



Corporate Governance Report 2020

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Chairman’s Foreword



Dear Shareholders,

Greetings,

Based on our firm belief in the importance of implementing leading corporate governance practices and our commitment and adherence to corporate governance requirements issued by Qatar Central Bank and Qatar Financial Markets Authority, we at QNB Group adopt the premier standards of good corporate governance and implement best practices followed by global financial institutions. In doing so, we aim to strengthen our management approach based on our conviction that establishing sound corporate governance frameworks is a key pillar for long-term strategic and development planning.

Considering that corporate governance is an inclusive and comprehensive approach to managing and organizing the work environment, developing business, executing operations and establishing internal controls, QNB Group believes that the application of good corporate governance standards and practices would create a significant change in the long-term success and viability of any organization. In addition, it also affects the mechanisms for preparing and assessing strategic goals, monitoring risks and improving performance.

The Covid-19 pandemic was a real test to the robustness and efficiency of QNB Group’s governance system. The exceptional circumstances witnessed across the world were an opportunity to examine the Group’s preparedness, its decision-making mechanisms as well as its ability to maintain operations and activities and fulfil its obligations towards shareholders, investors, customers and all related parties under extraordinary and constantly varying circumstances that require a significant degree of resilience and ability to adapt to new developments. These conditions require diligent monitoring of risks in order to reduce their impacts and manage the related challenges efficiently and competently.

In these circumstances, the bank attached utmost importance to preserving the Group’s corporate governance framework and practices by ensuring business continuity, operational efficiency and effective internal controls and risk management systems, particularly new and emerging trends in this respect, so as to ensure the highest levels of safety in performing all activities and protecting customer deposits, as well as shareholder and investor rights. The bank also attached particular importance to the principle of transparency by adhering to the highest standards of disclosure, facilitating easy access to updated information for all parties dealing with it, maintaining communication channels with all parties and providing them with the latest updates about its work mechanisms, the precautionary measures to be followed and ways to access services through alternative channels.

This report highlights the various actions taken by the bank to address the Covid-19 pandemic, as well as the initiatives that have been implemented to ensure the viability of the governance system. As a result, QNB Group was able to mitigate risks and losses resulting from this global health and economic crisis, thanks to its robust supervision and control system which enabled it to uninterruptedly carry out all its duties and responsibilities along with adapting to emerging regulatory challenges and requirements at all levels of the Board of Directors, Executive Management, divisions and staff.

In conclusion, we confirm our relentless commitment to the strategic direction that is based on adopting the highest values and principles of honest professional and ethical behaviour in order to ensure the protection of the interests of QNB Group and its customers. This will also enhance the confidence of existing and potential investors in a way that serves its reputation and expansion plans, which also benefits the financial and banking sectors in the State of Qatar. I am pleased to present to you the Annual Corporate Governance Report for 2020, which confirms that performance, values, transparency, initiative, commitment and quality are the basic elements that form our approach to managing our business and our ongoing contribution to building and preserving society.

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. Hence, 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 ethics 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 growth in productivity. 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 where 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 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 auditors, disclosure requirements, 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 company’s 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 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, assessing and managing risks, and sets the ‘tone at the top’ for ethical conduct;

- The Management develops and implements the 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), prepares financial statements that fairly presents the Group's financial condition and results of operations along with making timely disclosures that investors need, to assess the financial and business soundness and risks of the Group;
- 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 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 QNB are compatible with leading international standards and best practices. Through the governance mechanism across 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.

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

1.3 Commitment to ensure 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 2020, 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, this 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 2020 to reinforce the corporate governance framework

2020 was a challenging year for banks and most industries in light of the global Covid-19 pandemic situation. Nevertheless, in spite of the challenges, QNB Group maintained its focus on implementing good Corporate Governance practices.

To meet increasingly complex regulatory requirements, QNB brought in multiple improvements that are directly aligned with international best practices in order to promptly resolve or mitigate compliance and governance risks associated with QNB's business activities. QNB regularly reviews and updates existing governance practices to ensure that the Bank meets regulatory requirements. Furthermore, actions initiated by QNB Group Compliance Division continue to provide a stable backbone of support for QNB Board of Directors and Executive Management.

The Board and Executive Management set the tone at the top to direct proper ethical conduct across the Bank. Focused ethical leadership enables bank employees to know clear responsibilities about their role, objectives and limits within the Bank. This is why across QNB Group, compliance monitoring and awareness programs were initiated, assessed and maintained. 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 effective and dynamic working cultures. The below topics summarise QNB's key efforts in 2020, with respect to the enhancement of the corporate governance framework.

2.1 Commitment to maintaining an effective corporate governance ethos

As part of reinforcing its robust Corporate Governance culture across the Group, QNB undertook a significant

number of developments during 2020, which served to fortify the Bank's corporate governance measures and practices. The following sections outline some of the central corporate governance enhancement initiatives.

Strengthened governance: Board of Directors' independency assessment

The success of QNB Group's Corporate Governance Framework is highly dependent on the Board, their actions, initiatives, and behaviour. During 2020, QNB conducted a comprehensive evaluation of Board members independency in adherence with QCB and QFMA regulations and requirements. This evaluation, conducted on an annual basis, examined the required Board member independency aspects to ensure QNB's compliance with the regulatory requirements. The independency assessment outcome assured that our Board fulfilled their stipulated criteria of independence.

An intensive Board self-assessment that assesses governance at the top

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 the overall Board governance. Consequently, QNB reviews through this exercise the performance of the Board as a whole and as individual members, including the flow of information to the Board from Board committees and from management and examines committee actions and initiatives for increasing the effectiveness of the Board.

During 2020, Group Compliance Division coordinated efforts for this assessment exercise and reviewed all submitted Board member self-assessment surveys and then conducted a thorough analysis. The findings were shared with the Board and Senior Management for retrospection and feedback.

The Board annual assessments gauge the operative nature of BOD engagement, composition, culture, and effectiveness and allows QNB to examine and determines whether its Directors are working together effectively and making sure that Board members have an avenue for discussing any issues and considerations. In such, the self-assessment process (at collective and individual levels) provides much needed contemplation into the dynamics of Board member interaction, and the ways through which their interaction fulfils QNB's strategic business goals.

Revitalized governance: maintaining comprehensive Board documentation

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 arising between Directors, and facilitates cooperation between them during decision-making.

In 2020, Group Compliance Division fronted the process to periodically review and update the Board Charter and related policy and processes at QNB. Since robust Board documentation is an essential component of good governance and QNB’s proper functioning, QNB on an ongoing basis reviews and updates Board documentation as may be required. Furthermore, stakeholders and shareholders are able to view the Board Charter on the QNB website. QNB Group is committed to forming an adaptive corporate governance structure that factors in QFMA’s, QCB’s and other leading requirements and practices on corporate governance.

Enhanced corporate governance measures at overseas entities

QNB has established effective communication channels and governance oversight mechanisms with its overseas entities, which includes overseas branches, subsidiaries and affiliates. The aim is to ensure alignment between Head Office’s corporate governance practices and that of our overseas operations. The Group also maintains a set of corporate governance guidelines that assist international branches and subsidiaries in integrating QNB Head Office policies into their own framework. QNB’s governance strategy thus extends sound corporate governance practices downstream for overseas entities to follow, while keeping in mind and taking into account alignments with their own respective jurisdictional regulatory requirements.

In 2020, Group Compliance released an updated set of corporate governance guidelines for overseas branches and subsidiaries to provide them with a set of practical guidelines and supervisory standards in the areas of corporate governance and to ensure that these align with Head Office requirements as well as, local regulatory requirements. The guidelines set out the process, criteria and minimum requirements for effective governance. The guidelines also outline the mechanisms for effective supervision and monitoring of the relationship between QNB Head Office and the overseas entities. These guidelines offer flexibility

to take into consideration any divergence of the applicable laws and regulatory instructions of the countries where the entity operates.

Oversight measures are set in place to help direct QNB’s international network of branches and subsidiaries policy alignment efforts. QNB’s aim is to achieve appropriate governance homogeneousness across the board, and maintain a proper chain of Group oversight across all levels of operation.

QNB representatives’ assessment to evaluate management at subsidiaries

QNB Group nominates representatives at the Board level of each QNB entity/subsidiary. This helps align interests, mitigates associated risks, aids promulgation of seamless governance measures, protects QNB stakeholders including shareholders and creates an adequate setting for the sustainable development across QNB Group’s international network. This also harmonises QNB Group’s strategic objectives and corporate governance culture with that of its subsidiaries. These QNB representatives on subsidiary boards thus help maintain an optimal synergy between Head Office and subsidiaries to protect QNB’s interests and foster an adequate control environment.

QNB annually undertakes a performance assessment of Board representatives in QNB subsidiaries. Group Compliance Division in collaboration with required stakeholders facilitates this exercise by evaluating the performance of QNB representatives positioned across the subsidiaries. Doing so allows QNB to view and analyse the representatives’ use of escalation channels, as to see whether they have sought out communication properly and in a timely manner. It also helps assess the implementation of directives, performance and deficiencies remediation. The Group-wide oversight framework established at subsidiaries to report directly to QNB Qatar’s Board (as the parent company) was examined and appraised.

During 2020, QNB evaluated the performance of QNB representatives drawing many key conclusions that have contributed to bettering communication and monitoring.

Focused on openness, disclosure and transparency

QNB believes that reliable information is an invaluable asset that works toward ensuring the long-term sustainability of the Group. QNB’s governance components set clear standards for promoting transparency and disclosure and encourages 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 and which provide guidelines to disclose financial, strategic, governance and performance information.

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 unmeasurable impacts on QNB’s ability to exhibit trustworthiness, avoid reputational harm, and cultivate prosperous investor relationships. The goal behind maintaining sound disclosure and transparency practices is to ensure that necessary information is made available to required stakeholders (including disclosure requirements specified by regulators) in a timely, accurate, cost-effective and understandable manner.

Disclosure and transparency components also incorporate relevant environmental, social, and governance (ESG) information that investors and other stakeholders increasingly seek. Adhering to these standards will positively encourage more investors to consider adding well-governed companies to their investment portfolios.

Maintained a safe environment for encouraging whistle-blowing

QNB is committed to establishing the highest standards of openness, probity and accountability. Whistle-blowing is an important element of corporate governance and transparency thereto. In line with this commitment, QNB continued during 2020 to encourage personnel with genuine concerns about any aspect of the Group’s work to come forward and voice those concerns; via safe and confidential whistle blowing channels established.

QNB maintains robust guidelines, channels, safeguards and protection mechanisms to encourage whistle-blowing across the Group. There is a robust whistle-blowing policy to encourage employees to raise genuine concerns within the Group without fear of reprisals, rather than overlooking a problem. The related policy 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’s reputation is maintained.

Anti-bribery and corruption measures

At QNB, an emphasis on the way of doing things is just as important as what to do. The Bank seek to create a work place 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 has implemented and enforced 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.

Enhanced internal controls – new internal control charter

QNB’s internal control environment provides reasonable assurances regarding the achievement of objectives relating to operations, risk management, reporting and compliance. In 2020, QNB set out the enhanced internal control charter, which clearly sets internal control processes and procedures. Sound internal control processes help ensure the effectiveness of the Banks activities, aids maintenance of reliable financial management information and upholds compliance. The internal control charter lays down the components of internal controls and risk management.

Sustainable corporate governance infrastructure

During 2020, QNB Group set up and/or 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 & Insider Dealing Policy’, ‘Transparency and Disclosure Policy’, ‘AML & CFT Policy’, ‘Know Your Customer (KYC) Policy’, ‘Stakeholders’ Rights Policy’, ‘Fraud Control Policy’, ‘Data Protection Policy’, ‘Code of Conduct (Ethics)’, ‘Internal Controls Policy’, ‘Outsourcing and Vendor Management Policy’, ‘Management Succession Policy’, ‘Chinese Walls Policy’, ‘Remuneration Policy’, ‘Internal

Control Charter’ and ‘Whistleblowing Policy’ with a view to promote ethical and professional behaviour, 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, and to provide an overview on the deterrents in place at QNB Group regarding unethical behaviour.

Raised corporate governance awareness
QNB recognizes the importance of raising employee awareness about corporate governance principles. It is prudent for bank employees to understand QNB’s corporate governance framework considering that, it assigns roles and responsibilities to the Board, Senior Management, and bank employees. Individuals who have a clear understanding of corporate governance play more of an active role in furthering it. In accordance with that, Group Compliance released a ‘Principles of Sound Corporate Governance’ brochure in 2020 to inform and guide all bank employees on related aspects.

A Code of Ethics and Conduct is also in place, which sets the expectations from all QNB Employees in terms of values and code of 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. The Code covers requirements that the Bank employees should be aware of and comply with while conducting their daily business activities.

Managing conflict of interest and insider trading risks
In line with the bank’s code of ethics, bribery & corruption policy and relevant rules, it is essential for the bank to able to identify actual and potential conflicts of interest and manage them fairly and appropriately.

In this regard, Board members, senior executives, employees and third-party vendors are obliged to reveal or disclose potential conflicts of interest in line with the relevant policy, in order to allow the Group to adequately address, identify and manage

such conflicts. The Conflict of Interest and Insider Dealing Policy guides all employees, as they make every effort to fulfil their obligations to QNB Board of Directors, shareholders, customers, personnel and all stakeholders. The policy addresses potential conflicts of interest between QNB and its employees, containing prohibitions, restrictions and disclosure requirements to protect the Group's reputation.

2.2 **Enriched framework and tools to strengthen the financial crime compliance structure**

QNB, through its Group Compliance Division, maintains an Anti-Money Laundering and Combating Terrorism Financing (AML/CTF) framework to fend off financial crimes and related corruption in its many forms. The framework outlines all the proper detection systems and controls designed to deter illicit funds from flowing into the bank’s system. In essence, Group Compliance uses the framework to identify QNB customers, conduct regular reviews of their accounts and to monitor and report any suspicious transactions made using a QNB account. A periodic ‘Diagnostic Assessment’ of QNB’s AML/CTF framework occurred during 2020, and the following represent some of the key initiatives:

AML/CTF Programme: embedding the new law requirements
In line with the New AML/CTF Law number 20 of 2019 and the related instructions and Guidance documents issued by Qatar Central Bank in May 2020, Group Compliance Division at QNB has ensured the review and updating of impacted policies and procedures to ensure compliance with the legislative changes. Furthermore, guidance has been developed and training conducted to ensure the embedding of the requirements of the new AML/CTF Law. The new law requirements also implied systems and IT tools enhancements and updates particularly on the transactions monitoring platform.

AML/CTF & sanctions guidelines on information sharing
Based on FATF recommendation 18, financial groups should be required to implement group-wide programmes against money laundering and terrorist financing, including policies and procedures for sharing information within the group for AML/CFT purposes. The AML/CTF and Sanctions Guidelines on information sharing have been developed to enhance the QNB Group’s Financial Crime Compliance Framework. These guidelines are only applicable to the information sharing between the Head Office, the overseas branches and majority-owned subsidiaries.

Effective and timely information sharing is one of the cornerstones of a well-functioning Financial Crime Compliance framework since barriers to information sharing may negatively affect the effectiveness of QNB Group’s Financial Crime Compliance Programme. Information sharing for the AML/CTF purposes is also an important tool to cascade the Group Wide Risk appetite statements to the rest of the Group entities.

FCC offsite quality assurance testing for overseas branches and subsidiaries
As part of the initiatives to enhance the AML/CTF control environment, a new Off-Site strategy on monitoring and review of the implementation of AML/CTF controls in overseas branches and subsidiaries was put in place. This strategy was developed as an answer to the COVID19 crisis, given the limited capability to do onsite reviews, and is aimed to ensure that QNB Group has a coordinated and adequate approach in financial crime compliance at all times.

Group Compliance has developed a risk based annual Financial Crime Compliance Monitoring Plan consistent with the Group Compliance Strategy. In order to ensure an effective review of the controls in place, a detailed offsite questionnaire and a set of control testing templates were developed for offsite reviews that are based on the pillars of an effective financial crime compliance framework.

The testing covers both the design and the effective implementation of the controls through different sample testing.

Enhancing the AML/CTF culture: training and awareness
The Covid-19 pandemic presented unique and unparalleled challenges, however, in order to ensure that QNB employees are equipped to deal with the latest and sophisticated money laundering schemes, Group Compliance ensured that relevant trainings continued and were delivered via online channels. As part of implementing a risk based and robust training framework, during the COVID-19 period, Group Compliance developed specialized training to address the ML/TF risks associated with the impact of the pandemic. Furthermore, Group Compliance has developed an AML/CTF training programme and regularly delivers AML/CTF related trainings customized for domestic QNB departments/business units and overseas branches and subsidiaries.

FATF mutual evaluation
The Financial Action Task Force (FATF) is scheduled to conduct a country assessment on the State of Qatar to test the controls and framework the country has in combating money laundering and terrorist financing. In this regard, the QNB has been participating in the preparations for the upcoming mutual evaluation by the FATF. During the preparations, QNB has participated in providing information to regulators, mock assessments and workshops to ensure the country and the Bank’s readiness before the mutual evaluation commences in the fourth quarter of 2020.

Know your customer: appropriate customer risk measures
Creating a robust Know Your Customer (KYC) framework is fundamental in preventing QNB from being used, intentionally or unintentionally, by criminal elements for money laundering and terrorist financing. As part of ensuring an efficient KYC regime, Group Compliance has updated the KYC policies and procedures to be in line with the new AML/CTF Law. Furthermore, Group Compliance has provided risk based guidance to business in dealing with the KYC challenges posed by the COVID-19 pandemic. Group Compliance continues to oversee 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.

2.3 **Strengthened the sanctions compliance framework**

QNB continuously asserts efforts to enhance its robust Sanctions Compliance Program to meet the growing sanctions regulations and challenges without disrupting customer service and ensuring the bank’s reputation. An integrated Sanctions Compliance Program includes rigorous and cost effective controls that satisfy the needs of both, regulators and customers and ensures effective prevention and timely detection of business risk exposure to terrorism and proliferation financing while achieving full compliance with major global sanctions programs imposed by the United Nations (UN), European Union (EU), United States of America (US), United Kingdom HM Treasury (UK HMT), Qatar and other jurisdictions where QNB has established operations. Some of the key activities QNB undertook in 2020 to strengthen sanctions controls are described below:

Continued engagement with a premier global financial crime advisory firm

In 2020, QNB extended its engagement with a global premier strategic financial crime advisory firm with the aim of strengthening sanctions management and responding to financial challenges across the jurisdictions where QNB operates. This engagement is from strategic importance for QNB Group in its endeavour to leverage advisory inputs from best in class institutions on sanctions matters.

Investing in sanctions compliance systems

Considering technology as an essential factor in establishing a strong and sustainable Sanctions Compliance Program, Group Compliance Division at QNB assessed and adopted additional sanctions related systems to help prevent any potential sanction exposure to the business and thus help QNB to stay compliant with rigorous requirements in terms of customer and transactions screening against global watch lists.

Revisiting the global sanctions policy

In 2020, Group Compliance Division at QNB expended extensive efforts and work, in close collaboration with a premier global financial crime advisory firm to revise its Global Sanctions Policy. The goal was to incorporate and implement leading industry standard requirements and best practices across all QNB Group entities and ensure full compliance with all major global sanctions policy setters (US, EU, UK, UN), including local regulatory requirements.

Implementing a new sanctions training platform

Collaboration with financial crime advisors resulted in a complete new approach and update of QNB’s sanctions training program and following industry standards requirements. This led QNB to implement more interactive materials for employee awareness on sanction matters and utilized remote platforms (eLearning) and making training assessments mandatory as part of the sanctions training. In addition, training materials were tailored and customized to clearly address different sanctions risk exposures by different business lines and for a more comprehensive understanding of the related risks.

Building capabilities

QNB’s Sanction Compliance Program is heavily dependent on qualified and expert skills of its employees and for ensuring it remains effective and efficient during implementation. Therefore during 2020 new employees had been required to contribute toward QNB achieving compliance with its sanctions compliance strategy plan. Related employees

underwent continuous development in the sanctions compliance arena by attending trainings, acquiring knowledge internally and externally, and also by benefiting from engagements which QNB has with leading advisory firms.

2.4 Enforcement of a robust fraud control framework

QNB’s Fraud Control Unit, reporting under the Group Compliance Division, has established a comprehensive fraud control framework, program and investigative capabilities in place, demonstrating the expectations of the Board of Directors and Executive Management and their commitment toward high integrity and ethical values regarding fraud risk management.

The QNB Group wide Anti-Fraud Policy already in place has been complemented with a Group Fraud Investigations Policy, rolled-out during H1 2020 and covering QNB Group. During 2020, the Fraud Control Unit extended the support and guidance to seven (7) QNB subsidiaries to build the fraud control framework to ensure alignment and consistency with Group Fraud Policy framework and standards. The key developments relating to the Fraud Control area during the year consisted of the following:

Covid-19 risk and control assessment

The Covid-19 pandemic presented unique and unparalleled challenges, due to not only the impact and scope but due to the extended length of time which business processes will have to be managed in their current state. In order to assess the risk influence of the processes that have been modified to ensure business continuity and/or have been under various levels of stress; a comprehensive risk identification and control assessment of the modified and under-stress processes was conducted. The Fraud Control Unit, together with Group Operational Risk Division at QNB, reviewed more than (360) changed / stressed processes and feedback have been incorporated by the impacted businesses and process owners to adequately mitigate the fraud risks within the new control environment.

Fraud monitoring, prevention, detection and training

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 well-embedded fraud reporting mechanisms for international branches and subsidiaries and also rolled out e-learning fraud awareness trainings for employees across the Group. In total, more than

2,600 employees across the Group successfully completed the e-learning program during 2020.

Enterprise fraud management system

QNB had successfully rolled-out of the Enterprise Anti-Fraud System in 2019 to cover the payment services directive (PSD2) fraud monitoring and reporting requirements for our businesses in UK and France. ‘Phase 2’ of the project implementation continued in 2020. The plan is to cover online banking transactions monitoring for QNB Qatar for the purposes of both fraud prevention and detection. The Enterprise Anti-Fraud solution will strengthen the fraud framework at QNB through the process automation of fraud monitoring and prevention efforts while combating challenging business environment where fraud can seriously affect business bottom line.

Fraud and whistle blowing investigations

The Fraud Control Unit has an established process for receiving, evaluating, and treating alerts and whistle blowing concerns relating to potential fraud and unethical conduct. The unit conducts comprehensive investigations into all potential cases referred, taking into account the scope, severity, plausibility, and implications of the reported matter. Reports and comprehensive recommendations are shared with appropriate levels of management so that proper corrective actions could be taken, including disciplinary, remediation asset recovery, training, civil action, and/or criminal referral.

Proactive actions against social engineering attacks

Social engineering is one of the fastest growing threats against businesses and individuals around the world. Especially due to the outbreak of Covid-19 and increased usage of online banking channels, attackers exploited the public's rising anxiety and capitalized on people's panic to trick them into SMS and call scams.

Group Compliance is constantly and proactively taking actions and collaborating with internal and external parties in order to protect customers and Bank against social engineering attacks and to keep potential financial losses to a minimum. Cases reported by customers are being analysed, investigated and reported by the Fraud Control Unit. In cooperation with mobile service providers, it is ensured that the necessary actions are taken to block/blacklist the fraudulent numbers.

Customer education and awareness remains the key factor to fight social engineering risks and avoid

being victims of fraud. In this regard, customers receive regular awareness messages to beware against such attacks.

2.5 Tax reporting: enabling transparent and effective tax information exchange across QNB Group

Customer tax transparency requirements are constantly evolving around the world and, digitization of the administration of tax has increased QNB’s tax compliance burden. Non-compliance could expose the Group to financial losses, penalties and/or reputational damage caused by failing to comply with regulatory requirements implemented by tax authorities.

Compliance with global tax reporting regimes
QNB applies the letter and spirit of the law in all regions where we operate. The Tax Compliance Unit within Group Compliance Division continues to strengthen QNB’s processes to help ensure that QNB’s banking services are not associated with any arrangements known or suspected to facilitate tax evasion. The Tax Compliance Unit at QNB applies global initiatives to improve tax transparency and compliance requirements across QNB Group such as;

- The US Foreign Account Tax Compliance Act (FATCA).
- The OECD Standard for Automatic Exchange of Financial Account Information (also known as the Common Reporting Standard (CRS)).
- The EU Mandatory Disclosure Regime (MDR) or Directive for the Administrative Cooperation (DAC 6).

The worldwide regulations highlighted above are designed to put in place adequate agreements between countries to exchange customers’ information aimed, primarily, at combatting tax evasion, in some cases by using aggressive tax planning or intermediaries. The Tax Compliance Unit is responsible for managing the entire gamut of FATCA and CRS related responsibilities across QNB Group.

The Tax Compliance Unit serve as subject matter experts in FATCA and CRS aspects and work with the different business-units domestically and with compliance officers at overseas branches and subsidiaries to serve as the liaison point in FATCA/ CRS implementation and reporting programs.

Maintaining robust compliance programs to prevent tax evasion

In 2020, the Tax Compliance Unit successfully led comprehensive initiatives and remediation programs to ensure that the required FATCA and CRS identification and due diligence processes and reportable data set to the regulatory authorities in Qatar and to applicable jurisdictions in overseas branches and subsidiaries was complete, accurate and duly submitted, and in spite of Covid-19 situation. Additionally, Tax Compliance also liaised and collaborated with a leading external vendor to assess and ensure the Group complies with EU MDR/DAC6 by performing an impact assessment across the UK and France branches.

- Liaised with the external auditors to perform their own independent audit of the management’s assessment of ICOFR.

The external auditors also assess the internal control over financial reporting annually. As part of this, QNB’s Group Internal Audit Division provide input into the annual assessment and are part of the resolutions into the maturity roadmap. Additionally the controls to be implemented are taken into consideration during annual audit planning and execution.

2.7 Global data protection and privacy program

At QNB, there is a strong commitment starting from the top to protect personal data, which is fundamental to QNB Group in achieving its long-term vision. The Data Protection Team within Group Compliance Division at QNB are responsible for the overall data privacy activities and compliance of information processed.

The initiated Group Data Protection Framework is based upon international best standards, key regulations such as General Data Protection Regulation (GDPR) and Qatar Law No. 13 Promulgating the Protection of the Privacy of Personal Data. The framework is forward looking and adaptable to QNB Group as the business expands globally. The framework is not tied to any specific regulation; rather it takes into account the highest cross border data protection requirements and applying it to QNB standards.

The key achievements related to data protection during 2020 are the following:

- Created service level commitments (SLC) to govern intra group transfers along with appropriate roles and responsibilities.
- Automated the records of processing activities (ROPA).
- Data protection impact assessments through the management system.
- Created a new data protection forum to discuss best practices, issues and observations within the QNB network.
- Participated as a key corporation in Qatar based privacy forums, advising organizations nationally on data protection best practices.

- Updated the framework accordingly such as to align with the Privacy Shield adequacy decision.

- Deployed the GDPR program to overseas branches alongside its components, such as, regulations, standards, controls, SLAs, e-training sessions, awareness emails, and brochures concerning regulatory compliance, data privacy and data leakage.

2.8 Relationships with regulators

QNB Group Compliance acts as a medium for all communication between the bank and the regulatory authorities. During 2020 with the Covid-19 situation, 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.

Compliance with evolving regulatory developments

QNB has in place a robust and proficient mechanism to review, analyse and monitor implementation of any new regulations as may be required. On an ongoing basis reviews, QNB Group adopts and implements the regulatory requirements after careful review and involving Group Compliance Division. This includes assessment of any instructions from QCB, QFMA and QFCRA in addition to other international regulatory bodies (where the Group operates). Proper discussions and meetings take place with the regulators, as and when required, to ensure proper applicability of any regulatory requirements especially during the Covid-19 situation. Regulatory developments and changes to best practices are ongoing in nature. Therefore, Group Compliance periodically monitors any new changes or developments and works towards ensuring that appropriate actions are taken by the Bank.

Regulatory reporting

QNB 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.

2.9 Enriched compliance monitoring and oversight

Compliance self–assessment framework

The compliance self-assessment framework (the “framework”) was built based on the roles and responsibilities assigned to Group Compliance as per the QNB Group Board approved compliance charter. The framework is defined as a set of components, mechanism and controls adopted by Group Compliance for the sake of minimizing QNB’s compliance risks exposure as per the regulatory requirements, mapping and prioritizing risks to their applicable owners, appropriately allocate resources to perform risk mitigation, to enhance QNB’s compliance risk mitigation strategy using divisions and subsidiaries feedback to the framework components and for spreading the compliance environment within QNB Group.

This framework, which is applicable across the Group, including international subsidiaries, is intended to be comprehensive, risk based, dynamic and proactive, in a way that allows Group Compliance to identify and assess the categories of ‘compliance risk’ to which QNB may be exposed. Ultimately, the feedback/ outcomes obtained under this framework help shape QNB’s compliance annual plan in accordance with the risk-based methodologies.

Compliance self–assessment questionnaire

In light of the Covid-19 pandemic, Group Compliance has further strengthened the Compliance Self-Awareness Questionnaire (CSAQ) which is a key component of the framework in a way to better reflect the compliance risks that may face the divisions/subsidiaries domestically and branches/ subsidiaries internationally. This annual exercise covers a wide array of aspects that are linked directly or in-directly to regulatory compliance, financial crimes and QNB Group’s internal policies and procedures. Group Compliance uses an intricate scoring matrix methodology to reflect the actual compliance risk per compliance pillar.

Moreover, Group Compliance has updated the CSAQ to cover wider areas related to Covid-19 precautionary measures, business continuity planning, fraud controls, internal controls management, privacy and data protection.

In 2020, the CSAQ for overseas branches was automated in response to best practices to ensure that an audit trail is maintained and that any delays in submissions are escalated to Executive Management. At the international subsidiaries level, Group Compliance enhanced their CSAQ scoring methodologies and provided the required guidelines to initiate their own domestic CSAQs for their branches, divisions, and respective local subsidiaries.

Compliance monitoring programme (CMP)

Due to the increased regulatory scrutiny and enhanced oversight by the regulators worldwide in recent times, it is imperative that QNB Group maintain a robust mechanism in place in order to ensure compliance with the ever changing and complex regulatory landscape. In this regard, in 2020, and as part of ongoing initiatives, Group Compliance enhanced its compliance monitoring programme (CMP) template(s) to improve the quality of data captured within. The program serves a dual role;

- Warranting proper oversight, and,
- Being a proficient tool to address and comply with all new regulatory requirements.

The Compliance Monitoring Programme (CMP) aids to effectively monitor compliance risks and to develop a strong compliance culture, by holistically assessing 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.

This monitoring mechanism is formalized and well documented in the QNB Group's Compliance Policy with clear instructions on the roles and responsibilities of each relevant party. Any gaps identified are immediately rectified with the support of the process owners along with subsequent updates to the related policies and procedures; noting that the enhanced CMP is now under process to be integrated with the Compliance Management System (CMS) on an ongoing basis.

2.10 Compliance training and awareness programs to QNB employees

QNB places critical importance on compliance related trainings, which forms an integral part of the business for the purposes of introducing and maintaining a positive and effective compliance culture across the Group. This helps ensure that the Group operates safely and efficiently whilst following the relevant laws and regulations. In this regards, Group Compliance review, adopt and implement the regulatory requirements including but not limited to those instructed by QCB, QFMA and QFCRA in addition to the FATF recommendation on ‘Continuous Training and Education for Employees’ at all levels of the organization on an ongoing basis.

Group Compliance is highly committed towards the implementation of a robust compliance training program, which has been rolled out across QNB Group. The compliance trainings help employees stay abreast of latest requirements and increases their productivity with less supervision whilst ensuring that they are aware of their roles and responsibilities taking into account all the relevant laws, regulations and internal policies.

The training scope for 2020 was expanded to incorporate specialized topics including: AML/CTF matters, sanctions, anti-fraud matters, data protection, data leakage prevention, and internal control. The annual training plans of overseas branches and international subsidiaries were also reviewed and approved. The progress against the approved training plans for the Group are monitored on a periodic basis, respectively by Group Compliance via periodic compliance reports and KPI's on training.

In light of COVID-19, Group Compliance also fostered a top down compliance culture by providing diverse learning options to QNB Group employees both domestically and at overseas branches also by using a variety of training methods. Group Compliance also developed brochures that cover all key compliance perspectives (i.e. compliance, corporate governance, AML/CTF, sanctions, tax compliance (FATCA and CRS), sanctions, fraud, and data privacy). These brochures were disseminated to the target audience at the Group level, and serve as a user guide for the major topics that should be understood by staff.

2.11 Building capabilities and skillsets within compliance

In order to provide a better working environment for its employees, QNB Group places significant importance on enhancing the skillsets and capabilities of its workforce. Hence, Group Compliance employees are provided with continuous learning opportunities in the form of in-house and external compliance related international courses in addition to financial support for relevant professional qualifications such as CAMS, CISI, CIA, CFE etc. which ensures increased morale in the workforce coupled with enhanced productivity. Group Compliance encourages its employees to further enhance their skills, prepare themselves for progression, drive innovation and to further challenge themselves in their existing roles.

2.12 Initiatives and strategies implemented in light of Covid-19

Covid-19 served as a catalyst for QNB's Group Compliance Division in order to provide out of the box solutions to the business whilst ensuring all regulatory standards were met. This led to new and more efficient delivery methods especially in regards to QNB Group customers. Group Compliance provided support in updating QNB's business continuity plans (BCP) whilst considering any disruption to the business mandated by the authorities. The re-evaluation of the BCP included precautionary measures taken by the business in response to the spread of Covid-19.

From a regulatory standpoint, Group Compliance applied a proactive approach in ensuring regulatory compliance and maintaining strong second line of defence responsibilities during the COVID-19 pandemic. The supervisory approach focused on five pillars, namely: governance, people, processes, systems, and reporting. These pillars were aligned with QNB's proprietary Crisis Management Playbook in order to minimize the impact of Covid-19. Cases of fraud are known to rise during pandemics and times of crisis. To manage the heightened fraud risks due to Covid-19, Fraud Control Unit within Group Compliance implemented eight new fraud-monitoring scenarios. Furthermore, onsite compliance reviews were replaced with offsite thematic reviews. These initiatives and more minimized the impact of COVID-19 from a compliance perspective.

Besides, due to changing working conditions, a number of processes have been modified across the Group to ensure business continuity, or they have

been under various levels of stress because of the new way of doing business. With the objective to evaluate the residual risks and identify if any control weaknesses need to be mitigated or accepted, Fraud Control Unit, in cooperation with Group Operational Risk conducted a detailed risk identification and control assessment of the modified processes.

The activities undertaken by QNB include, but are not limited to, the evaluation of all processes and procedures; and devising tactical and strategic allocations of resources to ensure compliance with instructions issued by the Supreme Committee for Crisis Management in the State of Qatar and other relevant regulatory authorities pertinent to QNB's international entities.

Some of the key initiatives taken by QNB Group from a customer's perspective whereby Group Compliance extended their full-fledged support are listed as follows:

- Setting the necessary plans for remote operation by means of electronic services and self-service kiosks and providing fund transfer services on ATMs.
- Enable the contactless card and using the QR code for the ATM transactions to avoid inserting the cards into the ATM machines.
- Expanded the scope of transactions that can be processed through the Customer Care Center.
- Providing electronic fund transfer services via mobile applications to all customers regardless of the value of their salary (through Ooredoo Mobile Money).
- Removing the commissions and fees on all overseas transfers.
- Obtaining Qatar Central Bank's prior approval on E-KYC systems when registering the customer for the first time.
- Participating in the National Response Guarantee Program managed by Qatar Development Bank to respond to the repercussions of (Covid-19) and support private sector companies affected by the current conditions to enable them obtaining the necessary financing to keep afloat.

Furthermore; Group Compliance was regularly in-touch with QCB and other regulatory body officials in order to collaborate with them regarding QNB’s response to the COVID-19 pandemic including serving our customers whilst ensuring the safety of QNB employees.

2.13 Core governance and compliance initiatives for domestic entities

In light of the Covid-19 pandemic and the subsequent array of challenges posed to the business, Group Compliance has successfully exceled in supporting the domestic business in Qatar during these turbulent times.

Robust domestic oversight mechanisms

QNB witnessed a substantial increase in regulatory oversight during 2020, especially from QCB and QFMA coupled with the ever changing and extremely complex regulatory landscape. Nonetheless, Group Compliance has been at the forefront to adapt to the new regulatory environment whilst ensuring that the compliance risks faced by the Group are below the maximum acceptable threshold levels. Compliance practices across the Group have been revitalized and dynamic efforts were taken to promote bolder and more efficient internal controls measures, well-structured risk management policies, and governance framework across QNB Group.

Innovative measures aligned with regulatory requirements

Apart from the Covid-19 outbreak consequences, Group Compliance helped the business to setup a mechanism that allows QNB employees to trade through QNB Financial Services, the brokerage arm of QNB Group, and in light of the regulated regulatory approvals received. In addition, an ongoing cooperation with Ooredoo Mobile Money was enhanced for the service to meet the new AML/CTF legal and regulatory requirements. On the top of these initiatives, all face-to-face compliance trainings were moved into the e-learning platform to ensure appropriate awareness continues and to maintain a robust compliance culture.

2.14 Core governance and compliance initiatives for overseas entities

QNB launched a number of new initiatives and monitoring tools focused on its overseas entities in 2020. The majority of the processes and tools were directed towards enhancing the monitoring and proper governance over the compliance activities and ensure the proper application of the regulatory requirements.

In addition and due to Covid-19 pandemic traveling restrictions, Group Compliance Division at QNB implemented and conducted offsite regulatory compliance and governance reviews on the overseas branches as per the annual approved plan. Moreover, the supervision and monitoring tools related to overseas entities compliance activities were enhanced whereas the regular compliance monthly reports were amended to capture more value added data. QNB will continue to develop initiatives and monitoring tools to meet the ever changing needs and of the regulatory requirements in the jurisdictions where QNB operates.

Internal control framework at overseas branches

An internal control framework for overseas branches, was devised by QNB and comprises of five modules i.e. internal control repository, annual internal control plan, design adequacy assessment, operating effectiveness assessment and issue management & reporting. These modules were implemented in 2020 with the exception of testing for design adequacy, which will be launched as part of the program in 2021. In 2020, the focus was on testing the operating effectiveness of key controls by utilizing lead sheets and enhancing the internal control reporting template. The internal control reports and lead sheets of overseas branches were compiled, reviewed, and enhanced on a quarterly basis.

Anti-fraud key controls were also initiated. These controls will be centralized and tested by Group Compliance Division to reduce the potential of fraud and the associated potential of raising QNB notifiable events; which are circulated amongst all relevant stakeholders for awareness and remediation.

The internal control repositories of overseas branches will be revamped in accordance with the strategic direction of defining key controls, especially those with impact on financial reporting. More room will be provided for internal control officers and heads of compliance at overseas branches to focus on identifying key county-specific controls, which should stem from their respective compliance monitoring programmes (CMPs).

Consolidated supervision approach over international subsidiaries

As part of Group Compliance’s continuous efforts to establish efficient bridges of communication and to enhance the monitoring process and control at the international subsidiaries, the quarterly reporting requirements have been re-structured to place emphasis on key regulatory risks and enhance the quality of collected data in order to advance

monitoring and achieve the desired outcome from the consolidated supervision approach.

In terms of corporate governance, the reporting lines have been well documented. Furthermore, Group Compliance conducted high-level reviews on international subsidiaries; post these reviews, roadmaps were devised and agreed with international subsidiaries to monitor any identified corrective actions and target dates.

Compliance framework for international representative offices

A compliance framework was developed for assessing compliance activities at international representative offices. This framework was developed by Group Compliance Division in cooperation with Group Strategy as an institution-wide KPI, with the objective of testing entity awareness with regard to their compliance responsibilities. The framework serves as a multipurpose tool, intended to help QNB determine whether good business practices and adequate internal controls, which are required by the regulators as well as through the codes, policies and procedures of QNB Group, are being observed and complied with by respective entities of QNB Group.

In accordance, QNB Group international representative offices at Iran, Myanmar, Vietnam, and China will assess their compliance, governance, and awareness status against the developed framework and align their mechanisms with QNB standards. The assessment would be conducted on a periodic basis, and any identified gaps at the QNB representative offices along with their risk rating, action plan and agreed target dates for remediation will be shared with executive management.

Fraud control framework at subsidiaries

In order to embed a robust fraud control framework in QNB subsidiaries it is critical to ensure consistency and alignment in fraud governance across the Group. Group Compliance started the fraud control framework assessment and alignment process with (3) countries (Turkey, Tunisia and Egypt). In 2020, the scope has been extended to cover the remaining countries (Indonesia, Switzerland, Syria and Iraq).

Proactive engagement and discussions have been held and are ongoing with all subsidiaries. All required actions in subsidiaries have been put in proper action plan timelines and the implementation is closely monitored.

2.15 Financial disclosure regimes as an integral part of the corporate governance framework

QNB understands the value investors, regulators, external auditors, and rating agencies place on having access to accurate financial information, considering that it enables them to make educated decisions on the bank’s position and assess its credibility. The bank’s growth ambitions and development depends on maintaining shareholder confidence and regulatory compliance.

Interest rate risk in the banking book

QNB Group implemented the ‘Interest Rate Risk in the Banking Book’ (IRRBB) framework during the year in coordination with Strategic Risk Management team at QNB. The framework aims to mitigate risks arising from adverse movements in interest rates that can significantly affect the bank’s banking book position. The implementation of IRRBB prioritizes preserving the bank’s strong capital position and optimizes the Groups response to various risks. Similarly, IRRBB complies with QCB’s and Basel III requirements.

QNB Group will discontinue the LIBOR regime by December 2021 and migrate the pricing mechanism to the new Risk Free Rates (RFR) regime. RFR will change the way QNB does business with its customers, upgrades its systems, and enhances its interest calculations. In preparation for this migration, inter-group cooperation occurs regularly to streamline the process.

Governance of strategic financial planning and strategy decisions

The Bank has re-evaluated its financial strategy and business planning due to Covid-19 challenges. QNB Group established conservative loan provisions to protect itself from potential asset quality issues arising from the situation. QNB was among the first bank in the region to publish its first quarter results on time despite the restrictions and lockdown. Moreover, the bank was among the leading financial institution in Qatar offering a 3-month instalment deferral at no extra cost or penalty to SME and the Trade Finance customer segment.

2.16 Governance of credit risk management

Resilient credit portfolio

In the face of uncertain market conditions, Group Credit Division at QNB has taken proactive steps to ensure that the level of credit risk within the loan portfolios is maintained within approved risk appetite levels. Portfolio stress testing has been applied across

sectors and geographies to gauge the bank’s ability to withstand Covid-19 related economic shocks. An agile approach to managing credit risk during this period of constrained liquidity has allowed QNB to offer bespoke customer solutions whilst still preserving approved risk tolerance levels. Timely updates to risk acceptance criteria has enabled QNB to steer credit origination across the international network and to limit increased exposure to segments most impacted by the pandemic.

Dynamic risk response

Regulators in most of the jurisdictions in which QNB operate have adopted urgent banking regulations designed to support local businesses and consumers overcome the economic effects of the Covid-19 pandemic. Group Credit, working with international credit teams, have successfully responded to these rules with aligned adoption and monitoring protocols. A centralized coordinating function within Group Credit has been created to ensure future regulatory changes are properly adopted, monitored and reported.

2.17 Asset and wealth management activities and initiatives

QNB Group Asset and Wealth Management Division (AWM) has worked to develop a leading platform for investment instruments covering equity, fixed-income, structured products, real-estate and commodity investments. In 2020, the Group undertook the following initiatives and activities to create value-adding investment solutions for QNB clients.

Risk management and governance initiatives

QNB is in the second stage of implementing MILES, a straight through automated processing system for AWM, trade execution, compliance and risk management, settlements and reporting. Weekly meetings are held with risk and AWM functions to mitigate any risks. The bank has developed various other governance aspects of AWM, such as an approved market-risk management framework for liquidity provisioning and market making activity, service level agreements (SLA) with Group Risk Division, and an expansion of the QNBFS oversight on liquidity provisions. QNB Group has also completed the annual review and update of QNBFS Material Operational Risks Assessment (MORA) and rolled out a new Risk and Control Self-Assessment methodology.

Enhancements to asset and wealth management custodial activities

In 2020, the MSCI Emerging Markets Index included Kuwait, KSA, and additional Qatari stocks into the

system, which helped attract overseas investment opportunities into the MENA region. QNB Group’s fixed income and alternative offerings continued to be source of interest to clients. These custody activities enhanced the bank’s service offerings and they also signed an international sub-custody client to QNB Group. Additional investment flowed into QNB’s sovereign investment mandate from Asia, and multiple other investments from fund managers in Spain and Canada.

Private banking initiatives

New investment and banking products offered by QNB Group led to closer collaboration with international branches and subsidiaries on Private Banking offerings in Doha, Paris, London and Geneva. The bank has also introduced a Private Banking secure messaging platform between relationship managers (RMs) and customers. This established a secure exchange of information and instructions with VIP customers. Asiamoney magazine picked QNB Private as the best private bank in the Middle East. What led to QNB’s position on the magazine as a leading Private bank, was exceeding private banking client’s expectations and needs on a continuous basis.

2.18 Delivered on sustainable environmental, social and governance commitments

QNB Group places significant focus on responsible growth and environmental, social and governance (ESG) aspects. Guided by a common purpose to make a difference, the Group uses capital to manage environmental and social risks and create opportunities. The Group recognizes the power ESG has on fostering economic mobility and addressing society’s biggest challenges. With that said, during 2020, QNB though its Group Strategy Division has led a significant number of ESG measures with a focus on sustainability. Through the following efforts, QNB invested in sharing the Group’s success with clients and within communities:

Green governance initiatives

QNB established it’s Green, Social and Sustainability Bond Framework in 2020 and accordingly set-up the Green, Social and Sustainability Bond Committee (GSSBC) with the principle objective to evaluate and select projects and “pure play” companies financed and/ or refinanced through QNB in compliance with the eligibility criteria stated in the Green, Social and Sustainability Bond Framework (GSSBF).

Some of the key objectives of the GSSBC include:

- Evaluate and select eligible loans in portfolio in accordance with eligibility criteria;
- Monitor the eligible green and social loan portfolio on a quarterly basis, accounting for drawings, repayments, prepayments and ensure that the records are updated as necessary;
- Adopt farsightedness for the evolution of the portfolio, understand its implications and agree on mitigating action;
- Review the framework and eligibility criteria on an annual basis;
- Ensure that appropriate measures and processes are established to address the management of proceeds and reporting;
- Confirm and approve reporting on any GSSBF related topics before distribution and publication to external parties;

Green bond

QNB Group became first bank in Qatar to debut Green Bond offering under its MTN Programme. Under the MTN Programme, USD600 million tranche in the form of senior unsecured notes issued with a maturity of 5 years and listed on the London Stock Exchange under Sustainable Bond Market segment. The proceeds from this green bond issuance will be used to finance and/or refinance assets in verified eligible green projects. QNB Group received subscriptions in excess of USD1.8 billion, showing how confident investor are in the Group’s solid financial fundamentals and strong financial performance. The issuance was part of QNB’s ongoing strategy to ensure diversification of funding in terms of type, tenor and geography as an example of commitment to ESG principles. In 2017, QNB Group had launched a group-wide sustainability strategy across the organization. The strategy developed in alignment with the objectives of the Qatar National Vision 2030 (QNV2030), United Nations Sustainable Development Goals (UNSDG) and the sustainability criteria guidance as set forth by the Qatar Stock Exchange.

In particular, QNB Group’s current green assets portfolio currently consists of green buildings, energy efficiency projects and sustainable water and waste water management in Qatar and international jurisdictions where QNB Group is present. Doing so attracted strong interest from investors globally and

was arranged by Barclays PLC as global coordinator and joint lead manager, ING as sole sustainability structuring advisor and joint lead manager, and Credit Agricole, HSBC, QNB Capital and Standard Chartered Bank as joint lead managers.

Environmental and social risk management

QNB developed the Environmental and Social Risk Management (ESRM) Policy with the objective to introduce environmental and social criteria in the way QNB does business with corporate clients. The policy is formulated in compliance with key international standards and best practices, which underscored the importance of dealing with ESG conscious firms and partners. Furthermore, the Group’s ESRM policy has been cascaded down to QNB’s network of branches and subsidiaries, where further elaboration took place on environmental and social criteria linked to local trends and regulations.

New business development in QNB’s management programs

QNB Board of Directors approved the 2025 strategy, which has allowed Group Strategy Division to engage with relevant business owners to streamline a dedicated program delivering on the strategy’s objectives. Due to the impact of Covid-19, the program’s initiation stage focused on two strategic pillars at the onset - namely, analytics-enabled global transaction banking and solution-led wholesale banking. Executive Management receives regular reports concerning the program, its progress, analysis and subsequent amendment.

Developments in ESG reporting

QNB Group published the Sustainability Report for the second year, highlighting key milestones achieved on environmental, social and governance dimensions in line with the Group’s sustainability strategy. The report showed how the bank performed against key sustainability performance indicators over the last few years in line with the requirements from Global Reporting Initiative (GRI) standards. In addition to that, QNB continued to comply with the sustainability reporting requirements from the Qatar Stock Exchange (QSE), which led the bank to achieve a compliance of 100% in 2020.

New business development plans in overseas entities and subsidiaries

QNB cooperated closely with its subsidiaries in Egypt and Turkey to rollout projects in innovation and sustainability planning, thus prompting business portfolio management and capital expenditure at the subsidiaries.

Environmental and sustainability initiatives

In late 2019, QNB organized a sustainability week to raise awareness among its employees and customers about the importance of growing environmental challenges. QNB held a presentation on electric and hybrid vehicles by Porsche that coincided with QNB staff test-drives of the Porsche Panamera plug-in hybrid and Lexus. The presentation aimed at encouraging employees to consider low emission vehicles for a more sustainable future and potentially mark the start of QNB installing electric vehicle charge points at its premises and selected branches.

To engage customers on the topic of sustainability, QNB organized a competition across various social media platforms. The participation aimed at providing customers with necessary information on the importance of recycling waste in Qatar.

QNB also expanded its recycling initiative with 90 new recycling bins in its various offices and branches and eliminated single-use plastic straws and cutlery from its cafeteria’s, replacing them with recyclable options from a local Qatari firm. In support of our employees, QNB also provided healthy meal options to staff. In addition to that, reusable water bottles were given to employees to limit the use of plastic water bottles.

2.19 Enhancements to corporate and institutional banking

New systems and policies implemented

QNB has always complied with regulatory requirements pertaining to opening customer accounts, understanding that due diligence is a necessary aspect of risk aversion. QNB enhanced its policy for opening company accounts under QFC and required regulatory requirements. The policy ensures that the bank follows proper KYC and AML procedures prior to opening accounts as to avoid fraudulent dealing. During the Covid-19 pandemic, the bank implemented various initiatives in support of corporate banking needs such as, requiring no extension fees on any loan postponement and applying a rate of 2.5% interest on these loans, and implementing price reductions for numerous customers affected by Covid-19 and in line with regulatory requirements. The vast majority of corporate banking customers can now view their accounts on the internet using QNB’s internet banking service. This gives QNB’s corporate clients remote access to various services and features tailored to their specific needs outside of the bank’s official working hours.

Enhanced services and products

QNB launched a campaign to help corporate customers with uploading FTD transactions using an online portal. This allows QNB to send corporate clients their documents through Q-Post rather than require them to visit a QNB branch. This reduced traffic at the branches, and aided in protecting both employees and clients against the spread or exposure to Covid-19. QNB will also introduce new services to corporate banking customers, a cashless cash deposit option and an automatic swift messaging platform, which enables external transfers with ease.

2.20 Risk governance: strategic and operational risk management measures

QNB Group has a robust risk management framework and related governance structure in place to evaluate and manage various types of risks. In an effort to strengthen QNB’s risk culture and governance framework, Group Risk Division led several initiatives to enhance the Group’s approach to risk management in 2020, the following encompasses some of them:

Enhancements to the strategic and operational risk management system

QNB’s Group risk appetite statement for 2020 was approved by the Board after extensive review and enhancement to strategic risk objectives and risk capacity constraints. Ownership and monitoring of risk appetite metrics delineated between the Board and Executive Management and strategic risk objectives have been cascaded to material subsidiaries and branches for greater international alignment.

The bank has also issued a new strategic investment risk policy to manage risks coming from investments carried out by the bank’s business units. The investment policy directs the size, shape and profile of QNB’s investment portfolio, which is designed to meet the following objectives

- Credit portfolio diversification
- Maintenance of the Group’s liquidity pool and buffer
- Central/statutory reserve management
- Interest rate risk in the banking book (IRRBB)

Furthermore, this policy strengthens the bank’s risk governance framework by establishing adequate internal controls over the investment portfolio management process on a regular basis.

Key elements of risk governance in lieu of Covid-19

After obtaining the Board’s approval, QNB rolled-out the Group Recovery Plan for 2020 to determine the bank’s adequacy in crisis management planning keeping with QCB instructions. As part of consolidated capital management and planning, QNB Group enhanced the bank’s capability for stress scenario analysis to produce a range of different results that will satisfy various strategic, business and regulatory needs. The bank also completed targeted Covid-19 change/stress risk assessment processes across all businesses, with executive management receiving the assessment findings.

Similarly, the Group utilized various means, strategies and approaches to contain employee-oriented risks associated with the pandemic. Such as the split team ‘office’ vs ‘work from home’ strategy, the proactive staff engagements and communications measure, as well as other Ministry of Public Health (MOPH) and government-issued directives. QNB proactively engaged with regulators on its ‘Covid-19’ strategic plans and solutions. Complex and intensive crisis period was managed within QNB with pre-emptive actions and strategies deployed in order to protect staff, customers and the wider community. The Market Risk, ALM and Liquidity (MALML) risk forum was initiated which scrutinize risks, issues and proposals. QNB also developed a range of alternative downside scenarios for expected credit loss measurement to account for Covid-19 impacts for purposes of IFRS9 financial reporting and disclosures. A number of related measures were also initiated as highlighted across the report.

Operational risk mitigation and monitoring programs

Financial institutions around the world are monitoring and dealing with the pandemic’s effects, and QNB Group is no different. To navigate this situation’s impacts safely, the Group established the Covid-19 Crises Management Team (CMT) in order to coordinate QNB Group’s response to the pandemic crisis. QNB raised organizational awareness and implementation of the operational risk framework and tools and established rigorous oversight of the first line of defense specific to Qatar businesses and functions.

QNB also developed multiple new and enhanced Group policies and procedures covering card risk management, merchant risk management, access control, IT operational risk management, limit oversight, and third party risk management (TPRM).

Effective systems and mechanisms

During 2020, QNB strengthened linkage between risk appetite and capital adequacy and business strategy in forming ICAAP. An enhanced reporting dashboard was implemented to track performance against Board approved strategic risk objective. Furthermore there was an evolution of functional level stress test analysis for ALM, IRRBB and market risks to evaluate emerging risks as well as considering combined scenarios for ALM and market risk stress impacts. There was implementation of new QCB Pillar 2 IRRBB measurement requirements along with enhancements to governance, policies and procedures to support new regulatory directives.

There was a focus on enhanced financial disclosures with emphasis on forward looking measures, ECL methodology and weighted scenarios. QNB also improved the operational integrity and robustness of the IFRS9 process through ECL calculation production process and automated scheduling with distributed responsibilities and functional ownership of data, credit processes, risk models and accounting. A stress testing and scenario analysis policy was established that formalizes the Group approach and which articulates the related organizational governance requirements. Group-wide review of product mandates and continued alignment to Group policies covering market risk, non-traded market risk and liquidity risk and process enhancements, such as producing funding scenario cash flow analysis. QNB’s ALM system was upgraded and extended international coverage. A strategic project was initiated to enhance behavioral modelling for IRRBB and liquidity risk purposes. There was Group wide rollout of upgraded obligor risk rating system and initiation of a group project for optimization and calibration of ratings models.

Compliance with QCB’s requirements under Basel IV

QNB Group reviewed requirements to ensure the capture of operational risk loss data required for future Basel IV risk capital calculations. The Group remained informed on new information pertaining to Basel IV requirements from recently issued Basel Committee consultative papers on the sound principles for operational risk management.

Operational risk management initiatives and activities

QNB undertook group-wide consolidation of third party vendor and suppliers in Qatar and at international branches. Further, assessments conducted by Group Risk Division reviewed all critical third parties risks. New group wide online training

courses were launched focusing on operational risk management, and third party risk management. Business continuity plans were also activated in all QNB global locations with a full review of all business and country level plans with enhanced scenario analysis completed for all. QNB successfully completed the 2020 ISO certification audit and received confirmation of full renewal of BCM ISO certification. Split office and split team strategy was implemented in international branches and in Qatar after review of high risk critical teams.

Effective risk management structures incorporated at overseas entities

QNB extended Group level oversight through ongoing alignment of risk and policy standards across overseas entities. A Global Risk Support unit was established to support international risk monitoring and coverage. Improvements were achieved in international alignment to Group approach to risk appetite articulation and cascading of strategic risk objectives. There was also improved international engagement to manage regulatory compliance/risk governance through facilitating local delivery on ICAAP, risk appetite, stress testing, risk policies and IFRS9.

QNB Group also finalized the Card Issuing Merchant Acquiring (CIMA) risk management policy, which sets out the guidelines and minimum standards for CIMA risk management activities across QNB Doha and its’ international network. Similarly, the Group upgraded its risk rating system across all levels of operation (excluding Turkey and Egypt).

2.21 Cyber and information security initiatives

Cybersecurity and data security are ongoing risks for banks to bear, where phishing attempts and social engineering attacks are escalated to try and exploit security weaknesses in any insitution. In response, QNB imparts its Group Information Security Division (GIS) with the responsibility and authority to handle these formidable challenges. In 2020, QNB Group rolled out an information security strategy and invested in new advanced tools that test malware and attacks. Further, the strategy aims at embedding the new toolsets to BAU operations at the bank. This enhanced the security controls by adding an advanced malware detection system and upgrading the intrusion prevention systems of the bank. Additionally, QNB instigated red team activities to assess organizational readiness and improve the bank’s attack detection capabilities.

In response to Covid-19, QNB designed a secure remote access gateway that allows employees to access their corporate workstations as if they were physically in the office. To secure the environment and prevent any potential data leakage incidents, risky functionalities such as file transfer, copy and paste and remote printing were all disabled.

2.22 Global governance practices across the international business network

QNB launched several initiatives during 2020 to support, align, and enhance overseas entities’ governance practices.

Enhanced systems and controls at international branches and subsidiaries

In effort to enhance control and effective supervision at overseas entities, QNB’s Management Nomination Committee approved 21 new director appointees and replacement members at overseas branches and subsidiaries. QNB selected these nominee directors from among the high-potential staff upscaling their skills for their future leadership positions at QNB Group. Additionally, the bank approved directors nominated from the subsidiaries themselves in connection with QNB’s mobility policy.

2.23 Internal audit – an integral component of corporate governance

New and enhanced internal controls – data analytics

In 2020, Group Internal Audit Division (GIAD) at QNB increased the focus on data analytics and expanded audit assessments to cover the full portfolio or population whenever applicable. This provided enhanced coverage and extensive assurance on the businesses and processes covered. Further, the Group enhanced retail audit programmes and audit implementation scripts to cover gaps and inadequacy in system-level controls.

QNB reviewed its audit programs concurrently to ensure the best coverage of emerging & high-risk areas. Due to the travel restrictions imposed after the unprecedented COVID-19 situation, the Group revisited and updated audit programs to account for such scenarios.

Review of the financial crime prevention framework

GIAD performed a comprehensive annual review of the Financial Crime Prevention Framework and implementation procedures in line with QCB regulations. The review covered all key end-to-end processes and controls within the Group’s business and compliance functions and also reviewed all

financial crime (such as AML/CTF and sanctions risks) aspects of the bank.

Key internal audit governance and reporting mechanisms

GIAD follow-up team continued to monitor and follow-up on the status of issues identified from reports issued by GIAD, external auditors and the other regulatory bodies such as Qatar Central Bank. Upon validating the report’s closure, GIAD reported to Executive Management the findings in a monthly dashboard and to the Group Management Risk Committee and Group Board Audit and Compliance committee quarterly. The dashboard highlights all open, overdue and closed issues. The bank then generated a risk wise dashboard on a semiannual basis to key stakeholders.

Implementation of new processes and tools - information technology (IT) and information security (IS) governance and management

The bank rolled out a new information technology and information security audit methodology as an integral part of the QNB Group internal audit methodology. The methodology ensured the convergence of audit practices in the assessment of information and communication technology, as well as information security (ICT & IS) risks. This provided an improved clarity on tracking cyber security risks by the Group’s third line of defence. The infrastructure as well as the cyber incident prevention and detection processes are considered critical and are audited frequently to assess the Group’s readiness in dealing with cyber-attacks and other external IT based attacks.

Due to an increased usage of digital channels, the Group is adapting and innovating its internal assurance approach to focus on emerging risks in the new channels. There will also be an increased focus on all supporting infrastructure and cyber security risks.

Responding to emerging risks

During 2020, to adapt with Covid-19 crisis implications, the bank adjusted the approved 2020 annual audit plans across the Group network. This adjustment focused on the reprioritization of risks and completion of audit coverage assessments. QNB continued to keep abreast with Covid-19 situation, emerging risks and any heightened systematic risks that have potential impact on Group’s risk framework and controls, collaborating closely with Executive Management and other control functions on improving the bank’s risk mitigation process.

Inter-group structure enhancements
The bank has developed a framework to support internal audit functions at QNB’s international subsidiaries to further help harmonize their internal audit policies, methodologies and tools throughout the entire audit cycle. QNB reviewed the framework to see whether international subsidiaries that have adopted it properly, making sure they have used all audit functions. This includes, but is not limited to, reviewing the audit universes, risk assessments and annual audit plans’ development and implementation.

In addition to evaluating the financial crime auditing framework at international subsidiaries, QNB provided support for the individual audit assignments, including training and awareness, of GIAD staff.

QNB Group also amended the internal audit mandatory awareness-training program to have it now cover key risks and controls of QNB domestic branches, QNB international branches and information technology and information security, and the IT risk management teams. The training included an overview of individual responsibilities towards control environment, insights on emerging risks, and recommendations on how to maintain a sound internal control culture.

2.24 Human resource management and corporate governance: strategic partners

QNB Group has established a mutually reinforcing workplace capable of sustaining development by way of sound ‘tone at the top’ and leading employee-focused initiatives. It is QNB Group Human Capital Division’s responsibility to warrant that ethical standards are upheld across the bank. Doing so drives efficacy in employee behaviour, ensures longevity, and further boosts organizational performance. In 2020, Group Human Capital Division built up the bank’s capabilities using the following efforts.

Career development

QNB’s Career Progression Program enables employees to access structured and time-bound development initiatives. The program reviews key functional activities that have a significant impact on the bank then transforms them into sound opportunities for employee development. Quality measures were also introduced to employee development plans to evaluate employee performance against targets set by direct mangers vis-à-vis QNB executive management.

[Succession and continuity planning](#)

The bank drives leadership continuity planning as one of the strategic initiatives of having a comprehensive business continuity framework in place. The bank creates leadership and development opportunities for its senior talent and future leaders are identified against a number of potential attributes. Those identified then receive individual bespoke development plans that contain a combination of learning approaches, such as on-the-job training, classroom and e-learning as well as coaching. This reflects QNB’s 70-20-10 learning philosophy. QNB Group has also utilized a number of selection assessments to identify high potential talent and provide individualized development. This has included competency based personality questionnaires, structured interviews and talent reviews. This ensures QNB has a capable leadership pipeline.

Collaborating with industry leaders, QNB developed leadership and technical programs and selectively delivered in-house courses utilizing internal subject matter experts to derive optimum output for learning. In addition to that, Group Human Capital continues to work with the QNB subsidiaries on the ongoing tasks of standardising the organisational design.

[Group-wide training](#)

QNB delivered wide-ranging training opportunities for staff in Qatar and international locations. These initiatives cover both technical and behavioural development (e.g. leadership and management development) in line with international best practice. Specifically, the bank encouraged numerous programs covering regulatory areas like ACAMS, certified global sanctions specialist, fraud awareness, financial crime, cyber and information security awareness, audit controls and many more.

[Other human capital initiatives and developments](#)

QNB’s human resources mobile application was launched in 2020 with the aim of providing employees with access to the human resources management system on their personal devices.

Group Human Capital has also supported overseas branches and subsidiaries with their ongoing integration with the bank’s governance structure by undertaking projects aimed at building their capabilities. In addition the Group’s human rights statement was written in support of OECD guidelines for multinational enterprises, the International Labour Organisation (ILO) declaration on fundamental principles and rights at work.

[Diversity initiatives](#)

QNB Group focuses on leveraging nation’s talent and skills in all the countries where it operates since the recruitment of a country’s individuals has the potential to increase the prospects of success in every society leading to a higher rate of employee retention. At the same time, expatriate employment opportunities are also encouraged to ensure QNB has access to a diverse and skilled global workforce. In addition, there is a sustained priority for development of Qatari national talent by encouraging Qatari staff to take up professional certifications and designations.

[2.25 Enhanced IT infrastructure to support governance and strengthen controls](#)

During 2020, QNB Group Information and Technology Division (GITD) used effective systems and controls to help employees work remotely and efficiently in light of Covid-19. Not only that, but GITD addressed other IT risks and challenges by upgrading their systems through various means exemplified by the following.

[Payment gateway and internet banking system upgrades](#)

Various banking features and services were rolled-out during the year to enhance the bank’s IT systems and infrastructure. This included enhancements to QNB’s Mobile Banking application incorporating PayPal features. QNB also implemented new SMS gateways to balance the load, and enabled push notifications on the mobile application. Some of the other new features aimed at modernizing QNB’s ATM machines, where the NFC feature was activated along with adding a QR login feature to enable card-less transactions for customers.

[Business continuity projects and enhancements](#)

The IT division extended support for other QNB divisions as they implemented new initiatives, systems or rolled-out new projects throughout the year. A risk compliance and portfolio risk oversight dashboard was also implemented, which improved the risk oversight function of QNB Group. The bank also implemented a campaign management system, which it used to communicate with customers through SMS, email and mobile push notifications. QNB also reviewed all IT policies and procedures and adopting it in alignment with ISO20000 and ITIL best practices.

[Developments in IT systems](#)

QNB enabled secure remote access for employees as an efficient preventative measure to Covid-19 during the 80-20 work split. This allowed QNB users secure channels to logon remotely using their devices and perform their duties from home. While, for those employees working from the office, the time attendance system underwent an adjustment to enable them to record their attendance by tapping their card as opposed to sign-in using their fingerprint. QNB Group also adopted secure tools as a strategic solution for internal video conferencing. The new tools enabled employees to collaborate with enhanced functionality (such as screen sharing). The bank is also implementing the payment card industry data security standard (PCI DSS), an international security information standard for the payment services industry.

[2.26 Commitment to corporate social responsibility initiatives](#)

During 2020, QNB’s Group Communications Division continued to augment its mandated corporate social responsibility (CSR) contributions with support for a range of initiatives to strengthen the economic and social fabric of communities. Considering QNB’s presence in other countries, the bank explored community engagement opportunities in multiple regions. Recognizing that approaches will need to vary according to the geopolitical and cultural realities of the countries in which it has a presence.

QNB Group actively got involved in a wide range of local, regional and international events summarized by the following:

[A. Participation in social and environmental events](#)

[QNB Indonesia package to underprivileged families](#)

QNB Indonesia cooperated with an online crowdfunding platform, BenihBaik.com, to distribute more than 900 basic commodities (Sembako) packages to 990 beneficiaries of underprivileged families in greater Jakarta.

[QNB Finansbank supports hospitals in Turkey](#)

As part of its social responsibility program initiatives, QNB Finansbank donated medical equipment to various hospitals across Turkey. In an effort to provide aid during the pandemic, the government issued an initiative directing QNB Finansbank to use their budget as needed by public hospitals.

[QNB Al-Ahli funds healthcare initiatives](#)

QNB Al-Ahli focused efforts to invest in the wellbeing of society through, spending on the healthcare system. The Group donated medical devices to hospitals that provide free of charge services, as well as established new facilities in Magdy Yacoub Heart Foundation Hospital. In addition to that, QNB Al-Ahli entered into an agreement with the National Cancer Institute Breast Cancer Hospital on infrastructural development. Working with Al Esaweya village in Sohag Governorate, QNB’s renovation project will build 22 houses, and send urgent medical convoys. The project also had a micro income-generating component, as many young women interested in making a difference got involved.

[QNB Tunisia “5th Warm Winter” campaign](#)

QNB Tunisia designated this year to the children of the SOS Mahress village, providing children with winter clothes to keep them warm during the winter. Doing so confirms once again the Group’s commitment to address societies’ most important needs.

[QNB Doha Jewellery and watches Exhibition 2020](#)

QNB was the official sponsor of the 2020 Doha Jewellery and Watches Exhibition (DJWE) organized by the Qatar Tourism Authority (QTA). This sponsorship highlights QNB’s ongoing efforts to implement various CSR programs as a core pillar of its overall strategy. It also aims to promote national economic growth, support emerging Qatari jewellery designers and enhance Qatar's position as an appropriate destination for international events.

[B. Organizing cultural and educational activities](#)

[Kidzania Qatar](#)

An initiative was launched in partnership with Kidzania Qatar, to teach kids how to start their own business at Kidzania by providing the guidance and mentorship as part of Bank’s responsibility to teach the younger generation on the importance of finance education.

[Kawader Program](#)

As part of its ongoing efforts to develop the skills of its employees, QNB provided sponsorship to the Kawader program (QDB). The Kawader program aims to broaden the knowledge and experience for the employees participating.

Tales Mathematics Museum

QNB Finansbank sponsored the Tales Mathematics Museum where arrangements were made for students to visit the math museum. The activity aimed at creating a new learning style for the math world.

Turkey’s Hands Coding program

The campaign trained children on computer skills introducing them to programming. The training program held for 3,000 students in 22 cities across Turkey elevated children’s awareness on code literacy.

Educational Initiatives led by QNB Al-Ahli

QNB Al-Ahli collaborated with Misr El Kheir Foundation on two projects concerning the education and employment of women in society. Where QNB Al-Ahli built a new preparatory school for girls in cooperation with the foundation. Then focused on providing female job seekers with training for employment. Thus raising the technical, professional and managerial skills of women, and offering job opportunities through Misr El Kheir Foundation.

3. Key corporate governance participants: the Board of Directors

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.

The Board also has an oversight role on the proper monitoring and design of the internal controls pertaining to combatting the financial crimes including but not limited to aspects such as, money laundering, terrorism financing, know your customer (KYC) measures, sanctions, fraud control, data protection, governance aspects, etc. and receive/ consider annual report of the Money Laundering Reporting Officer (MLRO) as stipulated by relevant laws and regulations.

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 businesses. 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 28 years, with progressively higher posts culminating in him being the GCEO of QNB from 2005 to 2013. Under his leadership, QNB Group became one of the largest and most profitable financial institutions 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 towards the Bank’s best interests. Board members are selected according to the criterion of ‘the right person in the right place’, taking into account the efficiency and competence of the members. They are also committed to investing the required amount of time and attention towards the accomplishment of their duties for the duration of their term.

3.5 Independent and non-executive Board members

During 2020, 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 in respect of 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 2020, 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 undertakes 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 2020 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 2021.

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. The number of BOD meetings held annually are in compliance with the minimum times required by the Commercial Companies Law (CCL) (currently six (6) times a year) Article (104) and are as per Article (14) of QFMA Governance Code. Furthermore, three months must not elapse without convening a meeting.

In 2020, 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 leading corporate governance practices, regulatory (QCB and QFMA) requirements, QNB Group BOD has 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 (7) 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 2020, 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:

- a. Group Board Executive Committee (GBEC);
- b. Group Board Audit and Compliance Committee (GBACC);
- c. Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC); and
- d. 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 **five** meetings during 2020.

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 and Group Compliance 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 (including that at overseas branches and subsidiaries); 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**:

- 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 framework in place across the Group for managing and monitoring

financial crime compliance related risks, in line with regulatory requirements and international leading practices;

- 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;
- Ensure oversight on appropriateness and effectiveness of the ‘Internal Controls over Financial Reporting’ (ICOFR) framework implemented in the Bank, in pursuit of its objectives;
- Review the Group policies and framework pertaining to data protection and make sure a proper oversight is in place to protect QNB data from leakage or inappropriate or unauthorised use;

- Review the effectiveness of the Whistle-blowing Policy and recommend related actions/ amendments to the BOD;
- Review and approve the annual corporate governance 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 Fnancial 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 (as described in this report); and
- Review any other reports the Group issues that relate to Group Board Audit and Compliance Committee’s area of responsibility.

During 2020, the committee met **eight** times.

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-executive 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;
- Maintain overall oversight of management’s implementation of the remuneration system for the entire Bank;
- 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 **five** meetings during 2020.

3.13.4 Group Board Risk Committee (GBRC)

The Group Board Risk Committee is intended to meet BOD oversight responsibility over risk management and in accordance with 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 **five** meetings during 2020.

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 members

The remuneration system within QNB 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 behavior and reinforce the Bank’s operating and risk culture.

Consequently, there is a separate 'QNB Group Remuneration Policy for Board, Executive Management & Employees' that defines the mechanism whereby the remuneration is directly linked to the effort and performance at both department and employee levels including that of the Board, through the achievement of assigned goals and objectives in accordance with the profitability, risk assessment and the overall performance of the Group. This policy is applicable to the Chairman, Board members, Senior Executive Management and employees of QNB Group.

The BOD will follow regulatory guidelines and leading practices on compensation and remuneration. 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. 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’s adopted 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 for QNB BOD members is duly acknowledged to be in line with QCB instructions and QFMA requirements. The BOD will present at the annual general assembly meeting for approval, the remuneration/ salaries, fees (if any), amounts received for technical or administrative work or other material advantages received for approval, in accordance with the Commercial Companies Law, QCB and QFMA instructions.

QNB discloses 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 Group Chief Executive Officer. Mr. Abdulla Al-Khalifa took over the post of the GCEO from H.E. Mr. Ali Ahmed Al-Kuwari who served as the GCEO of QNB Group from 2013 to 2018. H.E. 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 more than 24 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, 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:

- 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 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.

(*) In November 2020, GBNRGPC approved the resignation of Group Chief Credit Officer from her role. Following this resignation, Group Chief Risk Officer will take over the responsibility as Group Chief Credit Officer together with her current role subject to obtaining the relevant regulatory approvals.

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’** – is 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 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 their 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 2020.

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 Corporate and Institution Banking, General Manager – Group Asset and Wealth Management, General Manager – International Banking, Assistant General Manager – Domestic Corporate Banking, and Assistant General Manager – Group Credit. The General Manager – Group Chief Risk Officer attends the meetings as a required observer. 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.

In November 2020, GBNRGPC approved the resignation of Group Chief Credit Officer from her role. Following this resignation, Group Chief Risk Officer will take over the responsibility as Group Chief Credit Officer together with her current role subject to obtaining the relevant regulatory approvals.

The Committee held **thirty three** meetings during 2020.

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 2020.

6.2.4 Group Asset and Liability Management Committee

The Group Asset and Liability Management 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 **twelve** meetings during 2020.

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 is approved by the BOD and communicated to the Group.

The Committee held **four** meetings during 2020.

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 Group Head of Tenders and Contracts Administration 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 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 **four** meetings during 2020.

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, the AGM of Group Operational Risk, and Heads of Infrastructure and Development and User services. The AGM - Governance & Group Project Portfolio Management 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 2020.

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 **ten** meetings during 2020.

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 2020.

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 2020.

7. Risk management

QNB Group's reputation and continued profitability depends on our ability to identify, assess and manage risk at all levels. As a result, we have a robust risk management framework and governance structure that ensures a crucial balance between risk and reward. Risk management within QNB Group is a key focus 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 Assets and 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 Assets and Liabilities 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.

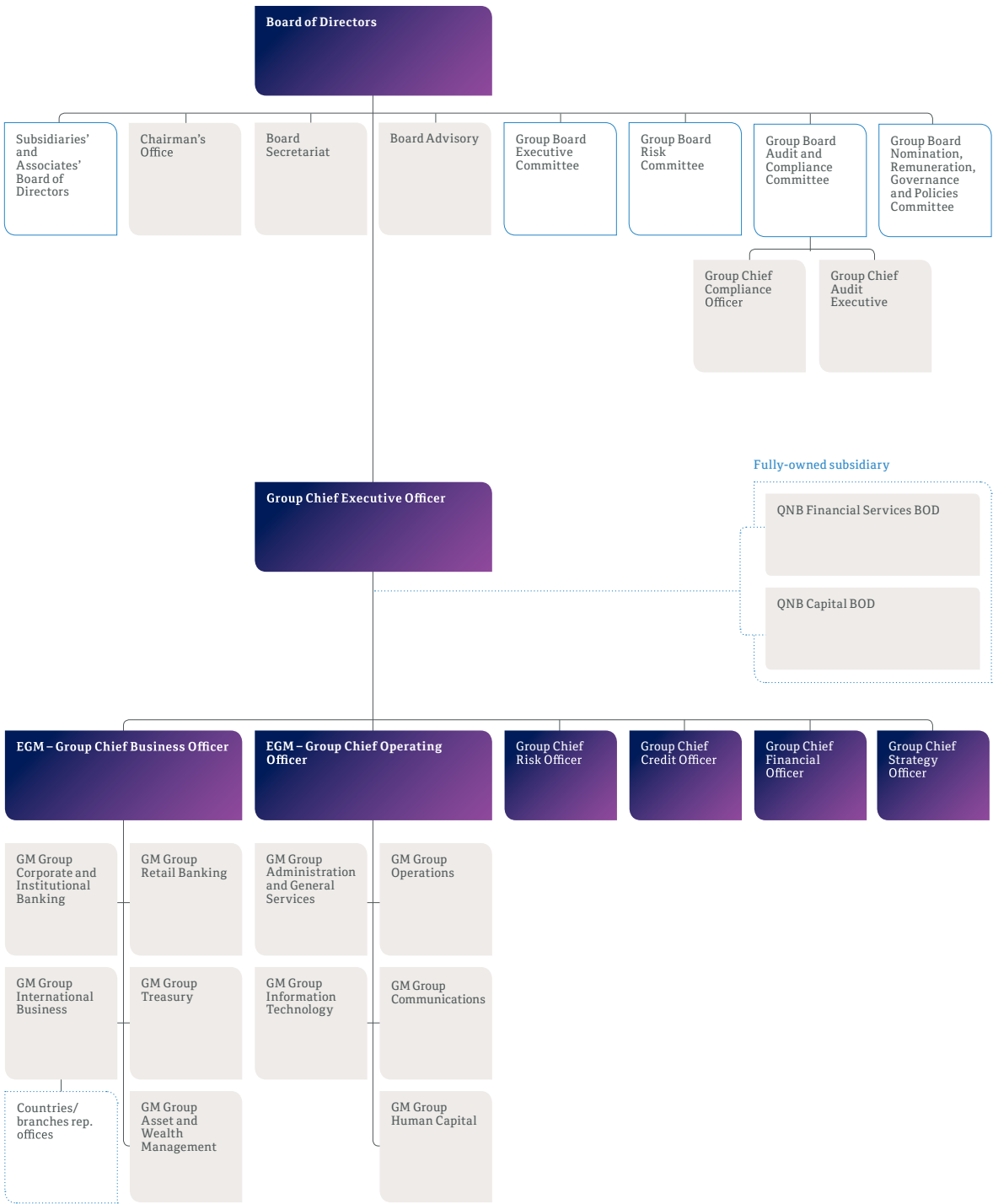
The Group Risk Division is considered the ultimate administrative authority vested to deal with the various risk aspects at Group level. The department undertakes the formulation and review of the risk management strategy, defines the risk management policies, evaluates the activities of risk management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

A sound internal control process ensures the effectiveness of Bank activities, aids maintenance of reliable financial management information, and upholds compliance. This process is a critical aspect of QNB’s internal control structure, it preserves the bank’s financial viability and accomplishes its established goals. In light of that, QNB Group maintains a detailed internal control charter that clearly outlines the components of internal controls and related Group-wide responsibilities. The charter takes into consideration globally accepted internal control frameworks and standards issued by Basel, COSO, and the Institute of Internal Auditors (IIA). Furthermore, QNB utilized COSO’s Three Lines of Defence Model to build the Bank’s internal control infrastructure comprised of a number of policies, procedures, assigned roles, responsibilities, and accountabilities.

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, during 2020 QNB management assessed the design and operating effectiveness of QNB’s internal control over financial reporting. Management reviewed the results of its assessment and shared it with the Group Board Audit and Compliance Committee. Based on this assessment, management determined in the “statement”, which is published in the Annual Report, besides the external auditor’s reasonable assurance report, that, as of 31 December 2020, 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 and financial crime 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 2020.

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 2020, 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 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 2020, 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 QAR 9,236,428,570 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. 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 maintaining an adequate framework, 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 2020, 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’s 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, QNB Group is proud of and deeply respects its diversity. We work in an atmosphere of mutual respect and support and share the same values that define our bank and our approach to business. It is perhaps because of this that we have such a strong sense of belonging and a consistently high engagement score.

QNB Group has continued achieving its lofty goals with regard to its social responsibilities towards the local and the international communities for this year through the support of many initiatives that are intended to contribute to support the development within the countries where it operates. Moreover, the many events hosted by the Group 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.

QNB acknowledges and complies with QFMA Law No. 13 of 2008 (amended to Law No.08 of 2011), which requires companies to contribute at least 2.5% of their annual revenue to philanthropic, sports, social and charitable causes. This contribution is paid after approval at the Annual General Meeting of the shareholders. Consequently, QNB Group also adheres to Article (39) of the QFMA Governance Code to further the development of communities through CSR initiatives and activities.

18. Spotlight on specific corporate governance practices – QNB’s response to Covid-19

Covid-19 presented unique challenges, not only due to the size and scope of its impact, but also due to the extended length of time and constraints with which business processes had to be managed efficiently.

In line with its strategic vision to become one of the leading MEASEA banks, QNB Group took steps in 2020 to preserve and enhance its Corporate Governance framework, risk management structure, financial performance, investment practices, and sustainability initiatives. Conscious of the recent environment, impacted by the Covid-19 pandemic, QNB took appropriate steps in keeping with the Group’s commitment to leadership in several areas, the most important of which is brand value, strong financial performance, and quality of assets, along with the continuous growth of the Group’s market share.

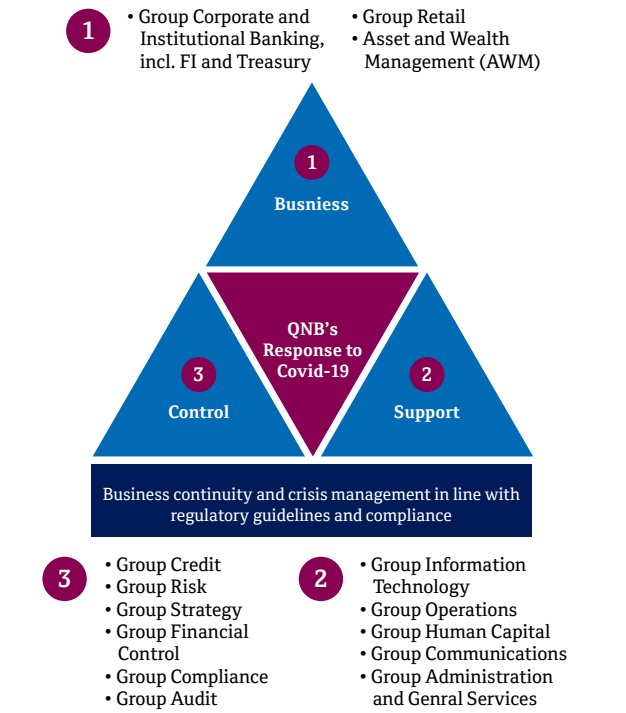
Across the bank, a number of business, support, operational, internal control and risk management processes were adjusted or accommodated when they were unchanged but under material levels of stress as a result of the new environment.

QNB’s Board and Executive Management were cognisant to the fact that there was a need for the Group as a whole be proactive and to focus on how impacted processes and

established control environments may be exposing QNB to increased risk. The risk could take many forms including both internally driven events such as data breaches, internal frauds, conduct risk or process execution, and externally driven events such as cyber-attacks or identity theft. QNB Group also recognizes that the current situation is testing its clients, regulators, and institutions in an unprecedented way.

The prior sections in the 2020 Corporate Governance report highlighted the various specific activities and initiatives undertaken by the various divisions of the Group. This section consolidates and highlights how the various activities were implemented in cohesion and following the guidance of the business continuity and crisis management team, wherein a group-wide response was executed involving all divisions. Appropriate support and guidance was then extended to the overseas entities. Throughout the crisis management cycle, QNB has actively addressed the emerging challenges of Covid-19 and through efficient coordination between business, control and support divisions as detailed in the diagram below.

QNB’s Group-wide response to Covid-19 executed involving all divisions



The graphic structure above shows the interdependence of QNB Group divisions in handling Covid-19 impacts. QNB Group recognized that by executing a Group-wide response involving all business, control, and support functions, the bank would be better equipped at combating risks arising from the situation. To remain consistent with the long-term vision in spite of the current situation; some of the key initiatives undertaken by QNB Group were:

- Introduced various strategic efforts and plans to mitigate the risks of the situation;
- Implemented crisis management governance framework;
- Ensured business continuity management and disaster recovery for relevant divisions and network countries;
- Implemented task forces to address nation-wide guidance/ instructions/ monitoring and reporting;
- Continuously monitored regulatory updates/ recommendations and ensured full compliance in line with national regulators guidelines on Covid-19 across network;
- Enhanced frequency of engagement and communication with key customers;
- Migrated customers to online and non-branch channels and activities;
- Introduced remote access to QNB employees working from home;
- Enhanced controls on the utilization of existing credit facilities;
- Multiple measures and thresholds associated with credit, liquidity, and risk management were also adjusted;
- Conducted comprehensive risk identification and control assessment of the processes, which either have been modified or are under material stress;
- Underwent cost optimisation exercise with relation to internal and external stakeholders;
- Communicated pre-cautionary measures to all employees and customers across channels;
- Focused on process optimisation to ensure automation and remote customer interaction;
- Ensured employees’ as well as customers’ safety and security measures/ communication;
- Monitored divisions and overseas entities progress;
- Maintained regulatory compliance at all times, and by close coordination of efforts with regulatory authorities;
- Orchestrated the group wide crisis management effort with support from the crisis management task force.

While implementing the various initiatives QNB considered at all times the governance model where overall governance, people, processes, systems and reporting was evaluated and considered as applicable. As a result, QNB Group led these efforts in compliance with regulatory requirements and MOPH and other regulatory directives regarding Covid-19 effects and preventative practices. The bank is committed to combating adverse effects of the pandemic by implementing wholesale viable solutions across all divisions and overseas entities.

Covid-19 progressed throughout the globe impacting all of QNB overseas branches and subsidiaries leading to impact on some of the business as usual (BAU) activities. This represented numerous challenges for QNB Group and all head office divisions, and with careful planning, thorough gap and impact assessments the key issues were broadly contained. As a result, there was consistent dissemination of initiatives to overseas entities to ensure appropriate governance and oversight.

In addition, QNB has assumed social responsibility in line with State of Qatar directions, has, fully supported the fight against the outbreak, while effectively maintaining its compliance operations. At QNB Group level, broader and comprehensive actions at a strategic level will continue to be initiated proactively and QNB will continue to ensure its ongoing proactiveness and support.

QNB is aware that current phase of the crisis will likely be with us for the foreseeable future, and so QNB will now take stock of these changes and stresses within the Group’s ‘new normal’ operating model and evaluate them on an ongoing basis. It is also worth noting that until a globally available vaccine is on the market, QNB will strive to ensure that its strategy and operating model is well suited for the future, even after a period of recovery.

19. Compliance with QFMA's laws and regulations and other relevant legislation

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 QFMA's law and regulations and other relevant legislation applicable to the Bank including the Code.

As a result of the assessment, management concluded that there is a process in place to ensure compliance with QFMA's law and regulations and other relevant legislation and that it is in compliance with the provisions of the Code as at 31 December 2020.

KPMG, the external auditor of the Bank has issued a limited assurance report (refer Appendix (4) of this report) on the management assessment.

Conclusion

The outcomes of this Corporate Governance Report and the measures outlined therein, which were implemented in 2020 to strengthen our corporate governance framework, reflect the keenness and commitment of QNB Group, represented by its Board of Directors and Executive Management, to implement the corporate governance framework and practices and strengthen them continuously, taking into consideration the scale of risks and challenges resulting from the Group’s expanding international footprint as a leading bank in MEASEA region.

Our shareholders’ desire to invest and the confidence bestowed in our institution by regulators are testament to the effectiveness of the Group’s governance framework, which preserves its reputation, financial strength and protects the interests of its customers. It also has a positive impact on the Group’s performance and its ability to mitigate risks through periodic review, evaluation and consolidation of governance practices across all activities at both local and international levels.

As outlined in this report, several new measures have been taken in 2020 to strengthen QNB Group’s governance framework. This included, for instance, establishment of continuous processes to appraise internal controls for financial reporting, development of effective approaches and systems to mitigate risks, reinforcement of follow-up mechanisms to address fraud and putting in place innovative and effective procedures and work channels to adapt to the new situation. Moreover, the Executive Management has emphasized the importance of instilling a culture of accountability and responsibility to enhance institutional ethical behaviour.

QNB Group is constantly working to enhance its governance system and adopt comprehensive standards for transparency and disclosure of financial and non-financial information according to the relevant corporate governance instructions issued by Qatar Central Bank and Qatar Financial Markets Authority. The Group relies on this to enhance accountability and gain the confidence of all stakeholders and related parties. 2020 was an important juncture in the process of building QNB Group’s governance system, and we have leveraged the opportunity to assess the preparedness of applicable governance practices in responding to and dealing with global changes and identifying ways to enhance and maintain them.

In conclusion, I would like to confirm QNB Group's commitment to regulatory governance requirements issued by Qatar Central Bank and Qatar Financial Markets Authority in line with best international practices in order to maintain stability of the Group's business, sustain its growth and retain the confidence of regulators, legislative authorities, shareholders, investors and other related parties.

Ali Shareef Al-Emadi
Chairman of the Board of Directors

Fahad Bin Faisal Bin Thani Al-Thani
Vice-Chairman of the Board of Directors
Chairman of the GBACC

Appendix 1: The Board of Directors – biographies

Name of the Director	Brief biography summary
H.E. Mr. Ali Shareef Al Emadi 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 28 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.
H.E. Sheikh Fahad Bin Faisal Bin Thani Al-Thani 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.
H.E. Sheikh Abdulrahman Bin Saud Bin Fahad Al-Thani 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).
H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani 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
Mr. Ali Hussain Ali Al-Sada 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.
Mr. Bader Abdullah Darwish Fakhroo 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.
H.E. Fahad Mohammed Fahad Buzwair 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.
Mr. Mansoor Ebrahim Al-Mahmoud 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) and Vice Chairman of Qatar Exchange. 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.
Mr. Abdulrahman Mohammed Y Jolo 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. He is also Board Member in Qatar Financial Markets Authority.
Mr. Adil Hassan H A Al-Jufairi 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
Mr. Abdulla Mubarak Al-Khalifa 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 more than 24 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, and MasterCard Middle East (Dubai). Mr. Al-Khalifa holds a Bachelor’s Degree in Business Administration from Eastern Washington University in the United States.
Mr. Ali Rashid Al- Mohannadi 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 more than 24 years of experience in the financial sector, and has a Bachelor’s Degree in Computer Science from Qatar University.
Mr. Yousef Mahmoud Al-Neama Executive GM – Group Chief Business Officer	Mr. Al-Neama joined QNB in 2005 and currently serves as 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 abroad, and has more than 16 years of experience in financial institutions. He is currently Vice-Chairman of the Board of Directors at Mansour Bank (Iraq) and Housing Bank for Trade & Finance (Jordan). In addition, he is a Board member at QNB Capital and QNB Finansbank (Turkey). 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.
Mr. Ramzi Mari 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 28 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.
Ms. Fatma Abdulla Al-Suwaidi 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 20 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
Mrs. Fareeda Ali Abulfath 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 27 years of experience in the banking sector. Currently, Mrs. Fareeda was 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.
Mr. Christian Eichner 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 21 years of work experience and holds a Master’s Degree in Business Administration from the University of Cologne, Germany.
Mr. Khaled Gamal Eldin Group Chief Audit Executive	Mr. Gamal Eldin joined QNB in 2014 as the Group Chief Audit Executive with almost 32 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.
Mr. Saleh Nofal Group Chief Compliance Officer	Mr. Nofal joined QNB in 2003 and currently serves as the Group Chief Compliance Officer. He has almost 32 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 Ahli 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 88.86%. Others 11.14% (as 30/11/2020)
		1.2	Shareholding breakdown by number of shareholders	Total number of shareholders 3,284 and total number of shares is 9,236,428,570 (as 30/11/2020)
		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 Sections 14 and 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 30/11/2020)	
		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
				1st meeting: 14 January 2020
				2nd meeting: 25 February 2020
				3rd meeting: 12 May 2020
				4th meeting: 14 July 2020
				5th meeting: 16 September 2020
				6th meeting: 29 November 2020
		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, 4 and 5.
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 3.2 million for the year 2020
		5.2	Non auditing services provided	QR 1.1 million for the year 2020
		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 Sections 13 and 14
		6.3	Risk management	Please refer to Section 2.20 and 7
		6.4	Review of internal audit procedures	Please refer to Section 2.23 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 Sections 3.1, 3.7 and 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 QFMA’s law and regulations and other relevant legislation including the 'Corporate Governance Code for Companies and Legal Entities Listed on the Main Market'

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 Laws and Regulations and Other Relevant Legislation including the Corporate Governance Code for Companies and Legal Entities Listed on the Main Market

In accordance with Article 24 of the Corporate Governance Code for Companies and Legal entities 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 whether the Bank has a process in place to comply with QFMA’s laws and regulations and other relevant legislation and compliance with the Code as at 31 December 2020.

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 laws and regulations and other relevant legislation including the Code’ (the ‘Statement’), which is shared with KPMG on 12 January 2021, which is to be included as part of the annual 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 the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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 process for compliance with QFMA’s laws and regulations and other relevant legislation, the Bank’s compliance with 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 process for compliance with QFMA’s laws and regulations and other relevant legislation and the Bank’s compliance with 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 included, but were not limited to:

- Examining the assessment completed by the Board of Directors to validate whether the Bank has a process in place to comply with QFMA’s laws and regulations and other relevant legislation including the Code;
- Examining the supporting evidence provided by the Board of Directors to validate the Bank’s compliance with the Code ; and
- Conducting additional procedures as deemed necessary to validate the Bank’s compliance with 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 an assessment of the process for compliance with QFMA’s laws and regulations and other relevant legislation and compliance with the provisions of 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, that the Bank has a process in place to comply with QFMA’s laws and regulations and other relevant legislation and the Bank’s compliance with the provisions of the Code as at 31 December 2020.

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.

14 January 2021	Gopal Balasubramaniam
Doha	KPMG
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Corporate Governance
Report - 2020

