

## GOVERNANCE REPORT FOR THE YEAR 2012

### OVERVIEW

As part of the compliance requirement of the Corporate Governance code for listed companies; issued by Qatar Financial Markets Authority; Doha Bank as a Qatari shareholding company listed on the Qatar Exchange is required to disclose the extent to which it complies with the provisions of the code. The Code adopted by the QFMA is based on the principle of comply or explain.

During the year, the Bank was keen on enhancing the corporate governance framework by approving a corporate governance policies and procedures manual and adopting best practices. This report summarizes Doha Bank's governance processes for 2012 in accordance with QFMA disclosure requirements as illustrated below.

### BOARD OF DIRECTORS AND BOARD COMMITTEES

#### Roles and Responsibilities:

The Board of Directors is responsible for the stewardship of the Bank and to provide effective leadership and supervision of Doha Bank's business, whilst growing value in a profitable and sustainable manner.

The roles and responsibilities of the Board are defined in the Board Charter. The Board Charter shall be published to the public through the Doha Bank website and will be available to shareholders before the Shareholder's meeting and also will be included as an AGM Agenda Item. The Board's roles and responsibilities are compliant with the requirements of the Code, and cover the following areas:

- Strategy
- Governance
- Compliance
- Risk Management
- Authorities and Delegations
- Internal and External Audit
- Board Committees
- Board Code of Conduct
- Board Composition
- Board Meetings
- Board Membership Requirements.

Each Board Member duties have been updated and defined in Job Descriptions prepared for this purpose. Moreover, each Board Member is also required to provide sufficient time to perform his duties. Currently, time commitments are not contractually set but are understood by all Directors. Director Appointment forms have been developed and approved by the Board of Directors and will be put in place as a matter of course. Each Director shall be required to sign this form upon enrollment in the Board.

### Composition

The Board currently consists of eight members. However, one Non-Executive Director resigned from the Board in April 2012 and accordingly the number members in office on the Board reduced to seven from that date.

- Chairman;
- Vice Chairman;
- Managing Director;
- 5 Non-Executive directors including one independent member

Briefs of each Board Member's education and experience profile are depicted below:

#### **Sheikh Fahad Bin Mohammad Bin Jabor Al Thani**

- Chairman
- Date of Appointment on Board: June 3, 1996
- Education/ Experience: Graduate of the Royal Academy, Sandhurst, UK
- Other Board Memberships: Board Member at Al Khaleej Takaful Insurance & Re Insurance Co.
- Ownership: 1.66% (December 31, 2012)

#### **Mr. Ahmed Abdul Rehman Yusef Obeidan**

- Vice Chairman
- Date of Appointment on Board: April 20, 1982
- Education/ Experience: General Manager, Al Waha Contracting & Trading Est.
- Ownership: 1.67% (December 31, 2012)

#### **Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani**

- Managing Director
- Date of Appointment on Board: December 21, 1978
- Education/ Experience: Bachelor of Civil Engineering, Missouri University, USA
- Other Board Memberships: Chairman of the Board of Directors, Qatar Industrial Manufacturing Co. Chairman of the Board of Directors (State of Qatar representative): Qatari Oman Investment Company and Board Member: National Leasing Holding
- Ownership: 1.71% (December 31, 2012)

#### **Sheikh Abdulla Mohamed Jabor Al-Thani**

- Non-Executive Board Member.
- Date of Appointment on Board: April 20, 1982
- Other Board Memberships: Chairman of Al Khaleej Takaful Insurance & Re-Insurance Co.
- Ownership: 1% (December 31, 2012)



**Mr. Jabor Bin Sultan Towar Al Kuwari**

- Non-Executive Board Member
- Date of Appointment on Board: April 12, 1993
- Education/ Experience: Businessman
- Ownership: 1.08% (December 31, 2012)

**Mr. Hamad Mohammed Hamad Abdulla Al Mana**

- Non-Executive Board Member
- Date of Appointment on Board: April 13, 1999
- Other Board Memberships: Vice Chairman: Mohammad Hamad Al Mana Group Companies,
- Board Member: Qatar General Insurance & Re Insurance Co, Board Member: Qatar Navigation Co., Board Member: Arab Qatari Co. for Dairy Products
- Ownership: 1.57% (December 31, 2012)

**Sheikh Falah Bin Jassim Bin Jabor Al-Thani**

- Non-Executive Board Member and Independent
- Date of Appointment on Board: 27<sup>th</sup> Feb 2011
- Education: Bachelor of Finance
- Experience: Minister of civil Servant Affair Housing : 1996 to 2006
- Other Board Membership : Chairman of Board of Directors : National Leasing Holding
- Ownership: 1% (December 31, 2012)

**Sheikh Abdulla Bin Nasser Bin Abdulla Al Ahmed Al-Thani (resigned 18 April 2012)**

**Independent Board Members**

The current composition of the Board does not include independent directors as required by the Code except for one. This is due to the fact that Board Members have been involved in the stewardship of the Bank over previous terms, and current market and social conditions.

**Duties of Non-Executive Board Members**

Non-Executive Board Members perform their role “as defined in the Bank’s approved Job Description” contributing by considering strategy objectively and providing effective stewardship of the governance framework in safeguarding shareholders’ interests.

The Non-Executive Board Members are actively involved in providing input to the Board’s activities as stipulated in the Board Charter, and review the Bank’s performance periodically and scrutinize the performance of management in achieving agreed goals. Where conflicts of interest arise they should have oversight in ensuring that Bank and Shareholders’ interests are maintained.

**Duties of the Chairman of the Board**

The role of the Chairman is to lead Doha Bank in achieving its strategic goals and to provide its shareholders with sustainable gains. The Chairman also leads the Board and oversees all aspects of its role and in setting its agenda. He may delegate specific duties to Board Members, Board Committees,

Managing Director and CEO as appropriate. Additionally, he discusses with board members recommendations, improvements, strategic initiatives, annual budgets, new investment opportunities available and ensures that the board has performed its assigned duties. He also discusses general bank issues periodically with the members, ensures that there is a mechanism for evaluating board members, and communicates with shareholders. The Chairman also coordinates regularly with the CEO to retain the necessary financial and human resources to achieve the Bank's goal, whilst monitoring performance periodically through the CEO.

#### **Fiduciary Responsibilities**

Each Board member owes the Bank by employing diligence, loyalty and integrity in support of the Bank's overall vision and in line with the Board Charter and the Bank's Code of Ethics. Board members act on an informed basis in the best interests of the Bank and in fulfillment of their responsibilities to the Bank. Board members therefore require to possess the required knowledge, experience and skills.

#### **Board Meetings**

The Board meets based on the invitation of the Chairman or two members of the Board. Each Board meeting has an agenda which is submitted to all members prior to the meeting giving enough time for preparation purposes. As per the Board Charter, the Board meets a minimum of 6 times (once every two months at a minimum). The Board met a total of eight times in 2012, last meeting held on 30th December 2012.

#### **Board Remuneration**

The Bank has adopted a policy which regulates the disbursement of remuneration, bonuses and benefits. At the end of each year prior to the General Assembly meeting, the proposed remuneration for board members and the chairman is made available to the shareholders for discussion and approval. Additionally, other benefits provided to board members are reviewed by the Qatar Central Bank and the External Auditors, and subsequently sent to Qatar Central Bank and thereafter presented to the shareholders.

#### **Senior Management Remuneration**

The Bank has adopted a policy which regulates the process for assessing the performance of Senior Management according to strategic goals which are set on a 3 year basis. Based on the performance assessment and the Bank's results the additional benefits and bonuses are set. With regard to salaries, the Bank has adopted a salary scale which is approved by the Board.

#### **Board Secretary**

The Board appointed the current Board Secretary in July 2007, holding a Bachelor degree in law from Ain Shams University since 1987 and a Diploma in Law, 1988. It is in Doha Bank's view that the Board Secretary meets all the requirements of the Code.

The Board Secretary maintains all Board documentation and manages the overall processes related to Board Meetings. The Board Secretary reports directly to the Chairman, however, all members have access to the secretary's services.



### **Separation of Positions of Chairman and CEO**

The Chairman and CEO duties and responsibilities are separated in the Bank and each position has clearly defined roles and responsibilities under its own Job Description.

### **Conflict of Interest and Insider Trading**

Doha Bank has set in place several controls to prevent conflict of interest situations from occurring. Specifically, the bank has adopted a related party policy which will be published to shareholders in the near future. Related party transactions are approved by the Board/ Management based on materiality. As per Commercial Companies Law, if a board member has a conflict, he does not participate in the board meeting. It is also worth noting that the Bank has adopted a conflict of interest policy which must be complied with by all employees of the Bank.

Currently, monitoring and controls on insider trading are done by Qatar Exchange directly. A policy on insider trading has been adopted by the Bank.

### **Other Board Practices and Duties**

**Consultancy:** The Board may consult at the Bank's expense any independent expert or consultant. The Bank will consider including a clause in its Board Charter to allow non-executive members to seek consultancy services without obtaining Chairman/ Managing Director approval.

**Access to documentation:** As defined in the Board Charter, Board Members shall have full and immediate access to information, documents, and records pertaining to the Bank. The Bank's executive management shall provide the Board and its committees with all requested documents and information pertaining to Board decisions.

**Nominations:** the Bank has established a system for the nomination/appointment of Board Members. As per the Nomination and Governance Committee roles and responsibilities, the committee should consider terms, qualifications and experience required for a nominee to take an active role as a Board Member. Hence, the committee will determine the standards necessary to elect the new Board Member.

**Induction:** Though a formal induction program has not yet been implemented, the Bank has put in place Corporate Governance Policies which include guidelines on Board induction program and formal trainings.

**Governance:** the Board will be kept up to date on governance practices through Management and the Board Nomination and Governance Committee.

**Termination:** Members whom do not attend Board meetings on a regular basis can be removed based on the Articles of Association of Doha Bank.

**Self-Assessment:** Templates and tools have been approved to perform an annual self-assessment which will be implemented in due course.

**Remuneration:** Doha Bank has adopted a Remuneration Policy for the Board and estimates Executive Management remunerations based on the Bank's overall performance and achievements of goals as stipulated in the Bank's strategy.

#### **Board Committees**

Board Committees are established to assist the Board of Directors in conducting their duties. Each committee has developed terms of reference that defines the committee's roles and responsibilities in accordance with QFMA regulations and leading governance practices. Board Committee Terms of Reference will be published in the near future.

The following four Board Committees have been established at Doha Bank:

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

**Membership:** Non-Executive Board Member (Chairman), Vice Chairman (Member), Independent Member – not a member of the board and not a bank employee.

**Roles and Responsibilities:** responsible for reviewing financial statements, work of external and internal audit, internal control environment, compliance with regulations and risk management aspects of the Bank.

The Audit Committee has met a total of eight times in 2012, which is above the requirements of quarterly meetings as defined by the Code. Also the committee has overseen the development of whistle-blowing framework and an external audit appointment policy which have been developed as part of Doha Bank's Governance Manual.

The Committee has had no disagreements with the Board during 2012.

#### **Nomination and Governance Committee**

**Membership:** Managing Director (Chairman of Committee) and 2 Non-executive Board Members (Members)

**Roles and Responsibilities:** Reviewing nominations to the BOD membership and monitoring Doha Bank's corporate governance structure.

#### **Policies, Development and Remuneration Committee**

**Membership:** Managing Director (Chairman), 2 Non-Executive Board Members

**Roles and Responsibilities:** approving bank policies, strategies and reviewing the remuneration framework for executive management and the Board.

#### **Executive Committee**

**Membership:** Chairman (Chairman of Committee), Vice Chairman (Member) and Managing Director (Member)

**Roles and Responsibilities:** providing assistance to the Board and reviewing/ approving credit facilities within delegated authority

Due to the current Board composition, Doha Bank has been unable to fulfill the requirement of having a majority of members being independent in the Audit, Compliance and Risk Committee and in the Policies, Development and Remuneration Committee, and the Nomination and Governance Committee.



Doha Bank will consider changes in the composition of these committees in the future taking into consideration market considerations.

## **INTERNAL CONTROL, COMPLIANCE, RISK MANAGEMENT AND INTERNAL AUDIT**

### **Internal Control**

The general objective of the internal controls procedures of Doha Bank is to safeguard assets and capital and to ensure the reliability of Doha Bank's and its subsidiaries' financial recordkeeping. Doha Bank has adopted a process of internal controls that allow Management to detect errors in procedures or financial recordkeeping. Doha Bank's internal control framework includes the establishment of strong **finance, risk management, compliance and internal audit departments** which support in establishing a strong internal control framework.

The Internal Control Framework is overseen by the Audit, Compliance and Risk Committee. The Internal Audit, Compliance and Risk Departments respectively provide periodic reports to the Audit, Compliance and Risk Committee on:

- The major risks associated with the banking business related to Strategic, Reputation, Compliance, Legal, Credit, Liquidity, Market, and Operational Risks;
- Overall compliance of the Bank with rules and regulations;
- Internal Audit and External Audit recommendations and findings.

The Board of Directors has approved policies related to Internal Audit Department, Compliance Department and Risk Management Department.

### **Compliance**

The main responsibility of the Compliance Department at the Bank is to assist the Board and Bank's Executive Management in managing and controlling the Compliance risks efficiently and to protect the Bank from financial losses "if any" due to failure of compliance. Compliance risks include risk of legal/regulatory sanctions, material financial loss, or loss of reputation. Compliance also assists the board of directors and executive management in improving the internal controls procedures that will mitigate Compliance, AML and Anti – Terrorist Financing (ATF) risks. Moreover, Compliance acts as a liaison between the Bank and the respective regulators and updates management with new laws and regulations.

### **Internal Audit**

The Bank has established an internal audit function, which periodically conduct extensive internal audits on both operational and financial aspects of different bank departments and branches as agreed with the Audit, Compliance and risk Committee. Internal Audit periodically reports its findings and recommendations and the progress made in executing the Internal Audit Plan to the Audit, Compliance and Risk Committee.

### **Risk Management**

The Bank has consistently and continually monitored risks and processes across the organization to identify, assess, measure, manage and report on opportunities and threats that could impact the achievement of the Bank's objectives. The Board and the Executive Management are ultimately responsible for all the risks assumed by the Bank. They seek to balance the risk profile against sustainable returns to achieve the business goals of the Bank. The Board has engaged qualified professionals and has set policies and procedures, risk limits, organizational framework, committees, authority levels and accountability. Currently, the process of identifying and assessing risk is performed through periodic risk assessments.

Implementation of the Risk Management Framework is entrusted to a highly competent team and is controlled and implemented through various senior level management committees chaired by the Chief Executive Officer covering Credit, Investment and Asset & Liability Management.

### **INTERNAL CONTROL ASSESSMENT**

The Board receives periodic reports on the internal control framework from Senior Management and control functions such as Internal Audit, Compliance and Risk Management. Such reports are assessed and scrutinized by the Board to ensure that the internal control framework is being implemented according to management prerogatives. The Board views that the current processes adopted for internal control by the Board and Senior Management are robust for Doha Bank's operations.

No major breach of control or internal control failure has taken place which has affected or may affect Bank's financial performance during 2012.

### **VIOLATIONS OF LISTING REQUIREMENTS**

The Bank complies with the rules and conditions which control the disclosure and listing operations in the market. For the financial year 2012, the Company did not have any violations.

### **EXTERNAL AUDIT**

The external auditor is recommended by the Board and approved by the general assembly. The external auditor provides in his report that the consolidated financial statements give a true and fair view of the financial position of the bank as of December 31, of every year. He also reports significant financial issues and provides a management letter on the financial controls in place. Doha Bank's financials are prepared in accordance with IFRS and Qatar Central Bank regulations and are audited on a semi-annual basis and reviewed quarterly. The current external auditors are Ernst & Young, one of the big 4 audit firms. Doha Bank has adopted a rotation policy in accordance with QCB regulation. The external auditor attends the Annual General Assembly meeting to present to the shareholders his report on the Bank's consolidated financial statements. Doha Bank financial statements are published on the Qatar Exchange website and on a ("Morningstar") website in United Kingdom visible to all shareholders and concerned stakeholders.



## SHAREHOLDER RELATIONS

Doha Bank considers its shareholders as key stakeholders. Doha Bank has established a Shareholder Relations function which is responsible for addressing shareholder queries. Currently, the shareholder register details are maintained by the Qatar Exchange, while Doha Bank can provide general information such as financial statements, articles of association and by-laws of the Bank to its shareholders.

Doha Bank strives to provide shareholders with sufficient data to analyze Doha Bank performance and to take decisions on Board Member elections and other matters such as dividends (a dividend policy is adopted). Doha Bank ensures that its assembly meetings and the mechanism for voting adopted is in accordance with commercial companies' law.

## CAPITAL STRUCTURE and SHAREHOLDER RIGHTS

Doha Bank is a Qatari shareholding company with share capital of 206,697,802 shares publicly listed on the Qatar Exchange. With the exception of Qatar Holding (Qatar Government), which holds 16.66% of the Bank's share capital, no other shareholder is allowed to possess more than 2% of the Bank's share capital unless through inheritance,

Doha Bank has 32 local branches, three overseas branches in the United Arab Emirates (Dubai and Abu Dhabi) and the State of Kuwait, and seven representative offices in the London, Singapore, Turkey, China, Japan, South Korea and Germany. In addition, the Bank fully owns Doha Bank Assurance Company L.L.C., a company registered under the Qatar Financial Centre and owns Doha Finance Limited registered in the Cayman Islands and primarily used for debt issuance on behalf of the Bank. Shareholders have all rights prescribed under Qatar Commercial Law.

## STAKEHOLDER RIGHTS

Doha Bank endeavors to maintain equitable and fair treatment of all its stakeholders. To enhance ethical conduct by the Bank's employees, each employee must abide by Doha Bank's Code of Ethics which stipulates ethical principles that each employee must demonstrate. Any breaches of ethical conduct are investigated and, as appropriate, disciplinary and corrective action is taken. Moreover,

Doha Bank has established a whistle-blowing policy, whereby employees can report concerns without fear of retribution. Such concerns are reviewed and, as necessary, investigated and reported to the Audit, Compliance and Risk Committee.

It is also worth noting, that Doha Bank has standardized its processes related to compensation and assessment of employees by adopting a performance appraisal scheme and a staff compensation and benefits structure.

**Fahad Bin Mohammad Bin Jabor Al Thani**  
**Chairman**