



Governance Report 2012





## **Governance Report for the year ended 31st December 2012**

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 2012. 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 (the Company) was incorporated on 5th July 1957 as a Qatari Shareholding Company and its shares are publicly traded at 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 equipment, 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 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 total issued and fully paid capital of the Company is Qatari Riyals 1,145,250,000 (which is equal to 114,525,000 shares).

The total number of the Company employees is 3300 at present.

## 1. Preface

Corporate governance at 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.

## 2. Compliance with governance principles

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 1st January 2012 to 31st December 2012.

## 3. Board of Directors

During the year, the Board of Directors approved the Governance Charter of the Company including the Charter of the Board, which were prepared according to the provisions of Article no. (4) of Corporate Governance System 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 Board composition

The Company's Board of Directors consists of eleven members, and the duration of each membership is three years. Election of the Board members may occur as per the Articles of Association of the Company and Article (94) of the Qatari 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 April 2012 for a period of three years with a stipulation of new elections thereafter.

The table below includes the current Board members:

No.	Name	Function	Status	Representations in other companies
1	Sheikh Ali bin Jassim bin Mohammad Al-Thani	Chairman and Managing Director	Managing Director – Executive	
2	Sheikh Khaled bin Khalifa Al-Thani	Vice Chairman	Non-executive	Qatar Petroleum
3	Sheikh Jassim bin Hamad bin Jassim Al-Thani	Member	Non-executive	
4	Mr. Hetmi Ali Al-Hetmi	Member	Non-executive	
5	Mr. Adil Ali Bin Ali	Member	Non-executive	Ali Bin Ali Organization
6	Mr. Sulaiman Haider Sulaiman	Member	Non-executive	
7	Mr. Ali Ahmad Al Kuwari	Member	Independent	
8	Mr. Saad Mohammad Al-Rumaihi	Member	Independent	
9	Dr. Mazen Jassim Jaidah	Member	Independent	
10	Mr. Hamad Mohamed Al-Mana	Member	Independent	
11	Mr. Ali Hussain Al-Sada	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 enjoys the wide powers necessary to carry out the duties and responsibilities necessary to achieve the objectives of the Company. The Board of Directors always 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 separately from the responsibilities of the President and CEO who is usually appointed by the Board of Directors. The organization structure of the Company reflects on the nature of responsibilities of both positions on their own.

### Duties of the 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 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 in 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. (103) of the Qatari 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 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 31st December 2012.

### 3.4 The Board committees

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

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

The following tables reflect the constitution of these committees and briefly describes their assigned duties:

#### 3.4.1 Executive Committee

This committee was formed in March 2009 by the Chairman, and 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. These are to protect the Company if the vested authority is beyond the limit of the President and CEO.

No.	Name	Role
1	Sheikh Ali bin Jassim bin Mohammad Al-Thani	Chairman and Managing Director-Chairman of the Executive Committee
2	Sheikh Jassim bin Hamad bin Jassim Al-Thani	Board member – member of the Executive Committee
3	Mr. Adil 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

#### 3.4.2 Audit Committee

This committee was initially formed in 2003, and then was reformed 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 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.

No.	Name	Role
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 Moahammad Al-Mana	Board member – member of Audit Committee

### 3.4.3 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 the Company employees, and ensure proper adherence to these policies.

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

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

### 3.4.4 Projects Evaluation Committee

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

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

### 3.5 Board remuneration

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

### 3.6 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, and distributing them to the Board. After the Board's approval, distribute them to the relevant departments. The Secretary is also 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.

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

The Company approves the following policy in its dealings to prevent conflict of interests and dealing with 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 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, Bonus, 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 realisation of the responsibilities in full.

**5.3** The Board members are responsible for their total realisation 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 acquainted all the time 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 Board members, 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 Chair 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, 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 the Nomination Committee includes 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 Qatar Central Bank or any other authority.

## 7. Internal audit

### 7.1 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/ committee by the Company. The objective is to ensure that the Company adheres to best 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

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 Company and all its business segments. No business activity is exempted from the scrutiny of internal audit. The internal auditors have 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 Plan and Program approved by the Audit Committee, and to submit periodic reports including their observations and recommendations to the Audit Committee.

## 8. External audit

The external auditors are appointed by the Company by the General Assembly upon recommendation of the Board of Directors. During the General Assembly meeting held on 15th April 2012, the shareholders appointed M/s 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 auditors will be replaced. The external auditors or any of their staff may not be a member in the Board or occupy any position in the Company.

The external auditors carry out independent audit of the annual financial statements and a semi-annual 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 uploaded to the Company's website, and Qatar Exchange 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.

## 9. Disclosures

The Company's significant 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 prior to holding the General Assembly meeting. The annual reports should be distributed to the shareholders at the General Assembly meeting which include all the necessary information about 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 31/12/2012:

- Number of shares held by the Board members : (14,522,316)
- Number of shares held by Executive officials : (4,868)
- Number of shares held by major shareholders : (14,553,019)

## 10. Records of property

**10.1** The Company keeps up-to-date and accurate records of its shares according to the information 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 No. 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 to 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 Executive Management 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 Executive Management 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 Executive Management 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 behaviour 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 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 external auditors, and the Board should respond to the questions raised by the shareholders and their inquiries to the extent not prejudicing the Company's interest.

Shareholders may use the right of voting in the General Assembly meeting through personal attendance or by delegating another shareholder to vote for them.

The annual General Assembly meeting of shareholders should be held as per Article (49) of the Company's Articles of Association and the provisions of Commercial Companies Law, and the shareholders are notified about this meeting with sufficient time. The notification is to be sent to the shareholders, Qatar Exchange, Qatar Financial Market Authority, and is published in the local newspapers, and copies of the Annual Report and the financial statements are available 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 communication channels with them. Information is provided to 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](http://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. Strategic restructure

After acquiring Qatar Shipping Company and Halul Offshore Services, the Company embarked on a restructuring exercise as a group to redefine its long term strategy. This necessitated the purpose of restructuring in order to strengthen its core businesses, achieve more effective operational efficiency as well as increase the shareholders' value. The strategic restructuring process was called Project Mustaqbal (future) so that the scope of the project may include redefinition of vision, mission, long term strategies, governance systems, organizational structures, information technology systems, the strategy of requesting external services and measurement in return for the best industrial practices.

Some segments of the Company began to use the new organizational structure starting from January 2013.

## 18. 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



