

2011 GOVERNANCE REPORT



Governance Report for the year ended 31st December 2011

Dear Shareholders,

It is with great pleasure and honor that I present to you the Report on Corporate Governance of Qatar Navigation which covers the fiscal year ended 31st December 2011. 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 Market Authority on 27th January 2009 and other regulations and applicable laws of 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

Historical briefing:

Qatar Navigation (Milaha) Q.S.C. was established on 5th July 1957 as a Qatari Shareholding Company and its shares are publicly traded in Qatar Exchange. The operational and trading activities of the company are focused on maritime transportation, agencies for foreign shipping companies, offshore services, sale of heavy vehicles and industrial equipments, ship repair and fabrication of offshore structures, logistics and related services, international shipping, chartering of vessels, and investments in real estate. The company has a branch in Dubai, UAE which has similar commercial activities as described above.

The company acquired the entire Qatar Shipping Company on 1st January, 2010 prior to which it held 15% of the capital of Qatar Shipping, which resulted in owning Halul offshore 100%.

The total issued and fully paid share capital of the Qatar Navigation amounts to QR 1,145,252,000 which is equal to 114,525,200 shares.

Company's total employees at present are about 3200.

1. Background

Corporate governance at Milaha (the "Company") entails internal systems and processes encompassing the policies and procedures, guidelines and standards that establish the relationship between the management on one hand and the various stakeholders or parties linked with the Company on the other, to ensure best utilisation and management of the Company's funds and increase the returns to various stakeholders through effective direction and control of management activities while maintaining integrity and objectivity. Corporate governance reflects in a wider concept how to set up a structure that would allow better management of resources under the framework of the law and adopt

international standards for transparency, clarity and confidence in the Company's financial statements so that the creditors and other stakeholders would consider transacting with the Company as a prudent investment strategy.

The Company's Board of Directors is committed to implement sound governance principles which meet the highest standards of independence, oversight and transparency and thereby maintain present and potential investors' confidence. Towards achieving this commitment, the Company has put a mechanism in place to follow up and improve corporate governance. The Corporate Governance Report highlights key elements of the corporate governance system designed and implemented, and was effective for the reporting period from 1 January 2011 to 31 December 2011.

2. Board of Directors

The Board of Directors provides overall direction to Milaha and has the responsibility of oversight of the management and promotion of strategic and business objectives of Milaha. The Board is vested with all the powers necessary for overseeing the management and administration of all business operations of the Company.

2.1 Board composition

The Company's Board of Directors consists of eleven members and the duration of each membership is three years. A Board member may be elected more than once based on the Company's Articles of Association and Article (94) of the Commercial Companies Law No. (5) for the year 2002 and its subsequent amendments which are in force. The current Board of Directors was constituted in March 2010 and will be extended for three years whereupon an election will be held to elect new Board members.

The table below includes the current Board members:

NO.	Name	Function	Status	Representative
1	Sheikh Ali bin Jassim bin Mohammad Al Thani	Chairman	Managing Director - Executive	
2	Mr. Salem bin Butti Al-Naimi	Vice Chairman		
3	Sheikh Jassim bin Hamad bin Jassim Al Thani	Member		
4	Mr. Hetmi Ali Al-Hetmi	Member		
5	Mr. Adil Ali bin Ali	Member		Ali bin Ali Organization
6	Mr. Sulaiman Haidar Sulaiman	Member		
7	Mr. Ali Ahmad Al Kuwari	Member		
8	Mr. Saad Mohammad Al-Rumaihi	Member		
9	Dr. Mazen Jassim Jaidah	Member		
10	Mr. Hamad Mohamed Al-Mana	Member		
11	Mr. Ali Hussain Al-Sada	Member		

2.2 Powers of the Board

The Board of Directors enjoys the wide powers necessary to carry out the duties and responsibilities necessary to achieve the objectives of the Company. As required by the Commercial Companies Law and the Articles of Association of the Company, the Board of Directors always invites the shareholders for the Ordinary General Assembly or Extraordinary General Assembly to obtain their approval to implement initiatives which are outside the scope of the powers vested in the Board of Directors.

The Chairman of the Board executes his responsibilities separately from the responsibilities of the Chief Executive Officer who is usually appointed by the Board of Directors.

2.3 Board Meetings

The Board of Directors holds periodical meetings according to a schedule adopted by the Board. Such meetings must be held at least six times per annum according to the Articles of Association of the Company and as per Article (103) of the Commercial Companies Law.

The Board of Directors meetings are called by invitation from the Chairman, or the Vice Chairman in case of the absence of the Chairman. It is also possible to call a Board meeting at the request of at least two Board members.

Invitations are sent seven days prior to the date and time of the meeting. The agenda of the meeting

with details of the items to be discussed are also sent along with the invitations.

The Board met 6 times during the fiscal year ended 31st December 2011.

2.4 Board Committees

The Board of Directors, in order to facilitate and assist in fulfilling the Board's duties and responsibilities, has established three committees as follows:

1. Executive Committee
2. Audit Committee
3. Incentive and Remuneration Committee

The following tables reflect the constitution of these committees and briefly describes the functions of these committees:

2.4.1 Executive Committee

The Executive Committee was formed in March 2009 by the Board of Directors. One of its most important duties is to oversee and approve strategic investments, financing and purchasing options of significant value to safeguard the company from any future risks. Values of these projects are out of the limits of authority of the Chairman and the Chief Executive Officer.

No.	Name	Role
1	Sheikh Ali bin Jassim bin Mohammad Al Thani	Chairman of the Board –Chairman of the Executive Committee
2	Sheikh Jassim bin Hamad bin Jassim Al Thani	Board member –member of the Executive Committee
3	Mr. Adel Ali bin Ali	Board member –member of the Executive Committee
4	Mr. Hetmi Ali Al-Hetmi	Board member –member of the Executive Committee
5	Mr. Ali Ahmad Al-Kuwari	Board member –member of the Executive Committee

2.4.2 Audit Committee

The Audit Committee was initially formed in 2003 and it was reconstituted in March 2009 by the Board of Directors. The duties of this committee are to assist the Board of Directors in its supervisory responsibility through reviewing the financial information which is submitted to the shareholders and other stakeholders. The duties also include review and follow up on internal audit findings and the management observations of the internal and external auditors. This committee also ensures implementation of the policies of the Board of Directors and compliance with the relevant laws and regulations, evaluates the adequacy and effectiveness of financial and operational internal control systems, and submits periodical reports to the Board of Directors on its findings.

No.	Name	Role
1	Mr. Sulaiman Haidar 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

2.4.3 Incentive and Remuneration Committee

The Incentive and Remuneration Committee was formed in September 2010 by the Board of Directors and its duties are to establish the remuneration policy for the Board members and bonus policy for the company's employees and ensure proper execution of such policies.

The annual bonus for Executive Management is determined based on the profit realized at the end of the financial year.

No.	Name	Role
1	Mr. Adel Ali bin Ali	Board member and Chairman of Bonus Committee
2	Mr. Sulaiman Haidar Sulaiman	Board member and member of Bonus Committee
3	Mr. Ali Hussain Al-Sada	Board member and member of Bonus Committee

2.5 Board remuneration

Board members' remuneration is determined as per Article (41) of the company's Articles of Association and Article (118) of the Commercial Companies Law. Moreover, the Incentive and Remuneration Committee also decides on the cash allowance for any Board member who is assigned any administrative responsibilities within the Company.

2.6 Board Secretary

The Board has appointed a Secretary to the Board and assigned him under the direct supervision of the Chairman to prepare the relevant information on the agenda of the Board meetings. He has been assigned the responsibility to take the minutes of the meetings and distribute them to the Board members. The Board-endorsed decisions are then communicated to the relevant department heads. A follow up report on such decisions is then presented to the Board members in subsequent meetings to review and ensure implementation of all such decisions issued by the Board or indicate reasons that prevented them from being implemented if it so happens.

3. Internal audit

3.1 Roles and responsibilities of the Internal Audit department

The Internal Audit department is responsible for auditing the company's accounting and other records, systems, procedures and internal controls at the head office as well as elsewhere and reporting their findings periodically to the Audit Committee.

The Internal Audit department is also responsible for monitoring the fixed assets and taking periodical surprise inventory of the stock items at the stores as well as conducting cash counts at various locations. This is to ensure existence of these assets and their proper recording. It is also intended to prevent misuse of the company's assets. The Internal Audit department ensures that the company's operating cycle follows the policies and procedures laid down, and incorporates a robust system of internal control within each process in the operating cycle. This function enhances the accuracy and efficiency of the various business units.

It is also the responsibility of the Internal Audit department to ascertain compliance with applicable legal and regulatory requirements in Qatar and the obligations resulting from agreements signed / committed by the company. The objective is to

ensure that the company adheres to best commercial practices.

The Internal Audit department is also responsible for evaluating the design and efficiency of the IT systems before they are implemented.

3.2 Audit Plan

At the start of a financial year, the Internal Audit Manager prepares the Audit Plan and the Audit Program for the financial year, which is presented to and approved by the Audit Committee.

The Audit Plan and Program covers the entire company with its different business segments. No business activity is exempted from Internal Audit review. The internal auditors have complete freedom without exception to examine any documents or records that they feel necessary in order to execute their responsibilities.

The Internal Audit department executes the Audit Plan and Programs approved by the Audit Committee and submits periodical reports including their observations and recommendations to the Audit Committee.

4. External audit

The external auditors are appointed by the General Assembly upon recommendation of the Board of Directors. During the General Assembly meeting held on 6th April 2011, the shareholders appointed M/s Ernst and Young as the external auditors for the financial year 2011. M/s Ernst & Young are certified accountants and are independent of the company and the Board of Directors.

The company ensures that there is no conflict of interest between the company and the external auditors before they are appointed. If such a condition is known to exist after an appointment then the external auditor is replaced. The external auditors or any of their employees cannot be a member of the Board of Directors or occupy any position within the company.

The external auditors carry out independent audit of the annual financial statements and a semi-annual review of the half yearly financial statements which are prepared in accordance with the requirements of International Financial Reporting Standards. All the financial reports are published in English and Arabic newspapers and are also uploaded to the Company's website and QE website for providing access to shareholders and the public at large.

The external auditor has the right to examine any records, registers or documents of the Company or ask for any information that external auditor considers necessary in order to perform his duties as an auditor.

The external auditors also attend meetings with the Audit Committee and the Board of Directors and are also present at the General Assembly Meeting and respond to queries raised by the shareholders on the financial statements.

5. Disclosures

Significant events are disclosed in the stock exchange as well as in the media as per the requirements of the authorities and the company's Articles of Association. The summary of the financial statements are sent to the shareholders prior to holding the General Assembly Meeting. Annual Reports are distributed to the shareholders at the General Assembly Meeting which include all the necessary information about the company's activities and the financial statements which are in compliance with International Financial Reporting Standards (IFRS), IAS & ISA.

6. Shareholders

Shareholders enjoy all the rights vested in them according to the Commercial Companies Law No 5 of the year 2002 and the company's Articles of Association which emphasise the rights of shareholders to attend the General Assembly Meetings to discuss matters on the agenda and direct questions to the Board members and auditors. The Board members must respond to all the questions raised by the shareholders to the extent that they will not put the company interests in jeopardy.

Shareholders may also use their voting rights in the General Assembly Meetings by either voting personally or by delegating their rights to another shareholder who will act as a proxy on their behalf.

The Annual General Assembly Meeting is held in accordance with Article (49) of the Articles of Association of the Company and the requirements of the Commercial Companies Law. Prior notification of this meeting is sent to the shareholders, Qatar Exchange and the Qatar Financial Markets Authority. The notice is also published in the local newspapers.

As stated previously, sufficient copies of the Annual Report are provided at the meeting to the shareholders in order to enable them to discuss the contents of the report with the Board of Directors.

7. Investor relations

The Company maintains transparent and close communication with the shareholders through communication channels which are open and transparent and all relevant data is published to the shareholders and related parties in a regular manner through Qatar Exchange, the company's website www.milaha.com and the media.

8. Strategic restructuring

Subsequent to the acquisition of Qatar Shipping and Halul Offshore services in 2010 the company has initiated a comprehensive effort to review the Group's operations and redefine the long term strategy.

The objective of carrying out this exercise is to capitalise on the strengths and focus on growth and achieving operational effectiveness and efficiency.

The strategic restructuring exercise has been identified as Project Mustaqbal (meaning "future" in Arabic) and the scope of which includes redefining the vision, mission, long term strategies, governance frameworks, organisation structures, brands, business process, IT systems and personnel management, outsourcing strategies and benchmarking against best industry practices.

9. Compliance with legal and regulatory requirements

The Company has not been subject to any significant fines or penalties by any regulatory authorities for non-compliance with laws and regulations during the reporting period that would impair the shareholder value.

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

Khalifa bin Ali Al-Hetmi
Chief Executive Officer