees are suitably endowed with full executive powers that give them the authority to make decisions and actions related to their field, scope and structured hierarchy.

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

- Tier 1 ‘Executive Committees’ – the ‘**decision-making**’ committees which include: Central Purchasing, Risk, Credit, ALCO, Senior Management, Strategy and Cyber Security, and who report to the Board via the appropriate Board of Director-related committee;
- Tier 2 ‘Management Committees’ – the ‘**working committees**’ which include: Business Development, IT, HR and Operations and Services, and who report to the appropriate parent committee in Tier 1; and
- ‘**Senior Management Committee**’ – chaired by the GCEO and represented by the six chiefs

(Executive GM – Group Chief Business Officer; Executive GM – Group Chief Operating Officer; Group Chief Financial Officer; Group Chief Risk Officer; Group Chief Credit Officer; and General Manager – Group Chief Strategy Officer).

QNB Group **subsidiaries** form their respective 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 corresponding General Manager at QNB Group Head Office level.

The **overseas branches** form one or more committees to strengthen the control environment in the various processes and banking activities. Such committees depend on the volume of business and the country risk where QNB Group operates and are decided by QNB management. The overseas branch committees report the critical issues handled by them to the relevant QNB Head Office division.

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

6.2.1 Group Management Risk Committee

The Group Management Risk Committee (GMRC) 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 – Group Chief Business Officer, Executive General Manager – Group Chief Operating Officer, General Manager – Group Chief Financial Officer, General Manager – Group Chief Credit Officer and General Manager – Group Chief Strategy Officer. The Group Chief Audit Executive and Group Chief Compliance Officer attend the meetings as required observers. The AGM Group Strategic Risk Management acts as Secretary for this Committee. The Committee holds quarterly meetings at minimum provided that the 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 GMRC establishes, reviews and recommends QNB Group’s risk management strategy and defines the risk appetite and 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 recommends portfolio risk management strategies to the Group Board Risk Committee for endorsement in order to obtain BOD approval, reviews the effectiveness of the operation of the risk control framework and submits to the Group Board Risk Committee the annual evaluation for approval by the Board, monitors risk management activities from several perspectives: operational, credit, market, strategic, IT risk, legal and reputational and ensures implementation of action plans to monitor and manage these risks. 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. It reviews the approach of the Group Risk Department regarding effective monitoring and coordination at overseas branches and reviews the formation of risk committees at the subsidiary level in line with the corporate governance structure/framework adopted by QNB Group.

The committee held **four** meetings during 2019.

6.2.2 Group Credit Committee

The Group Credit Committee is headed by the GCEO, with the General Manager – Group Chief Credit Officer as the Vice-Chairman. The Committee also includes the Executive General Manager – Group Chief Business Officer, General Manager – Group Chief Risk Officer, General Manager of Group Corporate and Institution Banking, General Manager – Group Asset and Wealth Management, General Manager – Group International Banking and Assistant General Manager – Group Credit. The Senior Credit Officer – Group Credit acts as Secretary for this committee. The Committee is supposed to hold monthly meetings at a minimum, provided that a majority of the Committee members 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, guidelines and procedures related to corporate, financial institution and retail assets 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 reviews and takes decisions pertaining to credit facilities, proprietary investments and underwriting proposals (within its delegation of authority and in line with QNB’s business strategy) or escalates proposals to the Group Board Executive Committee/BOD for those that exceed its authority. The Committee also assumes the responsibility to review and approve the range of credit and 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. The Committee also ensures Group entity compliance with investment limits and ratios approved by the Board of Directors, QCB, foreign regulators and senior management. 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 eight** meetings during 2019.

### 6.2.3 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, the General Manager – Group Chief Risk Officer, the General Manager – Group Chief Financial Officer and the General Manager – Group Chief Credit Officer. The General Manager – Group Chief Strategy Officer 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 the Group Information Technology Committee, Group Operation and Services Committee and Group Human Capital Committee and submits memos to all the BOD committees as well as the BOD as and when required.

The main functions of this Committee are to assist the Board of Directors in overseeing the activities of the related management committees, discuss critical topics and strategic matters related to QNB Group activities, 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 and operational 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 2019.

### 6.2.4 Group Asset and Liability Committee

The Group Asset and Liability Committee (ALCO) 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 – Group Chief Business Officer, Executive General Manager – Group Chief Operating Officer, General Manager – Group Chief Risk Officer, General Manager – Group Chief Credit Officer, General Manager – Group Chief Strategy Officer and General Managers of Treasury and Corporate. Other members of senior management may be invited to attend if needed. The Assistant General Manager – Trading (Group Treasury) acts as the Secretary for this Committee. The Committee meets 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, with the Chairman’s vote deciding in case of a tie.

The Committee monitors, manages and devises the strategy to manage the assets and liabilities of the Group against various risks. It 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 performance of all Treasury activities and products across the Group, including banking and trading book portfolios, interest rate risk, liquidity risk and foreign exchange risk. The Committee also ensures compliance with the 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 **eleven** meetings during 2019.

### 6.2.5 Group Strategy Committee

The Group Strategy Committee is headed by the GCEO, with the Executive General Manager – Group Chief Business Officer as the Vice-Chairman. The Committee also includes the Executive General Manager – Group Chief Operating Officer, General Manager – Group Chief Risk Officer, General Manager – Group Chief Financial Officer, General Manager – Group Chief Credit Officer, and General Manager – Group Chief Strategy Officer. The Assistant General Manager – Strategy and Business Development acts as Secretary for this Committee. The Committee is scheduled to meet 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 taken are by majority, with the Chairman’s vote deciding in case of a tie.

The main function of this Committee is to develop the vision and business strategy for QNB Group, which is submitted to the BOD for review and approval. The Committee monitors and analyses market developments and the competitive positioning against peers, particularly in the Middle East, Africa and Southeast Asia Regions. The Committee also reviews and consolidates business development, products alignment, and resources distribution across the QNB Group. The Group’s strategic plan was approved by the BOD and communicated to the Group.

The Committee held **four** meetings during 2019, in addition to one Strategy Conference, which served to update all senior managers and country GMs on the QNB Group 2020 strategy and other key topics.

### 6.2.6 Centralised Purchasing Committee

The Centralised Purchasing Committee is headed by the GCEO, with the General Manager – Group Chief Financial Officer as Vice-Chairman. The Committee includes the Executive General Manager – Group Chief Business Officer, Executive General Manager – Group Chief Operating Officer, the General Manager – Group Chief Risk Officer and the General Manager – Group Chief Credit Officer. Required observers in this Committee include the Group Chief Audit Executive, Group Chief Compliance Officer, 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 taken are by majority, with the Chairman’s vote deciding in case of a tie.

The Centralised Purchasing Committee ensures the compliance of the Group with the 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.

### 6.2.7 Group Cybersecurity Committee

Since 2018, QNB Group also maintains a Group Cybersecurity Committee (GCSC) structure with the objective to enhance management of cyber related and information security risks across the Group. The formation of this committee is in line with QCB’s requirements and recommendations advocating measures to enhance information security and management of cyber risks and QNB’s goal to adopt leading measures. This committee is classified as a ‘Tier 1’ Committee.

The Group Cybersecurity Committee is headed by the GCEO, with the Executive General Manager – Group Chief Operating Officer as the Vice-Chairman. The Committee also includes the Executive General Manager – Group Chief Business Officer, General Manager – Group Chief Risk Officer, General Manager of Information Technology and Group Chief Information Security Officer. The Group Chief Audit Executive attends the meetings as a required observer. The Group Chief Information Security Officer acts as Secretary for this committee. The decisions taken are by majority, with the Chairman’s vote deciding in case of a tie.

The main function of this Committee is to develop and implement the Group’s cybersecurity strategy in line with the threat landscape and expectations of the Board. The key objectives of this Committee are to develop and monitor the implementation of the IT security and cybersecurity governance and framework, including strategy, plans, policies, controls, capabilities, skills and roles and responsibilities across the Group. The Committee will monitor the implementation of the cybersecurity strategy, initiatives and plans across the Group.

The Committee held **three** meetings during 2019.

6.2.8 Group Information Technology Committee

The Group Information Technology Committee is headed by the Executive General Manager – Group Chief Operating Officer, with the General Manager of Group Information Technology as Vice-Chairman. The Committee includes the General Manager – Group Chief Strategy Officer, General Manager of Group Operations, General Manager – Group Administration and General Services, General Manager – Group Retail, General Manager – International Banking and the AGM of Group Operational Risk, and Heads of Infrastructure and Development and User services. The Executive Manager – IT Strategy and Governance acts as a Secretary for this committee. The Committee meets quarterly at minimum provided that a majority of the Committee members 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 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.

The Committee held **four** meetings during 2019.

6.2.9 Group Business Development Committee

The Group Business Development Committee is headed by the Executive General Manager – Group Chief Business Officer, with the General Manager of Corporate Banking as Vice-Chairman. The Committee includes the General Manager – Asset and Wealth Management, General Manager – Group Retail, General Manager – International Banking, General Manager – Group Treasury, General Manager – Group Chief Strategy Officer, General Manager – Group Communications and the CEO of QNB Capital. The Head of Global Cash Management acts as a Secretary for this committee. The Committee meets on a monthly basis,

provided that a majority of the Committee members 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 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 the international expansion plan in line with QNB Group’s strategy and business plans. 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.

The Committee held **eleven** meetings during 2019.

6.2.10 Group Operations and Services Committee

The Group Operations and Services Committee is headed by the Executive General Manager – 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 International Banking, Group Corporate and Institution Banking and the Assistant General Manager of Operations Control and Excellence. The Assistant General Managers of Group Operational Risk, Central Operations, Treasury and Assets Operations and International Operations Affairs are observers. The Assistant General Manager of Operations Control and Excellence also acts as Secretary for this committee. The Committee meets quarterly at minimum, provided that the majority of the Committee members 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 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 centralisation initiatives. It creates and reviews the operations strategy across the Group. The Committee aligns all operation activities with QNB Group’s vision, mission and business plans. It conducts a regular re-engineering programme 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. It reviews outsourcing activities to ensure sufficient quality assurance and monitoring.

The Committee held **four** meetings during 2019.

6.2.11 Group Human Capital Committee

The Group Human Capital Committee is headed by the Executive General Manager – Group Chief Operating Officer, with the General Manager of Group Human Capital as Vice-Chairman. The Committee includes the General Manager – Group Chief Strategy Officer, General Managers of Group Retail and International Business, the Assistant General Managers of Human Resources Strategy and Integration, and Human Resources Services and the Executive Manager of International Human Resources Integration who also acts as Secretary for this committee as well. The Committee holds quarterly meetings at minimum, provided that the majority of the Committee members 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 Group Human Capital Committee handles all human capital matters across the Group, including workforce 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 nationalisation programme objectives.

The Committee held **four** meetings during 2019.

7. Risk management

QNB Group’s reputation and continued profitability depend 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 across all levels of the bank. QNB Group adopts a centralised approach to risk management, complemented by local expertise and knowledge. This ensures proactive risk governance and management at the consolidated and the local level. Risk is an integral part of QNB’s business and decision-making process. QNB Group’s sustainable performance depends on its ability to manage risk at all levels. QNB’s risk profile and appetite are approved by the Board of Directors (BOD) and the Group Board Risk Committee (GBRC) and then cascaded down to every division, department and employee. From a governance perspective, the Group Board Risk Committee (GBRC) is the highest management authority in QNB Group for various risk-related issues whereas the Group Management Risk Committee will be responsible to monitor and manage the risk of the Group in an efficient and effective manner and support the implementation of the Group strategy. The success of QNB Group’s risk management framework is focused largely on encouraging pre-determined roles and responsibilities from the BOD level, down to the various committees, executive managers, senior managers and individual employees.

QNB risk exposures are mitigated through various specific mechanisms for risk assessment. The BOD evaluates and oversees QNB Group’s risk profile in coordination with the Group CEO, the Group’s Management Risk Committee, the Group Credit Committee and the Group Asset Liability Management Committee (ALCO). The BOD takes the responsibility for all aspects of QNB Group’s risk management, including the management of credit, market and operational risks. The BOD has set forth the policy objectives and framework for QNB Group on all risk issues and maintains oversight of all risks on a day-to-day basis through various committees. These committees are responsible for formulating QNB Group’s risk management policies, in line with the overall guidelines and objectives set by the BOD. The Group Risk Division, headed by the General Manager – Group Chief Risk Officer, carries out the implementation of such policies.

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. The Risk Appetite Statement is also the mechanism used to cascade the Group’s risk appetite and allocations down to a regional and country level. The risk appetite framework ensures alignment with the Group’s vision and strategy by tracking current performance against risk appetite targets.

Risk management policies and procedures are established in order to identify, assess and monitor the risks at Group level. 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. 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 monitoring of the Group’s commitment to trading restrictions imposed by the BOD. In this regard, detailed monthly reports are submitted to the Group Asset Liability Management Committee.

The identification of principal risks is a process overseen by Group Risk. The material risks are regularly reported to the 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 Enterprise Risk Management (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 QNB Group’s strategic objectives and acts as a platform for growth. The centralised 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.

The Group Risk Division is considered the ultimate administrative authority vested to deal with the various risk aspects at Group level. The department undertakes the formulation and review of the risk management strategy, defines the risk management

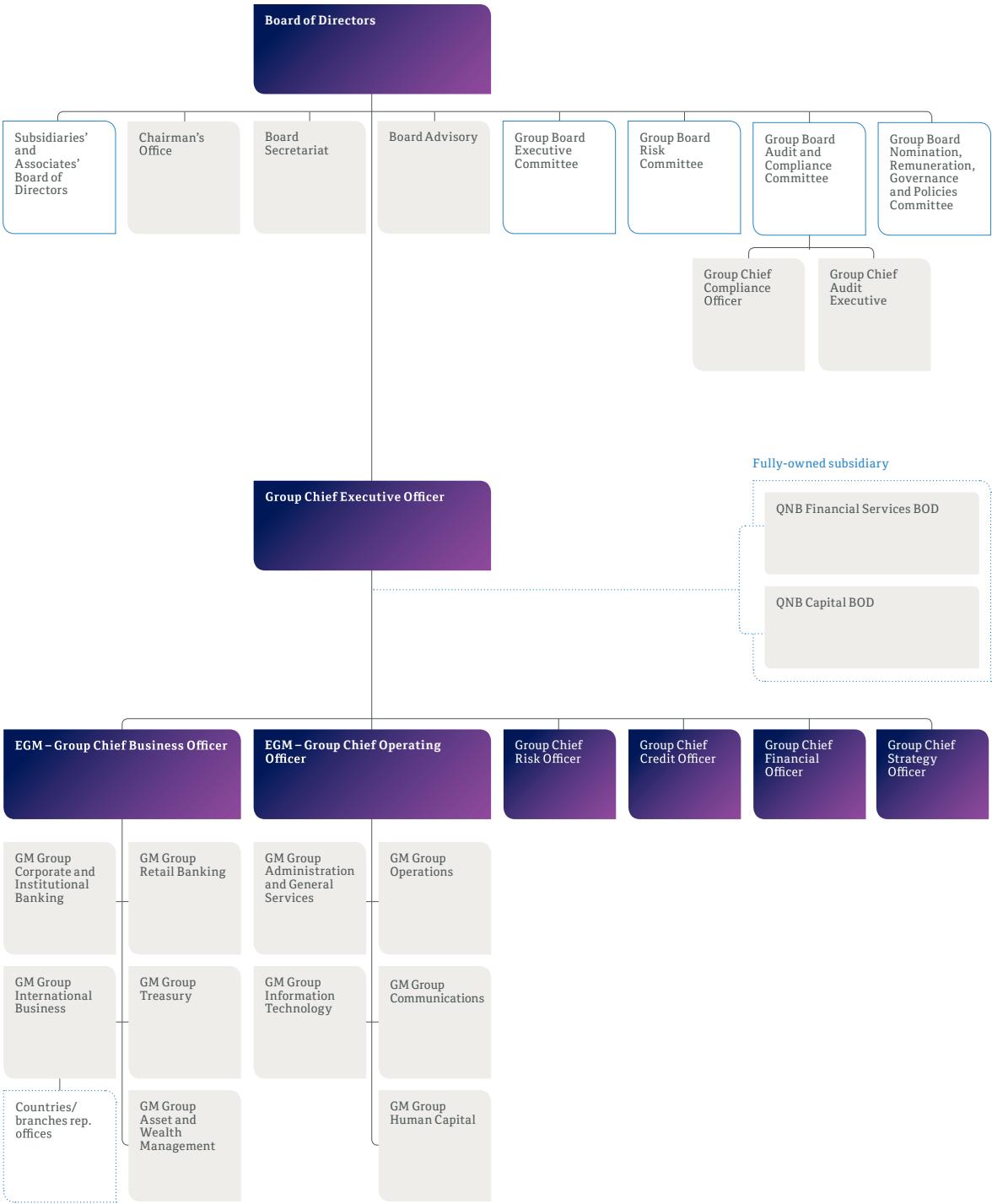
policies, evaluates the activities of risk management and control mechanisms, and assesses and determines the Group’s operational, credit, market, strategic, legal, and reputational risks.

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.

8. QNB Group organisation structure and succession plan

8.1 QNB Group organisation structure

QNB Group organisation structure





8.2 Leadership continuity planning and organisation structure

As part of ongoing corporate governance initiatives, the BOD is keen to ensure that the organisation structure of the bank is updated, efficient, effective and in line with international best practices to support the application of corporate governance principles and to enhance the internal control of various management levels. The updates also fulfil the regulatory requirements and covers future plans of internal and external growth as well as the development of financial and banking services locally and abroad. Changes and enhancements to the organisational structures both in business and support areas are implemented to keep pace with international business expansion plans and to ensure alignment of entities with Head Office, i.e. Qatar.

QNB Group also continues to drive leadership continuity planning as one of the strategic initiatives to ensure that a comprehensive business continuity framework is in place and to develop a capable leadership pipeline. This exercise is reviewed periodically to help identify leadership talent and further grooms the talent to assume higher and complex responsibilities that can support current business growth.

8.3 Training and development of future leadership

QNB Group continues to deliver the Leadership Development Programme (LDP) and Management Development Programme (MDP) for the middle management, supervisors and team leaders in Qatar and Group’s international locations in collaboration with renowned global institutions to assist in fulfilling career aspirations.

9. 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 authorisations 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 Division and Group Compliance Division 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 divisions.

As per the QFMA Corporate Governance Code Article (4), the corporate governance report should include disclosure of the internal controls failures, wholly or partly, or weaknesses in its implementation, contingencies that have affected or may affect the Company’s financial performance, and the procedures followed by the Company in addressing internal controls failures.

Based on that, QNB management assessed the design and operating effectiveness of QNB’s internal control over financial reporting as of 31 December 2019. Management reviewed the results of its assessment and shared with the Group Board Audit and Compliance Committee. Based on this assessment, management determined that, as of 31 December 2019, QNB’s internal controls over financial reporting have been designed appropriately and are operating effectively.

9.1 Group Internal Audit Division

Rigorous internal audit processes are a fundamental component of QNB Group’s business practice to ensure a sound corporate governance framework, following the three Lines of Defence model recommended by BASEL. The Group Internal Audit Division (GIAD) 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 Division 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. 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 enhance its objectivity and independency. 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.

GIAD has adopted the International Professional Practice Framework (IPPF) of the Institute of Internal Auditors (IIA) as well as Basel Committee recommendations and other leading standards. The GIAD team is composed of individuals with experience from leading financial institutions and audit firms across the globe. More than 60% of GIAD are professionally qualified and hold globally recognised professional certifications. Team members undergo continuous professional development, awareness and training. GIAD maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity to increase the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. GIAD continues to develop its data analytics capability and extrapolation techniques to be able to identify systemic issues and execute efficient audits.

GIAD helps the BOD and GBACC in effective discharge of their responsibilities to serve the best interests of shareholders. GIAD is headed by the Group Chief Audit Executive who reports to the Group Board Audit and Compliance Committee (GBACC) of the BOD. For the purpose of fulfilling its role in its professional capacity, GIAD is authorised to have full and unrestricted access to any of the Group’s records, documentation, systems, properties and personnel, including Executive Management and the BOD. The GIAD charter and policy have been enhanced to align with the Basel Committee on Banking Supervision’s recommended standards, to keep pace with the business expansion of the Group, and to provide adequate oversight of the Group’s subsidiaries.

9.2 Group Compliance Division

Compliance within QNB Group is an independent function whose primary responsibilities are to assist the Board as well as the Executive Management to effectively mitigate the compliance risks faced by the bank. It is characterised by an official status within the Group through a formal charter and policies approved by the GBACC and carried out by the Group Compliance Division, which undertakes its endeavours through appropriate mechanisms enabling the Group Chief Compliance Officer to perform his responsibilities in an effective manner.

The QNB Compliance strategy focuses on effective management of compliance activities across the Group in order to consolidate the Group’s competitive position and build trust-based relationships with all investors and stakeholders. Moreover, a robust compliance function helps QNB Group to protect its reputation, lower the cost of capital, reduce costs and minimise the risk of investigation, prosecution and penalties in addition to building a culture that is in line with QNB Group values. On a proactive basis, the division identifies, evaluates, monitors, documents and reports on compliance risks associated with the bank’s business activities, including the risk of legal sanctions, legislative and financial losses, 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. QNB’s Group Compliance Division continually monitors and assesses QNB Group’s operations and activities from a compliance perspective, exerting additional efforts to ensure high levels of compliance with QFMA and QCB regulations as well as local and international statutory requirements.

Group Compliance is also considering ways to measure compliance risks by implementing key risk indicators (KRIs) and uses such measurements to enhance the compliance risk assessment that is relevant to the second line of defence. The Compliance function assesses the appropriateness of the Group’s compliance procedures and guidelines, promptly follows up any identified deficiencies, and, where necessary, formulates proposals for amendments. Group Compliance monitors and tests compliance by performing sufficient and representative compliance testing in line with internationally recognised frameworks.

The Group Chief Compliance Officer reports on a regular basis to the Group Board Audit and Compliance Committee and the Executive Management on compliance matters.

Group Compliance adopts a professional and comprehensive approach when carrying out tasks towards key stakeholders. Extra attention is paid to due diligence and the culture among the compliance staff is one of professionalism and integrity. To maintain high technical standards among the compliance staff, scheduled specialist training is assigned to all staff, including ACAMS and CISI – QFMA certifications. These courses are deemed to add a further layer of specialism to the employees and is reflected in the quality of work carried out. Compliance staff frequently hold brainstorming and best practice sharing sessions, to promote a culture of continuous development and value-add to stakeholders. Further, Group Compliance has continued the ‘Train the Trainer’ programme to align knowledge to divisional staff.

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 programme 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.

Group Compliance ensures the proper reporting to all regulatory authorities as appropriate and reports any suspicious activities to the Financial Information Unit (FIU) on a timely basis. In addition, it has established arrangements for timely interactions with the regulators for proper clarification on regulatory requirements and as appropriate.

Group Compliance actively participates in the deliberations of the Group Management Risk Committee as an observer and updates the Risk Analysis of the business as appropriate and fit for purpose.

Group Compliance is continually working to develop and enhance the Compliance Function with a vision to maintain a healthy environment and practices. No penalty of any kind was imposed on QNB Group by any regulatory authority during 2019.

10. 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 his remuneration.

For 2019, KPMG was appointed as the External Auditor for QNB Group in accordance with the applicable QCB regulations and QFMA corporate governance requirements. QNB Group issues a public tender in order to select a suitable external auditor for the financial year. Based on the technical evaluation and commercial proposal, the Centralised Purchasing Committee (CPC) makes its recommendation to the Group Board Audit and Compliance Committee for the appointment of the new External Auditor subject to approvals by Qatar Central Bank and the General Assembly.

The external auditors inform the Board, in writing, about any risk to which the bank is exposed to or expected to be exposed to, and about all of the violations immediately upon identification, as well as sending a copy of that notice to QFMA. In this case, the external auditor shall have the right to invite the General Assembly to convene pursuant to the law provisions in this regard, provided they inform QFMA thereof.

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 as well as sending a copy to QFMA in line with QFMA requirements.

11. QNB global ratings

During 2019, Standard & Poor’s, Capital Intelligence and Moody’s affirmed QNB’s strong rating and outlook. The QNB Group credit rating is considered to be among the highest in the region. The following table highlights the rating of QNB Group by some of the key important rating agencies worldwide:

QNB Group	Fitch	Capital Intelligence	Standard & Poor’s	Moody’s
Long-term rating	A+	AA-	A	Aa3
Short-term rating	F1	A1+	A-1	P-1

12. Capital and shares

The authorised, issued and fully paid up share capital of the bank totalling QR9,236,428,570 consists of 9,236,428,570 ordinary shares of one Qatari Riyal each. The ownership structure of QNB Group has been stable since its establishment in 1964. The 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 and the General Retirement and Social Insurance Authority, cannot, at any time, possess more than (5%) of the shares. The shares are nominal and 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 members of the ten BOD members, including the Chairman and Vice-Chairman, are representatives of QIA, while the remaining five members are from the private sector and are elected by shareholders at the General Assembly meeting.

13. 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 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.

14. Transparency and 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, such as but not limited to, Qatar Central Bank's reports and the disclosures made to the Qatar Stock Exchange.

QNB is considered to be one of the first companies to publish its financial statements in the Middle East and North Africa region. The bank is also committed to a clear policy of transparency and 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 on other companies' boards (see the Appendices). Since there are no major shareholders other than the Qatar Investment Authority, which owns 50% of the bank's capital, no further details require disclosure regarding the major shareholders, For this purpose, and in line with QCB instructions issued regarding the ownership limits and restrictions in the financial institutions, a dedicated policy has been 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.

QNB also maintains a comprehensive 'Disclosure and Transparency Policy' to promote transparency and fairness across QNB Group in a way to maintain and protect the bank's reputation. The policy establishes the framework of disclosure to provision for information at the right time and in the appropriate manner, as required by the regulatory authorities in Qatar, such as Qatar Central Bank (QCB) and Qatar Financial Markets Authority (QFMA). The policy also considers and alludes to international standards (related to financial disclosure) issued by the Basel Committee on Banking Supervision (BCBS), International Financial Reporting Standards (IFRS) and the Organisation for Economic Co-operation and Development (OECD), to ensure that appropriate disclosures and corporate governance standards are implemented by QNB.

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 auditor's 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 (28) of the QFMA code, relevant to conflict of interest that requires the Board members to disclose their trading activities in the company's stocks and other financial securities, Qatar Stock Exchange discloses on a daily basis the 'Intraday Insiders Trades Report' that specify the traded volume (buy/sell) in QNB's capital.

15. Conflicts of interest and insider trading

QNB Group maintains a comprehensive policy to address conflicts of interest and insider trading aspects so that the bank is able to identify actual and potential conflicts of interest and manage them fairly and appropriately to prevent any situation affecting adversely the interests of QNB, its shareholders and stakeholders. The policy is applicable to related parties, personal account dealing, tenders, auctions and outsourcing and is based on the Commercial Companies Law, Qatar Central Bank instructions and QFMA's Corporate Governance Code 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.

The Executive Management are responsible for setting up the adequate framework in place, and implementing proper systems, controls and measures to identify, escalate and manage conflicts of interest. They are also in charge of addressing such framework in order to promote customer protection and support market integrity. Every employee is responsible for identifying and escalating potential conflicts of interest so that they may be appropriately managed and resolved.

In 2019, the Board confirmed that it was not aware of any conflict of interest situation that exists or is likely to exist in relation to QNB Group.

With reference to article (4.10) of QFMA Corporate Governance Code, all the disputes, lawsuits in which the bank is a party are properly handled and tracked by the Legal Division of the bank. These cases together with the latest updates are regularly reported to the Group Management Risk Committee and the Group Board Risk

Committee for information and proper decision. As part of the regulatory scope, the external auditor also reviews all the disputes and lawsuit cases for proper assessment.

In application of article (25) of QFMA Corporate Governance Code, QNB Group has a clear policy on dealing with rumours disclosed by third parties and more generally anything that may damage the reputation of the bank.

This policy provides for a specific treatment and escalation of the rumour incidents on a case by case basis considering their origin, sources, expected impact and whether any case was filed before the courts.

16. 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. Organisations consider the customer as 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 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).

17. Sustainability and corporate social responsibility

Sustainability has become one of the most pressing topics affecting our society today. This includes environmental aspects, such as climate change and resource scarcity, social aspects, such as human rights, financial inclusion and data privacy, and corporate governance aspects, such as board composition, anti-corruption and ethical business practices. Collectively, these are commonly referred to as ESG (environmental, social and corporate governance). There is now increasing demand from investors, customers, regulators and our own employees for greater transparency of our approach to ESG issues. And we recognise the significant contribution QNB can make to society by adopting business practices to address these, especially through our financing activities. Furthermore, we believe that a proactive approach to sustainability strengthens QNB's business resilience and supports sustainable financial performance.

In response to these external demands, and to support QNB's vision to become one of the leading banks in the Middle East, Africa and South East Asia (MEASEA), QNB has defined a Group-wide sustainability programme. This has been developed in alignment with national and international standards and guidelines, with particular focus on the objectives of the United Nations Sustainable Development Goals (UNSDGs), Global Reporting Initiative (GRI) Standards and the Qatar Stock Exchange (QSE) 'Guidance on ESG reporting'.

At QNB, we define sustainability as the delivery of long-term value in financial, environmental, social and ethical terms, for the benefit of our customers, shareholders, employees and communities. Our sustainability framework consists of three pillars: sustainable finance, sustainable operations and beyond banking. All three pillars contribute to QNB's goal of ensuring sustainable financial performance, through reducing risks, opening up new business opportunities and strengthening our brand.

QNB Group is also 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. 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 31 countries, 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 reflect its orientation and highlight 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’s 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 create 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.

18. Spotlight on specific corporate governance practices at QNB Group

This section of the Corporate Governance Report demonstrates QNB Group’s approach and commitment to leading best practices, showing the way through which our approach has strengthened, enhanced and reinvigorated the bank’s corporate governance framework during 2019. The integral purpose of this section is to provide readers with adequate relevant knowledge on QNB Group’s key corporate governance initiatives and milestones in the area of compliance. For 2019, QNB focuses on good ‘Internal Controls Over Financial Reporting (ICOFR)’ practices implemented.

Background on ICOFR

Pursuant to the issuance of the new Governance Code for Companies and Legal Entities Listed on the Main Market by Qatar Financial Markets Authority (QFMA) Article (24), the External Auditor’s report must include information that informs shareholders about the appropriateness and effectiveness of internal control systems implemented in the bank as well as the company’s compliance with provisions of the Code. Based on this requirement, QNB Group has performed a comprehensive Management Assessment of its Internal Controls over Financial Reporting (ICOFR).

QNB has developed a robust internal controls assessment framework and methodology based on criteria set in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Since it is the Board’s responsibility to review annually the effectiveness of the company’s internal control procedures, the roles and responsibilities of the QNB management and the external auditors in this regard are depicted below.



Objectives of internal control

Internal control is defined in the 2013 framework as a process effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance in order to assess the effectiveness of the system of internal control to achieve objectives relating to operations, reporting, and compliance as determined by management.

Each of QNB’s businesses and divisions owns its risks and is responsible for identifying, assessing and managing these risks with the support of Group Risk Division. Each business

is also responsible for establishing and operating the internal controls to mitigate the inherent risks and promoting a culture of compliance with the internal controls.

Framework and methodology employed

As per COSO, an effective system of internal control requires five components and relevant principles to be present, functioning and operating together in an integrated manner. It covers risks and controls at entity and process levels for achievement of operations, financial reporting and compliance objectives. The following are the key constituents of the COSO framework that have been followed in order to complete QNB’s Management Assessment of ICOFR:

- review of entity level controls;
- assessment of risks at process level (across divisions, operating units, functions);
- identifying related controls; and
- formulating a Risk and Controls Matrix (RCM) for monitoring and evaluating.

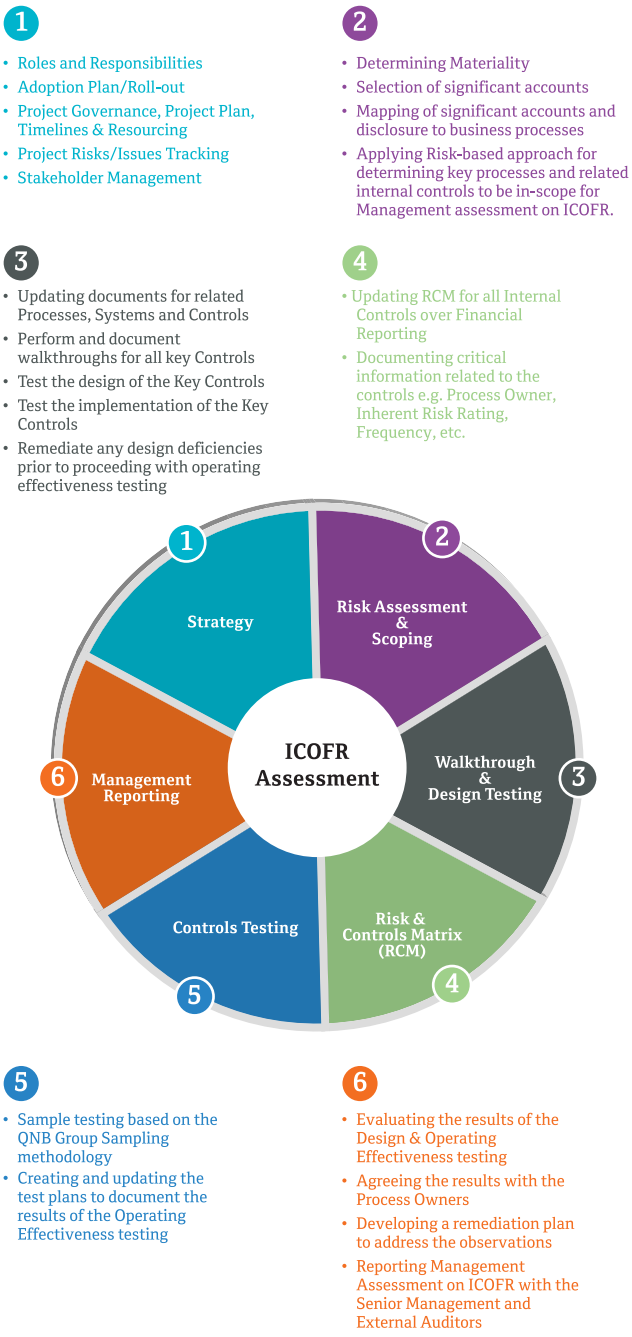
Actions and initiatives by QNB Group on ICOFR

Primarily through the application of a robust internal controls and compliance culture, QNB management was responsible for overseeing the establishment of a sound internal control environment across QNB Group as per criteria set in COSO, the Internal Control-Integrated framework, and by closely involving other QNB divisions when required. Having a direct reporting line to QNB’s Group Board Audit and Compliance Committee (GBACC), Group Compliance has taken the lead in driving the ICOFR Management Assessment for 2019 in coordination with the key stakeholders of QNB Group and the following have been the key achievements:

- developing the Internal Controls Assessment framework which included:
  - testing of design and implementation
  - testing of controls effectiveness
  - preparing test scripts, test plans, sampling criteria
  - documenting walkthroughs of processes
- remediation management with process owners
- determining the in-scope entities for internal controls assessment based on materiality to cover ICOFR regulatory requirements;
- mapping financial statement line items to processes and risks for the purposes of building the RCM;

- documenting key and non-key controls designed by the first line of defence in the RCM;
- performing test of design and operating effectiveness of the internal controls and remediating any gaps;
- finalising the management assessment report on ICOFR for review by key stakeholders and feedback prior to circulation to external auditors; and
- liaising with the external auditors to perform their own independent audit of the management’s assessment of ICOFR

ICOFR evaluation lifecycle



Challenges and opportunities

At QNB, enhancing the internal controls system and procedures, including internal controls over financial reporting, has been a key driver to ensure reliable and transparent financial reporting and disclosure. In the 2019 ICOFR management assessment, QNB Group performed a full test of design and operating effectiveness as per the COSO framework. This required the added need for Group Compliance to build and enhance its capabilities and resources in order to perform this assessment efficiently on an ongoing basis.

Results and key success factors

Based on the 2019 management assessment of the ICOFR, QNB management has concluded that the bank’s internal controls over financial reporting were designed and operated effectively in all material aspects as of 31 December 2019.

The effectiveness of QNB’s internal controls over financial reporting as of 31 December 2019 has been audited by KPMG LLP, QNB’s external auditors as stated in their report.

19. Compliance with the QFMA’s relevant regulations including the Corporate Governance Code

In accordance with Article 2 of the QFMA Corporate Governance Code for Companies & Legal Entities on the Main Market (the “Code”), Qatar National Bank Q.P.S.C (“ the Bank”) carried out an assessment on its compliance with the Qatar Financial Market Authority’s (QFMA) relevant regulations including the code.

As a result of the assessment, management concluded that it is in compliance with the QFMA’s relevant regulations including the Code as at 31 December 2019.

KPMG, the external auditor of the Bank has issued a limited assurance report (refer Appendix (4) of this report) on the management assessment on compliance with the QFMA’s relevant regulations including the Code as of 31 December 2019.

Conclusion

As this report demonstrates, QNB Group, represented by the Board of Directors and Executive Management, is committed to protecting and enhancing our corporate governance framework and practices on a continuous basis. As one of the leading banks in MEASEA, QNB Group faces many evolving risks and challenges across the jurisdictions in which it operates. To navigate these effectively and efficiently, it is vital to remain fully compliant with regulators in every jurisdiction where we operate.

QNB Group fully supports the principles of transparency and integrity in corporate governance. We believe that through greater transparency comes more accountability and improved stakeholder confidence. This approach reinforces our adherence to the corporate governance regulations issued by the QCB and QFMA.

QNB Group recognises the importance of continuous development, of the corporate governance system and adopts increasing standards of transparency and disclosure of information in order to increase the trust of all its stakeholders and related parties. The effectiveness and credibility of our corporate governance system rests on shareholders willingness to invest, and regulators willingness to trust, our organisation. This contributes to the performance of the Group as a whole, helping us to better mitigate risk while protecting our reputation and the security of our customers. The periodic review and evaluation of the corporate governance practices serve to enhance this.

As highlighted within this report, QNB Group has undertaken many new measures during 2019 to strengthen its governance framework. This includes establishing stringent internal controls, reporting mechanisms and risk mitigation systems. Executive Management of the Group instils a strong culture of accountability and responsibility to institutionalise ethical behaviour.

At the level of the activities of the overseas branches and subsidiaries, the Group has strengthened oversight by establishing and developing better communication channels for reporting, and by setting mechanisms to evaluate the performance of members of the Board of Directors of the subsidiaries and of the works of Executive Committees at the overseas branches. We affirm QNB Group’s continued compliance with the regulatory governance requirements issued by Qatar Central Bank and Qatar Financial Markets Authority as it reaffirms our commitment to international best practice. We do so in the knowledge that, by doing so, we provide stability to facilitate organisational growth, protect stakeholders and enhance the confidence of investors and regulators.

**Fahad Bin Faisal Bin Thani Al-Thani**  
Vice-Chairman of the Board of Directors  
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>  Chairman	H.E. was appointed Chairman of QNB Group since 2013. He is also currently the Minister of Finance of Qatar, the Secretary General to the Supreme Council for Economic Affairs and Investment, Chairman of Qatar Financial Centre, President of the Executive Board of Qatar Airways and member of the Supreme Committee for Delivery and Legacy. He is also the Vice-Chairman of the Board of Directors in Qatar Investment Authority (QIA), and a member of the Board in Qatar Petroleum (QP). His Excellency has extensive experience in the financial sector spanning almost 27 years, with progressively higher posts culminating in him being the GCEO of QNB from 2005 to 2013. Under his leadership, QNB Group became the largest and most profitable financial institution in the Middle East and North Africa, having one of the highest credit ratings. Earlier, he started his career at the Banking Control Department at Qatar Central Bank.
<b>H.E. Sheikh Fahad Bin Faisal Bin Thani Al-Thani</b>  Vice-Chairman	H.E. was appointed and elected as the Vice-Chairman of QNB’s Board of Directors in 2019. He is also the Chairman of the Group Board Audit and Compliance Committee at QNB Group. H.E. is currently the Minister of State. He previously held multiple senior positions, including Deputy Governor of Qatar Central Bank and Chairman of the National Anti-Money Laundering Committee from 2001 to 2018. In addition, he was also the Vice-Chairman of Qatar Financial Markets Authority.
<b>H.E. Sheikh Abdulrahman Bin Saud Bin Fahad Al-Thani</b>  Board member	H.E. was elected as a member of the Board of Directors since 2016. He is also a member of the Group Board Nomination, Remuneration, Governance and Policies Committee. He is also currently the Minister of State, member of the Arab Thought Forum in Amman, the Advisory Council for Contemporary Arab Studies – Georgetown University – Washington. H.E. was also the Head of the Amiri Diwan. He also serves as the Chairman of Qatar Sports Federation for Special Needs, as a Board member in Qatar Insurance Company and Qatar Navigation Company (Milaha).
<b>H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani</b>  Board member	H.E. has been appointed member of the Board of Directors since 2004. He is the Chairman of the Group Board Executive Committee and a member of the Group Board Nomination, Remuneration, Governance and Policies Committee. H.E. is also a member of the Board of Directors of Qatar Electricity and Water (QEWCo), Qatar Chemical Company (Q-Chem), Qatar 2022 Supreme Committee, Board of Trustees of Qatar University, Strategic Advisory Panel – Qatar Financial Centre. H.E. is the Chairman of the Business Advisory Council for the College of Business and Economics of Qatar University, and the National Legacy Committee 2022. He is also Chairman of the National Advisory Statistics Committee, Vice-Chairman – Governing Board of UNESCO Institute for Statistics (UIS), Board member in the Statistical Center for the Gulf Cooperation Council (GCC) and the International Statistical Institute (ISI).

Appendix 1: The Board of Directors – biographies

Name of the Director	Brief biography summary
<b>Mr. Ali Hussain Ali Al-Sada</b>  Board member	Mr. Al-Sada was elected as a member of the Board of Directors since 1998 and is a member of the Group Board Risk Committee and the Group Board Executive Committee. He is currently the Vice-Chairman and a founding member of Dar Tharawat Investment House, Founder of Qatar Syrian Company for Investment and Development, as well as being a member of the Board of Directors of Dlala Brokerage & Investment Holding, and a founding board member of Al Safwah Financial Services. He also serves as Board member and General Manager of Al Rouayes Real-estate and Investment.
<b>Mr. Bader Abdullah Darwish Fakhroo</b>  Board member	Mr. Fakhroo was elected as a member of the Board of Directors 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, Board member of the Higher Education Institute and Qatar Chamber of Commerce and Industry, and also Chairman of the Commercial Arbitration Center for the Gulf Cooperation Council and Chairman of the Internal and External Affairs Committee in the Qatar Chamber of Commerce and Industry.
<b>H.E. Fahad Mohammed Fahad Buzwair</b>  Board member	H.E. was elected as a member of the Board of Directors since 2001. He is the Chairman of the Group Board Nomination, Remuneration, Governance and Policies Committee. He also currently serves as a member of the Advisory Council (Shura Council) and as the Chairman of Buzwair Group Holding.
<b>Mr. Mansoor Ebrahim Al-Mahmoud</b>  Board member	Mr. Al-Mahmoud was appointed as a member of the Board of Directors since 2004 and is the Chairman of the Group Board Risk Committee. Currently, he is the CEO of Qatar Investment Authority (QIA). He is also a member of the Board of Directors in Qatari Diar and Doha Film Institute and the Special Advisor to H.E Chairperson of Qatar Museums.
<b>Mr. Abdulrahman Mohammed Y Jolo</b>  Board member	Mr. Jolo was appointed as a member of the Board of Directors in 2019. He is a member of the Group Board Audit and Compliance Committee. He currently serves as the Director of Financial Policies in the Ministry of Finance of Qatar.
<b>Mr. Adil Hassan H A Al-Jufairi</b>  Board member	Mr. Al-Jufairi was elected as a member of the Board of Directors in 2019. He is a member of the Group Board Audit and Compliance Committee. He is the General Director, Partner, and Board member of Hassan Bin Hassan Al Mulla Co & Sons. Mr. Al-Jufairi has also been working in the Ministry of Health since 1992.



Appendix 2: Executive Management – biographies

Name and position	Brief biography summary
<b>Mr. Abdulla Mubarak Al-Khalifa</b> Group Chief Executive Officer	Mr. Al-Khalifa was appointed as the GCEO in November 2018. Prior to that, he was the Executive General Manager – Chief Business Officer at Qatar National Bank Group. He joined QNB in 1996 and has almost 23 years of diverse banking experience. He is currently the Chairman of the Board of Directors of QNB Capital and QNB Suisse. In addition, he is the Board member at Ooredoo, Qatar Mining, and MasterCard Middle East (Dubai). Mr. Al-Khalifa holds a Bachelor’s Degree in Business Administration from Eastern Washington University in the United States.
<b>Mr. Ali Rashid Al- Mohannadi</b> Executive GM – Group Chief Operating Officer	Mr. Al-Mohannadi joined QNB in 1996 and currently serves as the Executive General Manager – Group Chief Operating Officer. He was previously General Manager – Retail Banking and General Manager – Information Technology. Mr. Al-Mohannadi is currently the Chairman of the Board of Directors of QNB Tunisia, Vice-Chairman of the Board of Directors of QNB Al Ahli (Egypt) and CBI (Dubai). In addition, he is a Board member at QNB Capital. He also serves on several other committees within QNB Group. Mr. Al-Mohannadi has almost 23 years of experience in the financial sector, and has a Bachelor’s Degree in Computer Science from Qatar University.
<b>Mr. Yousef Mahmoud Al-Neama</b> Executive GM – Acting Group Chief Business Officer	Mr. Al-Neama joined QNB in 2005 and currently serves as Acting Executive General Manager – Group Chief Business Officer. Prior to joining QNB, Mr. Al-Neama held a variety of roles in financial institutions and corporations within Qatar and has almost 15 years of experience in financial institutions. He is currently the Chairman of the Board of Directors at QNB Syria and Vice-Chairman of the Board of Directors at Mansour Bank (Iraq). In addition, he is a Board member at QNB Capital, QNB Finansbank (Turkey) and Housing Bank for Trade & Finance (Jordan). Mr. Al-Neama holds a BS in Aviation Management from Florida Tech. in the United States and a Diploma in Business Administration from Glamorgan University in Wales.
<b>Mr. Ramzi Mari</b> Group Chief Financial Officer	Mr. Mari joined QNB in 1997 from the Bank of Jordan and currently serves as the Group Chief Financial Officer. He has almost 27 years of experience in the banking sector. He is currently a member of the Board of Directors at Housing Bank for Trade and Finance (Jordan), QNB Finansbank (Turkey) and QNB Capital. Mr. Mari is a Certified Public Accountant (CPA) from the State of California (in 1989) and holds a Master’s Degree in Accounting from California State University in the US.
<b>Ms. Fatma Abdulla Al-Suwaidi</b> Group Chief Risk Officer	Ms. Al-Suwaidi joined QNB in 2000 and currently serves as Group Chief Risk Officer; having previously held the role of Assistant General Manager of Credit Risk Management. She has almost 19 years of experience in banking and is currently a member of the Board of QNB Finansbank (Turkey) and QNB Tunisia. Ms. Al Suwaidi has a BSc in Accounting, a Master’s in Business Administration from Qatar University, an MSc in Risk Management from the University of New York and a Juris Doctor Degree from Hamad Bin Khalifa University. She holds particular interest in banking innovation and is in the advanced stages of completing a Doctorate in Business Administration from Grenoble University, France on the subject of ‘Innovation in Banking and Financial Markets’, focusing on crypto currencies.

Appendix 2: Executive Management – biographies

Name and position	Brief biography summary
<b>Mrs. Fareeda Ali Abulfath</b> Group Chief Credit Officer	Mrs. Abulfath joined QNB in 1996 and currently serves as the Group Chief Credit Officer and the Vice Chairman of Group Credit Committee since 2010. She has almost 26 years of experience in the banking sector. Currently, Mrs. Fareeda is the Chairman of the Board of Commissioners of QNB Indonesia, Board Member and Vice Chairman of QNB Financial Services and Board Member of CBI (Dubai). She holds a Bachelor’s Degree from Qatar University and a Master’s Degree from Manchester School of Business.
<b>Mr. Christian Eichner</b> Group Chief Strategy Officer	Mr. Eichner joined QNB in 2009 and currently serves as the Group Chief Strategy Officer. Prior to joining QNB, he worked in the strategy consulting arena, focusing on financial services. Mr. Eichner first served clients in Germany and the German speaking countries in Europe before transferring to the Middle East in 2006 where he served clients in the GCC and MENA region. He has almost 20 years of work experience and holds a Master’s Degree in Business Administration from the University of Cologne, Germany.
<b>Mr. Khaled Gamal Eldin</b> Group Chief Audit Executive	Mr. Gamal Eldin joined QNB in 2014 as the Group Chief Audit Executive with almost 31 years of banking experience in leading banks in the region. Prior to joining QNB, he 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. Gamal Eldin 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. He is a Certified Public Accountant (CPA) from the State of Colorado, a Certified Fraud Examiner (CFE), a Certified Anti-Money Laundering Specialist (CAMS), has an MBA in International Finance and a Diploma in Risk Management.
<b>Mr. Saleh Nofal</b> Group Chief Compliance Officer	Mr. Nofal joined QNB in 2003 and currently serves as the Group Chief Compliance Officer. He has almost 31 years of banking and financial services industry experience and specialises in the compliance and audit fields. Prior to joining QNB, Mr. Nofal was with Arab Bank, Jordan National Bank, the Arab World Auditing Bureau and a Jordanian public accountancy firm. He holds a Bachelor’s Degree in Commerce, is a Certified Internal Auditor, a Certified Fraud Examiner, a Certified Compliance Officer and has a professional Diploma in Audit and Accounting. Mr. Nofal is also a member of the Association of Certified Fraud Examiners (ACFE), Association of Certified Anti-Money Laundering Specialists (ACAMS) and Institute of Internal Auditors (IIA). In addition, he is a member of MENA Financial Crime Compliance Group (FCCG) in partnership with Union of Arab Banks.

Appendix 3: QCB corporate governance disclosure requirement

Clause	Description	Disclosure		Clause
1	Shareholding	1.1	Shareholding breakdown by nationality	Qatar 88.92%. Others 11.08% (as 30/11/2019)
		1.2	Shareholding breakdown by number of shareholders	Total number of shareholders 3,013 and total number of shares is 9,236,428,570 (as 30/11/2019)
		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 15
		2.3	Board members	Please refer to the BOD Biographies Appendix 1
		2.4	Independent members	Please refer to Section 3.5
		2.5	Executive/non-executive members	Please refer to Section 3.5
			BOD Shareholding (as on 30/11/2019)	
		2.6	Mr. Adil Hassan H A Al-Jufairi	89,670
			Mr. Ali Hussain Ali Al-Sada	400,000
			H.E. Fahad Mohammed Fahad Buzwair	13,398,000
			Mr. Bader Abdullah Darwish Fakhroo	15,450,460
		2.7	New Board members induction measures	Please refer to Section 3.3
		2.8	Board election process	Please refer to Section 3.2 and 3.5
		2.9	Insider trades	Qatar Exchange website, ‘Intraday Insiders Trades Report’
		2.10	Membership termination arrangements	Please refer to Section 3.11
		2.11	Number of Board meetings and dates	Please refer to Section 3.10
				1 <sup>st</sup> meeting: 15 January 2019
				2 <sup>nd</sup> meeting: 10 February 2019
				3 <sup>rd</sup> meeting: 19 March 2019
				4 <sup>th</sup> meeting: 21 May 2019
				5 <sup>th</sup> meeting:16 July 2019
				6 <sup>th</sup> meeting: 26 November 2019
		2.12	Attendance record	Please refer to QNB Annual Report
		2.13	Board and Executive Management remuneration policy	Please refer to Section 5
		2.14	Key senior management	Executive Management biographies section Appendix 2
		2.15	Executive Management shareholding	Key executive managers do not hold any QNB shares.
		2.16	Business Ethics Charter	Please refer to QNB Policy, BOD Charter and QNB Code of Ethics

Appendix 3: QCB corporate governance disclosure requirement

Clause	Description	Disclosure		Clause
3	Board committees	3.1	Board committee names and responsibilities	Please refer to Section 3.13
		3.2	Committee members’ attendance	Please refer to QNB Annual Report
		3.3	Total Committee Members Remuneration	Please refer to Section 5
		3.4	Committees Scope and Major issues/outcomes	Please refer to Sections 3, 13 and 5. Major issues disclosed to Qatar Exchange
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	QR 3.5 million for the year 2019
		5.2	Non auditing services provided	QR 1.9 million for the year 2019
		5.3	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 15
		6.2	Communication with shareholders and investors	Please refer to Section 13
		6.3	Risk management	Please refer to Section 2.13 and 7
		6.4	Review of internal audit procedures	Please refer to Section 2.18 and 9
		6.5	Financial statement	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 3.1 and 3.7 BOD Charter
		6.12	Detailed steps to ensure independent decision making on related-party transactions/agreements	Please refer to Section 15
		6.13	Evaluating the performance of the Board and Directors	Please refer to Section 3.8

Appendix 4: External auditor report on compliance with the QFMA ‘Governance Code for Companies & Legal Entities Listed on the Main Market’

KPMG’s INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Qatar National Bank (Q.P.S.C.)

Report on Compliance with the Qatar Financial Markets Authority’s Governance Code for Companies & Legal Entities Listed on the Main Market

In accordance with Article 24 of the Governance Code for Companies Listed on the Main Market (“the Code”) Issued by the Qatar Financial Markets Authority (“QFMA”), we were engaged by the Board of Directors of Qatar National Bank (Q.P.S.C.) (“the Bank”) to carry out a limited assurance engagement over Board of Director’s assessment of compliance of the Bank with QFMA's relevant regulations including the Code as at 31 December 2019.

Responsibilities of the Board of Directors

The Board of Directors of the Bank is responsible for preparing the corporate governance report that covers at the minimum the requirements of Article 4 of the Code. The Board of Directors provided its ‘Report on compliance with QFMA's relevant regulations including the Code’ (the ‘Statement’), which is shared with KPMG on 12 January 2020, which is to be included as part of the corporate governance report.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement.

The Board of Directors is responsible for ensuring that management and staff involved with the preparation of the Statement are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

The Board of Directors is also responsible for compliance with all applicable laws and regulations applicable to its activities.

Our Responsibilities

Our responsibility is to examine the Statement prepared by the Bank and to issue a report thereon including an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in

accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Statement is fairly presented, in all material respects, in accordance with the Code, as the basis for our limited assurance conclusion.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants, including independence, issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Bank’s compliance with the Code and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Bank’s compliance with QFMA's regulations including the Code and other engagement circumstances, we have considered the process used to prepare the Statement in order to design assurance procedures that are appropriate in the circumstances.

Our engagement included assessing the appropriateness of the Bank’s compliance with QFMA's relevant regulations including the Code, and evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of the Statement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our limited assurance procedures do not involve assessing the qualitative aspects or effectiveness of the procedures adopted by the Board of Directors to comply with the requirements of the Code.

The procedures performed over the Statement include, but are not limited to:

- Reviewed the assessment completed by the Board of Directors to validate the Bank’s compliance with QFMA's relevant regulations including the code;
- Reviewed supporting evidence provided by the Board of Directors to validate the Bank’s compliance with QFMA's relevant regulations including the code; and
- Conducted additional procedures as deemed necessary to validate the Bank’s compliance with QFMA's relevant regulations including the Code (e.g. review governance policies, procedures and practices, etc.).

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Statement nor of the underlying records or other sources from which the Statement was extracted.

Other information

The other information comprises the information to be included the Bank’s annual corporate governance report which are expected to be made available to us after the date of this report. The Statement and our limited assurance report thereon will be included in the corporate governance report. When we read the corporate governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Characteristics and Limitations of the Statement

The Statement is prepared to meet the common needs of a broad range of users and may not, therefore, include every aspect of the information that each individual user may consider important in its own particular environment.

Criteria

The criteria for this engagement is assessment of compliance with QFMA's relevant regulations including the Code.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on our limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Board of Directors’ Statement does not present fairly, in all material respects, the Bank’s compliance with QFMA's relevant regulations including the Code as at 31 December 2019.

Restriction of Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the shareholders of the Bank and QFMA for any purpose or in any context. Any party other than the shareholders of the Bank and QFMA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the shareholders of the Bank and QFMA for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to the shareholders of the Bank and QFMA on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Bank’s own internal purposes) or in part, without our prior written consent.

19 January 2020	Gopal Balasubramaniam
Doha	KPMG
State of Qatar	Auditor’s Registration No. 251
	Licensed by QFMA: External
	Auditor’s License No. 120153



# Corporate Governance Report - 2019