

Governance Report for the year ended 31st December 2013

Dear Shareholders,

It is with great pleasure and honour that I present to you the Report on Corporate Governance of Qatar Navigation (Milaha) which covers the fiscal year ended 31st December 2013. The Corporate Governance Report has been prepared in accordance with the requirements of the Corporate Governance Code for publicly listed entities, issued by the Qatar Financial Markets Authority on 27th January 2009 and the regulations and applicable laws related to the State of Qatar.

It is our commitment to issue a report on Corporate Governance annually as per QFMA's requirements to the Company's shareholders at the General Assembly Meeting.

Thank you.

Ali bin Jassim bin Mohammad Al-Thani
Chairman and Managing Director

Brief

Qatar Navigation (Milaha) Q.S.C (the Company) was incorporated on 23 June 1957 as a Qatari Shareholding Company and its shares are publicly traded at Qatar Exchange. The commercial and operational activities of the Company and its subsidiaries are in the fields of marine transport, acting as agent for foreign shipping lines, offshore services, sale of heavy vehicles and industrial machines, repair of ships, manufacturing and installation of offshore facilities, land transport, chartering of vessels, real estates, investments in listed and unlisted securities, trading of building materials and the operation of a travel agency. The Company has a branch in Dubai, UAE.

The Company acquired all the shares of Qatar Shipping Company during 2010, prior to which the Company owned 15% of Qatar Shipping. The remaining 85% of the share capital as mentioned above was acquired in year 2010.

As a result of the above acquisition, the Company also acquired the total ownership of Halul Offshore Services Company.

The fully paid up capital of the Company is Qatari Riyals 1,145,252,000 (number of shares 114,525,000).

The total number of the Company employees is 3,115 at present.

1. Preface

The Corporate Governance of the Company requires determination of some regulations and operations to execute the policies, procedures and measures to establish relations between its administration and the several stakeholders of the Company. The objectives of Governance are to increase profit returns to the stakeholders through effective guidance and control on the Company's activities, to maintain the integrity and its core objectivity. Governance reflects by its broader concept to set an organization structure providing an opportunity to better manage its resources within a legal framework, adopt measures of international standards to achieve required transparency, integrity, and trust in the financial statements of the Company,

to attain confidence of various stakeholders and to be included as a preferred investment in their investment strategies.

2. Compliance with governance principles

Milaha is committed to strengthen the Corporate Governance practices in line with local and global standards. The Board of Directors commits to set proper rules for governance which includes highest measures of independence, supervision and transparency. These rules are to maintain the confidence of current and future investors. In order to achieve this objective, the Board sets a mechanism to follow and improve internal control. The Governance Report sheds light on the main elements of the control system which were designed and executed for the fiscal year 2013 starting from 1 January 2013 to 31 December 2013.

3. Board of Directors

The governance charter of the Company including the charter of the Board adopted by the Board of Directors, were prepared in accordance with the provisions of Article no. (4) of Corporate Governance code of QFMA, which includes the rights, duties and responsibilities of the Board. It is one of the most important duties entrusted to the Board of directors which is that the Board should loyally commit itself to the Company and its shareholders. This duty requires the Board to regard the interest of the Company and its shareholders in preference to their personal interests, to always serve with good intent, with due care and attention for the interest of the Company and its shareholders as a whole. This duty requires total commitment.

The Board of Directors should direct the general investment policy of the Company, supervise the Company's management, and set the strategic targets of the Company. The Board of Directors has the full power and authority necessary to manage and run the entire Company in accordance with the Commercial Companies Law of Qatar and the Articles of Association of the Company.

3.1 Formation of Board of Directors

The Board of Directors consists of eleven members, and the term of membership of each director is three years. Election of the Board members may occur as per the Articles of Association of the Company and Article no. (94) of the Qatari Commercial Companies Law no. (5) of 2002, as amended and is effective. The current period of the Board started in April 2012 for a period of three years with a stipulation of new elections thereafter.

The following table shows the present Board of Directors who have several years of relevant experience:

No.	Name	Membership since	Position in the Board	Function	Representations in other companies
1	Sheikh Ali bin Jassim bin Mohammad Al- Thani	2003	Chairman and Managing Director	Managing Director – Executive	
2	Sheikh Khaled bin Khalifa Al-Thani	2012	Vice Chairman	Non-executive	Qatar Petroleum
3	Sheikh Jassim bin Hamad bin Jassim Al- Thani	2000	Member	Non-executive	
4	Mr. Adil Ali Bin Ali	1994	Member	Non-executive	Ali Bin Ali Organization
5	Mr Hetmi Ali Al Hetmi	2000	Member	Non-executive	
6	Mr. Sulaiman Haider Sulaiman	2003	Member	Non-executive	
7	Mr. Ali Ahmad Al Kuwari	2005	Member	Independent	
8	Mr.Saad Mohammad Al Rumaihi	2010	Member	Independent	
9	Mr. Ali Hussain Al Sada	2010	Member	Independent	
10	Mr. Hamad Mohamed Al Mana	2009	Member	Independent	
11	Dr. Mazen Jassim Jaidah	2009	Member	Independent	

Non-executive members of the Board of Directors

Duties of the non-executive members of the Board of Directors include, but are not limited to the following:

They participate in the meetings of the Board of Directors and give independent opinion on the strategic issues, policies, inquiries questions on resources, essential appointments, and work measures, etc. assuring to give priority to the interests of the Company and the shareholders in case of any conflict of interests. Also, they participate in the audit committee of the Company to evaluate the Company's performance

in order to achieve its agreed targets and aims, and review the financial reports of the Company's performance which include the annual, bi-annual and quarterly reports. They supervise development of the systemic rules of the corporate governance and apply them in a way consistent with their skills , experiences, different specialties and qualifications of by their associations with various committees through their regular attendance in the Board meetings, their effective participation in the general assemblies, their understanding of the shareholders' requirements and opinions. It is widely practiced within the Company to seek independent opinion of the non-executive Board

members on various issues concerning the Company.

3.2 Powers of the Board

The Board of Directors has the broader powers to review and set the strategic objectives and targets for the Company, and holds the responsibilities to achieve the targets of the Company by monitoring the implementation of the strategies by the executive management, as it is mentioned in the Commercial Companies Law of Qatar and the Articles of Association of the Company. The Board of Directors, usually, invites the shareholders to attend the ordinary or extraordinary General Assembly meetings to obtain their approval on issues which may be beyond the limits of authority of the Board. The Chairman and Managing Director executes his responsibilities independent of his responsibilities of the President & CEO of the Company. The organization structure of the Company reflects on the nature of responsibilities of the Board members.

Duties of Chairman

The duties of the Chairman according to the Articles of Association of the Company, and also the Charter of the Board include but are not limited to ensure that the Board members do get the full information on all the Board related matters at the appropriate time, and they discuss all the essential issues in a proper and effective way, as per the agenda of each meeting taking into consideration any issue proposed by any member in the Board. The Chairman may assign this task to another member in the Board but the Chairman remains responsible that such member performs his task in a proper way, encouraging all Board members to participate collectively and effectively in running the Board affairs to assure that the Board is functioning the best possible way. The Chairman also assures that effective communication with the shareholders is maintained by conveying their opinions to the Board.

3.3 Board meetings

The Board holds its periodic meetings according to an approved schedule. These meetings should not be less than six meetings annually as per the Articles of Association of the Company and according to Article no. (3/1) of the Qatari Commercial Companies Law.

A Board meeting is held upon a call from the Chairman or his deputy in case of the Chairman's absence. Calling of the meeting may also occur if two Board members call to hold a meeting. Invitations should be sent at least seven days prior to the scheduled date, attaching an agenda for discussion with details of the subjects. The Board of Directors convened 7 times during the fiscal year ended on 31 December 2013.

3.4 Secretary of the Board

The Board appointed a lawyer to work as a Secretary and to be under the direct supervision of the Chairman, who has the requisite experience in preparing the data of the Board meeting agenda, and assuring delivery of invitations for attendance in the meeting to all Board members, recording the minutes of the Board meetings, maintaining them, distributing them to the Board. After the Board's approval, distribute them to the relevant departments. The Secretary also is assigned to follow up execution of these decisions and to submit a report of his follow-up to the Board in every meeting for review and confirmation that all decisions issued by the Board are executed, or showing the reasons that caused failure to execute any decision. The Secretary ensures the delivery and distribution of information relating to the Company as requested by members of the Board.

The Board members may request the Secretary of the Board to perform any duties and receive his advice. The Secretary may not be appointed or terminated unless with a decision issued by the Board of Directors.

3.5 The Board committees

The Board committees assist and facilitate the Board in execution of duties and responsibilities of the Board and fulfilling its overall responsibilities in the management of the Company.

The Board of Directors formed four committees in order to provide the support required and facilitate the execution of the Board's duties and responsibilities. The Board committees are as follows:

- 1- Executive Committee
- 2- Audit Committee
- 3- Incentive and Remuneration Committee
- 4- Projects Evaluation Committee

The Board of Directors shall form a Nomination Committee after the General Assembly in accordance to Article (15) from the Companies' Governance Law issued by Qatar Financial Markets Authority.

The following tables reflect the formation of these committees and describe in brief their assigned duties:

3.5.1 Executive Committee

This committee was formed in March 2009 by the Chairman, and the most important duties of it are to supervise investment activities, various financial transactions and high value purchases. These are to protect the Company if the vested authority is beyond the limit of the Chairman and Managing Director.

No.	Name	Position
1	Sheikh Ali bin Jassim bin Mohammad Al-Thani	Chairman and Managing Director- Chairman of the Executive Committee
2	Sheikh Khaled bin Khalifa Al-Thani	Vice Chairman – member of the Executive Committee
3	Sheikh Jassim bin Hamad bin Jassim Al-Thani	Board member – member of the Executive Committee
4	Mr. Adil Ali Bin Ali	Board member – member of the Executive Committee
5	Mr. Hetmi Ali Al-Hetmi	Board member – member of the Executive Committee
6	Mr. Ali Ahmad Al-Kuwari	Board member – member of the Executive Committee

3.5.2 Audit Committee

This committee was formed initially in 2003, and then was reformed in March 2009 by the Board. The committee's duties represent in assisting the Board in its supervisory responsibilities through the review of the financial data which is presented to the shareholders and other authorities, also to oversee and review the internal audit functions and its reports. The duties extend to review the external audit reports and ensure that the Board policies are as per the applicable laws, regulations and authoritative instructions. The committee also submits periodic reports to the Board on its activities. The committee does not include any member who was previously employed with the external auditor, and the committee works according to its internal regulations which were initiated and approved by the Board. The committee held four meetings during the year 2013.

No.	Name	Position
1	Mr. Sulaiman Haider Sulaiman	Board member – Chairman of Audit Committee
2	Dr. Mazen Jassim Jaidah	Board member – member of Audit Committee
3	Mr. Hamad Mohammad Al-Mana	Board member – member of Audit Committee

3.5.3 Incentive and Remuneration Committee

This committee was formed in September 2010 by the Board, and its duties represented in setting the policy of rewards to the Board members and Company employees, and ensure proper adherence to these policies. The rewards of the executive administration are determined upon the achieved profits at the end of the fiscal year.

No.	Name	Position
1	Mr. Adil Ali Bin Ali	Board member - Chairman of Bonus Committee
2	Mr. Saad Mohammad Al Romaihi	Board member – member of Bonus Committee
3	Mr. Sulaiman Haider Sulaiman	Board member – member of Bonus Committee

3.5.4 Projects Evaluation Committee

This committee was formed in 2010 to study the proposed projects and to coordinate with the executive administration of the Company, and to give its recommendations to the Board.

No.	Name	Position
1	Mr. Ali Ahmad Al-Kuwari	Board member – Chairman of Projects Evaluation Committee
2	Mr. Ali Hussain Al-Sada	Board member – member of Projects Evaluation Committee
3	Dr. Mazen Jassim Jaidah	Board member – member of Projects Evaluation Committee

3.6 Board remuneration

Board members' remuneration is determined according to Article (41) of the Company's Articles of Association and Article (118) of the Qatari Commercial Companies Law, in addition, the Board suggests the value of cash allowances to the Board members who are assigned to any administrative responsibilities in the Company. In addition to the Board committees, as part of the overall governance framework, Milaha has formed certain management committees to oversee key business activities.

4. Conflict of interests and dealing with the sub-contracted persons

The Company approves the following policy in its dealings to prevent conflict of interests and dealing with the sub-contracted persons, in addition to what is stated in the Articles of Association of the Company and the Board Charter.

4.1 The Company policy for preventing conflict of interests and dealing with the sub-contracted persons includes general rules and procedures governing the Company's engagement in any commercial deal with a related party, and in all cases it is not allowed to engage in any commercial deal with a related party or contract with him except with the full observance of terms and conditions of the Commercial Companies Law and the Company's policy concerning related parties. This policy should include the principles of transparency, integrity and disclosure, and it is required for approving any deal with a related party to get the approval of the majority of shareholders provided the related party does not participate in voting.

4.2 In case of discussing any issue of conflict of interests or any commercial deal between the Company and a member of the Board or any related party acquainted with this member, the subject should be discussed in the Board meeting in absence of the concerned member who is not entitled, at all, to participate in voting for the deal, and anyway the deal should proceed according to the market prices and on mere commercial bases, and not to include any conditions compromising the Company's interest.

4.3 Anyhow, these deals should be disclosed in the Company's Annual Report and should be referred to the General Assembly held after these commercial deals.

4.4 The Board members trading in the Company's shares and its other financial papers should be disclosed, and the Company should approve as per the rules and procedures governing the trade of Board members and the employees of the Company dealing with the Company's shares based on the procedures applicable in Qatar Exchange.

5. Assignments of the Board and its other duties

5.1 To assure attendance of the executive, rewards, audit committee members, internal auditors and agents for the external auditors in the General Assembly meetings.

5.2 To set a training program for the recently appointed Board members to assure their proper understanding, upon election, of the progress of work in the Company and its operations, and their realization of the responsibilities in full.

5.3 The Board members are responsible for their total realization of their role and duties, to educate themselves about the financial, commercial, industrial issues, and about the operations and activity of the Company. For this purpose, the Board should approve and follow proper and official training courses aiming at enhancing the skills and knowledge of the Board members.

5.4 Board members should be all the time acquainted with the developments in governance and the best practices in this concern.

5.5 Board members commit to attend regularly the Board meetings, and in case of absence the provision of Article no. (36) of the Articles of Association of the Company will be applied as well as the Board Charter.

6. Appointing the Board members, the nomination committee

Abiding by the conditions mentioned in the Commercial Companies Law and the Company's Articles of Association, the following should be observed:

6.1 Nomination and appointing the Board members should proceed upon the procedures stated in the Commercial Companies Law and the Company Articles of Association.

6.2 Board of Directors should create a Nomination Committee before the coming Board elections which will be held at the end of 2014, composing of a Chief and members from the

Board to verify the applications for election of the Board, and to ensure conformity with the conditions mentioned in Article no. (15) of the Governance Charter. Noting that nomination by the committee does not mean to deprive any shareholder in the Company of his right to apply for election.

6.3 Nomination should take into consideration, other issues, such as the ability of the candidates to carry out their duties as Board members, in addition to their skills, knowledge, experiences and their professional, technical and academic qualifications, their personality, and to focus on "the guiding principles for electing the Board members" which may be amended by the authorities from time to time.

6.4 The Nomination Committee upon its formation should approve and publish its framework in a way displaying its authority and its role.

6.5 The role of nomination committee will include conducting an annual subjective evaluation of the Board's performance.

6.6 Observe any conditions or requirements related to nomination and election appointing Board members which are issued by any other authority.

7. Internal Audit

7.1 Roles and responsibilities of the Internal Audit department

The Internal Audit department is responsible to perform an independent review on the Company's financial statements, as well as the records, regulations, procedures, and internal regulations in the main office or any other branch of the Company, and to submit reports by the results of its work to the Audit Committee.

The Internal Audit department is responsible for controlling the fixed assets of the Company, taking inventory with surprise visits to the stores, making cash counts at different locations. All this is to be done to ensure existence of these assets and they are recorded in a proper way. The Internal Audit department is responsible

to prevent the misuse of the Company's assets, ensure that the operational processes as per the approved policies and procedures which guarantee solid internal control on all operations. The auditing function is to enhance the integrity and effectiveness of the commercial units.

The Internal Audit department is responsible for ensuring that all the Company activities are compatible with the Company's policies and procedures, the applicable laws in the state of Qatar are complied with, the Company's obligations are executed as per the signed contracts, and that the Company follows the best measures and commercial practices.

The Internal Audit department bears the responsibility to evaluate the Company's operational procedures to determine the extent of compatibility of results with the set targets and determine the extent of application of the procedures with the planned targets.

The Internal Audit department bears the responsibility to evaluate the IT systems of the Company, the electronic data that is generated by it, the essential modifications to the current systems before their implementation to determine the efficiency of the internal control system.

7.2 Audit Plan

The Internal Audit department manager prepares at the beginning of every fiscal year, a plan and an audit program to be approved by the audit committee.

The Audit Plan and Program cover the Company and all its sectors. No activity is excluded from the scrutiny of internal audit. The internal audit staff has the full freedom to examine any documents or records they deem necessary to execute their responsibility.

The Internal Audit department undertakes to execute the audit plans and programs approved by the Audit Committee, and to submit periodic reports including their observations and recommendations to the Audit Committee. The audit committee updates the Board on a periodic basis on significant audit issues and provides assurance to the Board of the existence of sound internal control system in the Company.

8. External Audit

The external auditors are appointed by the Company by the General Assembly based upon the Board's recommendations. The shareholders, during the General Assembly meeting held on 15 April 2013, approved appointment of Ernst & Young, certified accountants, which is an independent entity of the Company and of the Board.

The Company ensures that there is no conflict of interests between the Company and the external auditors before their appointment. If there are any issues that arise after their appointment, the external auditor will be replaced. The external auditor or any of his staff may not be a member in the Board or occupy any position in the Company. The external auditors perform an independent audit of the annual financial statements and a review of the bi-annual financial statements that are prepared as per International Financial Reporting Standards. The financial reports are published in the local newspapers in Arabic and English languages, and are also published in the Company's website and the site of Qatar Exchange for information of the shareholders and the public in general.

The external auditors are entitled to examine any records or books or any documents in the Company or to demand any information deemed necessary to perform his duty as auditor.

The external auditors are entitled to attend meetings with the Audit Committee, the Board, and also the General Assembly meetings, and to answer questions raised by the shareholders related to the financial statements.

9. Disclosures

The Company is fully committed to all disclosure requirements as required under QFMA. The Company's major events should be disclosed in the Qatar Exchange and in the media according to the requirements of Qatar Financial Markets Authority and the Company's Articles of Association. The summary of the financial statements should be sent to the shareholders before holding the General Assembly meeting. The annual reports should be distributed to the shareholders in the General Assembly

meeting which include all the information necessary for the Company's activities and the financial statements that are prepared as per the International Financial Reporting Standards. The following is a disclosure of the number of shares held by the Board members, the executive officials and the senior shareholders up to 31/12/2013:

- Number of shares held by the Board members : (14,522,316)
- Number of shares held by Executive officials (2,697)
- Number of shares held by major shareholders (27,287,470)

10. Records of property

10.1 The Company keeps up-to-date and accurate records of its shares according to the information be obtained from Qatar Exchange.

10.2 Based upon the regulation issued by Qatar Exchange for listed companies, the shareholder records are kept in the exchange administration as it is the responsible authority of the shareholders affairs, and is delegated by the Company to keep and organize this record as per the two Articles (159 and 160) of the Commercial Companies Law, and the shareholders are entitled to review the exchange administration to check the record according to the approved regulations in the exchange.

11. Acquiring information

11.1 Every shareholder has the right to review the Memorandum of Association and the Company's Articles of Association and to review the general information that can be obtained by the shareholders based upon the two Articles (22-3) and (23-1) of the Corporate Governance policy. The shareholder should submit a written application to the Company's general management indicating the documents he / she wishes to review and seek any information he/she wishes to obtain and the Company should provide them in a reasonable time.

11.2 The Company provides a website to publish all the disclosures and general information that should be advertised according to the charter, laws and other statutory requirements.

12. Rights of shareholders regarding distribution of dividends

Board of Directors present to the General Assembly a clear policy regarding distribution of dividends and justify this policy safeguarding the interest of both the Company and the shareholders.

13. Capital structure, rights of the shareholders and substantial transactions

13.1 Capital structure should be disclosed in the Company's Annual Report presented to the General Assembly and the shareholders according to the accounting and auditing international standards, where the Company's authorized and paid-up capital amounts in full are Qatari Riyals 1,145,252,000 which equals to 114,525,000 shares.

13.2 In case of approval of substantial transactions where the minority shareholders voted against, the Board should modify the Company's Articles of Association ensuring protection of the minority shareholders.

13.3 The Board abides by what is stated by the seventh Article of the Articles of Association by a mechanism assuring the practice of the equal rights among all the shareholders where the property of any shareholder whether natural or legal personality should not exceed 10% of the Company's share capital.

14. Rights of other interested parties

The higher executive administration undertakes to preserve the rights of other interested parties and the related parties (the shareholders,

creditors, employees, customers, clients, suppliers, investors, etc.)

The Board assures application of fairness and equality principles among all the employees with no discrimination on the basis of race, gender or religion.

The higher executive administration undertakes the task of distribution of incentives to the employees according to the rewards policy approved by the Board.

Arising from the provisions of the employees' affairs, the regulations of the Company approved by the Board, the higher executive administration should endeavour to encourage employees to enhance a positive work environment in the Company, and settle their problems to avoid any negative effect on their production and level of performance, and encourage them to express themselves freely to their superiors about any problem confronting them in their line of duty.

The Board approves a mechanism permitting the employees in the Company to notify the Board about any suspicious behaviors which may constitute legal violations or cause harm to the Company, and the Board assures those employees' confidentiality and protection against any harm or negative reaction from their superiors or other employees.

15. Rights of shareholders

Shareholders have all the rights provided by the Commercial Companies Law no. 5 for 2002 and the Company's Articles of Association, and the Governance Charter of the Company, where the right of each shareholder who attends the General Assembly meeting, is entitled to discuss the subjects enlisted in the agenda and to direct questions to the Board members and the Head of Finance, and the Board should respond to the questions raised by the shareholders and their inquiries to the extent not prejudicing the Company's interest.

The shareholders may use the right of voting in the General Assembly meeting who attend it personally or by delegating another shareholder to vote for them.

The annual General Assembly meeting of stakeholders should be held as per Article (49) of the Company's Articles of Association and the provisions of Commercial Companies Law, and the stakeholders are notified about this meeting in a sufficient time. The notification to be sent to the stakeholders, Qatar Exchange, Qatar Financial Market Authority, and is published in the local newspapers, and copies of the Annual Report and the financial statements are given to the shareholders before the date of the meeting with the purpose of allowing them to discuss the contents of the report with the Board of Directors.

16. Investor relations

The Company maintains good relations with the shareholders through open and transparent channels with them. Information is provided also to the existing and prospective investors and other concerned persons regularly through the website of Qatar Exchange and different means of media such as conference calls.

In 2011, the Company developed its web homepage www.milaha.com, to provide detailed information to the shareholders about the Company's governance, financial statements and other important information. This will be enhanced through adding a portal for shareholders in the electronic website.

17. Compliance with legal and regulatory requirements

The Company has never been subjected to imposition of fines or penalties by the concerned authorities for non-compliance with the laws and regulations during the fiscal period which would have weakened the rights of the shareholders.

Ali bin Jassim bin Mohammad Al-Thani
Chairman and Managing Director

Khalifa Ali Al-Hetmi
President and CEO



