



ANNUAL CORPORATE GOVERNANCE REPORT 2019

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Annual Corporate Governance Report for the year 2019

1. Introduction

Qatar Insurance Company Q.S.P.C. ("QIC" or the "Company") was established in 1964 with the participation of the Government of Qatar together with few strategic corporate and individual investors who instigated a governance culture from its inception. The introduced practices positively impacted the Company's relationship with shareholders and regulatory bodies that protect stakeholders' interests.

The culture reflected positively on the performance of the Company and its growth, transforming it into one of the largest Qatari Companies as well as an insurance leader in the Middle East and North Africa region.

The Company's shares were first listed on the Doha Securities Market (currently, Qatar Stock Exchange) in 1997. Over the years, the Company has expanded its global footprint through various lines of business, investments, strategic acquisitions and establishment of new subsidiaries. The Company and its subsidiaries are collectively referred to as the "Group".

The governance and internal control system, which comprises the constitutional documents, policies, organizational structure and any subsequent amendments demonstrate that the Group has adopted the requirements and principles of good

governance thereby achieving the objectives of the Qatar Financial Markets Authority ("QFMA") Governance Code the "Governance Code" and international governance best practices.

The Group's adherence to the Governance Code is outlined below.

2. Statement Of Commitment

The Board of Directors ensure that the governance structure actively identifies, responds to and communicates those material issues that have an impact on the Group's ability to create value. The Board acknowledges its responsibility to ensure the integrity of the annual governance reporting process and believes that this report addresses all material issues appropriately and fairly.

The Board is committed to the highest standards of business integrity, ethical values and governance. It recognizes the Group's responsibility to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability while safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good governance, on the one hand and risk management practices for the achievement of the Group's strategic objectives and performance, on the other. The Group subscribes to a governance system where, in particular, ethics and integrity set the standards for compliance. It continuously reviews and modifies its structures and processes to facilitate effective leadership, sustainability and corporate citizenship in order to

support the Group strategy and reflect national and international corporate governance standards, developments and best practices in all the territories it operates in.

The Board promotes and supports high standards of corporate governance and endorses the principles of the Governance Code. QIC also complies with the requirements for good corporate governance as prescribed by its home regulator, the Qatar Central Bank (QCB), as well as the provisions of Law No. 11 of 2015, the Commercial Company law, in the State of Qatar and other applicable regulations.

The Board is committed to the implementation of the Governance Code or an appropriate local equivalent (for its international subsidiaries) throughout the Group. With regard to the year under review, the Board believe that the principles of the Governance Code are embedded in the corporate culture, internal controls, policies and procedures governing corporate conduct within the Group. The Board's commitment will continue to strengthen the principles and spirit envisioned in the Governance Code in its Qatar operations, as well as Group operations outside Qatar, to the extent that is applicable and appropriate.

3. Application of and Approach to the 2017 Corporate Governance Code

The Board is satisfied that, during 2019, every effort was made to apply or explain all aspects of the Governance Code as appropriate and to ensure adherence to the governance requirements on an ongoing basis.

The Group regularly assessed its compliance levels to ensure that all areas requiring improvement were appropriately identified and addressed.

During the reporting period the following compliance initiatives were undertaken:

- Ongoing compliance with and improvements to the corporate governance framework, including review and approval of internal policies and procedures as applicable.
- QIC's Articles of Association were updated and accordingly approved at the Extraordinary General Meeting in February 2019.
- Revision and approval of QIC's risk appetite statement.
- The QIC Board assessed its performance. In 2019, this evaluation was extended to all the Board Committees as well.

4. Governance Structure

QIC has implemented an internal governance structure with defined roles and responsibilities for every constituent of the system. The Company's shareholders appoint the Board of Directors, who in turn govern the Company. The Board has established committees to discharge its responsibilities in an effective manner. The Chairman and Managing Director provides overall direction and guidance

to the Board. In 2019, the Board was assisted by various Board Committees, namely the:

- Audit Committee
- Risk Management & Compliance Committee
- Nomination & Remuneration Committee
- Investment Committee
- Business Strategy Committee

Apart from the Board Committees the Company also has several management committees, each responsible for a critical function. The internal control functions consist of Compliance, Risk Management, Actuarial, Governance & Internal Controls and Internal Audit. These functions are an important part of the overall governance structure. The role and responsibilities of the Board, its committees, the management committees and each of the internal control functions are set out subsequently in this report.

5. Board of Directors

5.1 Board Charter

The Board Charter embraces the Governance Code, which contains corporate governance principles and recommendations. The existing Board Charter was developed to ensure that it is modelled and aligned with principles of sound corporate governance, as recommended by the Governance Code. The powers of the Board include:

determining QIC's overall objectives; developing strategies to meet those objectives in conjunction with management; formulating a clear and concise governance policy to which QIC shall adhere; delegation and segregation of the Board's responsibilities and accountability; and evaluating the performance of the Board, its committees and individual Directors. The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Committees' Terms of Reference

The Board Committee Charters, which describe the terms of reference of the committees, were approved by the Board and incorporate the principles and the recommendations of the Governance Code.

5.2 Board Composition

Members of the Board of Directors are elected in the General Assembly of Shareholders in accordance with the rules and conditions set forth in the Commercial Companies Law and the Articles of Association of the Company. A Board Member is mandated to hold a minimum of 2,000,000 (two million) shares in the Company.

Article 97 of the Commercial Companies Law and Article 6 of the Governance Code states that one-third of the Members of the Board of Directors can be Independent Members with the necessary expertise and are exempted from the condition of owning shares.

In accordance with Article 2 of the

Governance Code, the Group seeks to justify the provisions of the above article, which it was unable to comply with during 2019 as the current Board of Directors were elected for a period of 3 years from 2017 to 2019 in the Annual General Meeting (AGM) of the Company held on 19 February 2017. Compliance to it shall be addressed

with consideration of appointment of independent members to the Board in the next elections held in 2020.

The Company's Board Members, who are all Qataris, have several years of varied experience in financial and macro-economic segments of the economy. Particulars of the Board members, including their capacities, are set out below:

No.	Name of Board member	Representing	No. of shares owned*	% of capital	Profile & Membership on other Boards	Category
1.	Sheikh Khalid Bin Mohammed Bin Ali Al Thani <i>Chairman & Managing Director</i>	Self	75,871,200	2.32%	Businessman and former Minister.	Non-independent Non-Executive
2.	Mr. Abdullah Bin Khalifa Al Attiya <i>Deputy Chairman</i>	Self	30,576,950	0.94%	Businessman and Minister of State, holds a BA in Political Science from the United States; Chairman of the Board of Directors of Gulf Publishing & Printing Company; Chairman of the Board of Directors of Contraco Contracting Company.	Non-independent Non-Executive
3.	Mr. Hussain Ibrahim Al Fardan <i>Member</i>	Self	15,600,500	0.48%	Businessman, Chairman of Al Fardan Group; Managing Director of Commercial Bank; and a founding member and board member of Investcorp Bank in Bahrain, Deputy Chairman of the Gulf Publishing and Printing Company, Deputy Chairman of the Qatari Businessmen Association.	Non-independent Non-Executive

No.	Name of Board member	Representing	No. of shares owned*	% of capital	Profile & Membership on other Boards	Category
4.	Mr. Jassim Mohammed Jaidah <i>Member</i>	Jaidah Motors & Trading Company	25,300,000	0.77%	Businessman, Chairman of the Board of Directors of Jaidah Group.	Non-Independent Non-Executive
5.	Sheikh Hamad Bin Faisal Bin Thani Jasim Al Thani <i>Member</i>	Self	21,445,370	0.66%	BA in Political Science from the United States; Chairman of the Board and Managing Director of Al Khaliji Bank and a former Minister of Economy and Trade; Deputy Chairman of Qatari Investors Group; Board member of the Qatari Businessmen Association	Non-Independent Non-Executive
6.	Mr. Khalaf Ahmed Al Mannai <i>Member</i>	Government of State of Qatar	322,341,490 Civil Service Retirement Fund 127,793,589 Military Retirement Fund	9.87% 3.91%	Under Secretary of the Ministry of Finance; a member of the Board of Directors of QLM Life & Medical Insurance Company and Commercial Bank.	Non-Independent Non-Executive
7.	Sheikh Jassim Bin Hamad Bin Jassim Jabor Al Thani <i>Member</i>	Mirqab Capital Company	51,662,200	1.58%	Chairman of the Board of Directors of Qatar Islamic Bank, Damaan Islamic Insurance Company (BEEMA) and Qatar Navigation Company	Non-Independent Non-Executive
8.	Sheikh Saoud Bin Khalid Bin Hamad Al Thani <i>Member</i>	Self	2,000,000	0.06%	Businessman and former Minister; Chairman of the Board of Directors of QLM Life & Medical Insurance Company; Board member of Qatar Electricity & Water Company, and Woqood Company.	Non-independent Non-Executive

No.	Name of Board member	Representing	No. of shares owned*	% of capital	Profile & Membership on other Boards	Category
9.	Sheikh Faisal Bin Thani Bin Faisal Al Thani <i>Member</i>	Broog Trading Company	175,418,260	5.37%	BA in Business Administration from Marymount, USA. Executive MBA from HEC Paris, Doha-Qatar, 2016. Served as Chairman of the Board of Directors of Qatar Finance and Business Academy. Deputy Director of Investment Management at Qatar Central Bank. Currently Head of the Regional Investment Portfolio at Qatar Investment Authority, Chairman of the Board of Qatar First Bank, Qatar Mining Company, and a member of the Board of Directors of Al Ahli Bank, and Qatari Diar Real Estate Investment Company	Non-Independent Non-Executive
10.	Sheikh Abdulrahman Bin Saud Bin Fahad Al Thani <i>Member</i>	Self	9,948,373	0.30%	BA in International Relations, MA in International Relations, 1984 International and National Security Diploma, Gonav Kennedy School of Government, Harvard University, 1994; Former Ambassador and Minister of State; Board Member of Qatar National Bank, and Qatar Navigation Company.	Non-independent Non-Executive
11.	Mr. Ali Yousef Hussein Ali Kamal <i>Member</i>	Al Kamal International Group	9,162,700	0.28%	BA in Business Administration and Finance. BA in Arts and Economics 1998, USA. CEO of Al Kamal group of companies. Board Member of Mannai Corporation	Non-independent Non-Executive

* Number of shares owned and percentage of capital as at 31/12/2019.

5.3 Board's functions and responsibilities

The Board of Directors are responsible for the management of the Group. This includes setting goals and strategies necessary to operate the Group and monitoring their implementation by the Executive Management.

These responsibilities of the Board are outlined in the Charter of the Board of Directors.

The Board has delegated certain responsibilities to its Committees that operate within the mandate as entrusted by the Board of Directors as detailed later in this report.

5.4 Duty of trust of the members of the Board of Directors

Each member of the Board of Directors owes a duty of due diligence, care and trust to the Group and adherence to responsibilities as defined in the Charter of the Board of Directors. This also includes the principles of clear information, transparency, good faith, care, trust and efficiency, needed to achieve the Company's interest and that of the Shareholders.

5.5 Duties of the Chairman of the Board

The Chairman of the Board is responsible for the proper functioning of the Board. He ensures that discussion on all key issues is efficient and timely, as well as fulfilling his responsibilities and powers set forth in the Commercial Companies

Law and as per Governance Code. The Chairman of the Board does not participate in the membership of any of the committees.

The Chairmanship of the Board and the Chief Executive Officer of the Group are separate functions held by different individuals.

5.6 Duties of the Managing Director

- To act as a link between the Board of Directors and Executive Management to implement the objectives set by the Board of Directors and to ensure that they are efficiently achieved.
- To discuss and review the strategies and the long term plans of the Group presented by the Executive Management and give guidance that enables the Group to meet the challenges of the market.
- To ensure that the overall business strategies are aligned with the Group objectives and targets as set by the Board of Directors.
- To approve/make recommendations to the Board of Directors for investments, restructuring, refinancing and other strategic initiatives.
- To consider the recommendations of the various Committees established by the Group.

As Managing Director, the Chairman does not discharge any executive functions but links the Board of Directors and the

Executive Management to communicate the targets set and ensure their proper implementation.

5.7 Other duties of the Board of Directors

- The Board of Directors shall ensure access to information, documents and records relating to the Group and shall ensure that the Executive Management provides the Board and its Committees with all the required documents and information.
- The Board of Directors shall ensure that the Board invites members of its various committees and internal auditors and representatives of the external auditors to attend meetings of the General Assembly of the Group.
- The Board shall ensure that procedures are laid down to orient newly appointed Board members to ensure that they have a proper understanding of the functioning of the Group, its operations and its financial and legal aspects.
- Members of the Board of Directors are responsible for having a good understanding of their role and duties and to educate themselves in matters concerning the Group.
- The Board of Directors shall ensure that it always keeps its members up to date on developments in the field of corporate governance and best practices.
- The Board shall ensure that the members are aware of the statutes

of the Group and develop clear procedures for the dismissal of members of the Board in case of frequent absence from the Board meetings.

5.8 Board Meetings

In terms of applicable provisions of Commercial Companies Law and the Governance Code, the Board shall meet at least six times in a year. During 2019, the Board held six (6) meetings as enumerated below. The Board meeting shall be deemed valid if attended by the majority of the members provided that either the Chairman or the Vice-Chairman attends the meeting.

According to the Commercial Companies Law and the Articles of Association (AOA) of the Company, if a Member of the Board fails to attend three consecutive meetings or four non-consecutive meetings without an acceptable reason, he is considered to have resigned.

Article 43 of the revised AOA of the Company states that the Board of Directors will meet at the invitation of its Chairman and the Chairman shall convene a meeting of the Board at the request of two of its members.

All meetings for the current year were at the invitation of the Chairman of the Board. A letter of invitation, along with the agenda of the meeting, was sent to all Board members a week in advance. This allows any member of the Board to add any other item on the agenda.

Meetings held during the year:

Meeting	Date	Members in attendance (personally or by proxy)
1	3 February 2019	11
2	28 April 2019	11
3	26 May 2019	11
4	30 July 2019	11
5	28 October 2019	10
6	10 December 2019	11

5.9 The Secretary of the Board

The Secretary of the Board is Mr. Ali Derbala, a graduate in Law (1970) from the University of Alexandria, Egypt. He joined QIC in November 1987 and was appointed as Board Secretary in 1988. Prior to joining QIC, he worked for Misr Insurance Company and also worked as a lawyer under the Egyptian Bar Association. He is also a registered lawyer with the Egyptian Court of Cassation since 1986.

The Secretary of the Board maintains all documents of Board meetings and the reports submitted and presented to the Board. The Secretary ensures the delivery and distribution of information relating to the Company as requested by members of the Board. The Secretary arranges to provide clarifications to

all queries raised by the members and provides advice to them as required. He coordinates between the Board and other stakeholders, including the Group's shareholders, management and staff.

5.10 Committees of the Board

The Board has established permanent standing committees with specific responsibilities, which are defined in their respective Terms of Reference, to assist the Board in discharging its duties and responsibilities. The ultimate responsibility resides at all times with the Board and as such, it does not abdicate this responsibility to the committees.

There is full disclosure, transparency and reporting from these committees to the Board. The chairpersons of the committees attend the AGM and are available to respond to any shareholder questions. The respective committee members are all satisfied that they have fulfilled their responsibilities as set out in their respective Terms of Reference as at 31 December 2019.

In addition to the standing committees, the Board of Directors may form any other committees as and when required to carry out specific tasks or functions.

The Board, in its December 2018 session, approved a new structure of its committees to ensure compliance with the Governance Code and the QCB Executive Insurance regulations.

Effective from 1 January 2019, the new board committees were as follows:

5.10.1 Investment Committee

Committee Members:

Mr. Hussain Ibrahim Al Fardan
Chairman

Mr. Jassim Mohammed Jaidah
Member

Sheikh Hamad Bin Faisal Bin Thani Al Thani
Member

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Member

Sheikh Faisal Bin Thani Bin Faisal Al Thani
Member

Mr. Ali Yousef Hussein Kamal
Member

Attendees by invitation:

Senior Deputy Group President & CEO

Deputy Group President & CEO

Group CEO – International

Meetings held during the year:

Meeting	Date	Members in attendance (personally or by proxy)
1	19 March 2019	4
2	28 May 2019	5
3	18 September 2019	5
4	8 December 2019	4

The Investment Committee of the Board performs the following functions:

- Frames the Investment Policy of the Group in accordance with its mandate from the Board to develop an investment strategy for its dealings in the financial markets.
- Sets limits to the powers of management in respect of investment activities and takes the necessary decisions if these limits are exceeded.
- Monitors the management of portfolio securities of the Group in order to achieve the best possible returns.
- Discusses potential investment initiatives in respect of surplus funds and makes recommendations to the Board on the potential opportunities for investment partnerships.
- Reports to the Board about the activities of the Committee and makes recommendations on issues that need the approval of the Board.

Activities during the year:

- The Committee approved a proposal to commence investments under alternate investment funds and leveraged deposits in order to offset the volatility of the current portfolio.
- The Committee discussed and approved the proposal to revise the existing asset portfolio allocation limits to take advantage of current market conditions of the various asset classes the Group invests in.

- 3) The Committee reviewed the cash deposit yields of the Group and revised the duration and limits of funds that the Group can place into cash deposits.
- 4) The Committee reviewed periodical investment performance reports during their meetings. These reports were prepared by the Investment Management function.
- 5) The Committee discussed the proposal for the transfer of the existing investment business from Qatar Economic Advisors to the newly incorporated subsidiary Epicure Investment Management, which is registered under the Qatar Financial Center Regulatory Authority.
- 6) The Committee approved the proposal to acquire an investment property in U.K.
- 7) The Committee approved the proposal to initiate the sale of the QIC Gardens Villa Compound.

5.10.2 Business Strategy Committee

Committee members:

Mr. Khalaf Ahmed Al Mannai
Chairman

Mr. Hussain Ibrahim Al Fardan
Member

Mr. Abdullah Bin Khalifa Al Attiya
Member

Attendees by invitation:

Group CEO - International

Meetings held during the year:

Meeting	Date	Members in attendance (personally or by proxy)
1	4 December 2019	2

The Committee performs the following functions:

- 1) Ensures that the vision of the Board is translated into objectives, strategies and action plans and implementation thereof.
- 2) Approves the short to medium term strategy and budget for the Group based on findings made as per the analysis of market share, competitive information, development opportunities, across the globe and more specifically to the markets in which the Group operates.
- 3) Ensures that the business plans are communicated to the Management, in timely fashion, to the extent relevant for them and monitors their execution/implementation of the same.
- 4) Authorizes and agrees risks, benefits and expenses exceeding the authority limits of the Group CEO or those that need specific approval of the Committee.
- 5) Oversees the Group's commitment to its social and environmental responsibilities.
- 6) Reports to the Board on its activities, observations and recommendations.

Activities during the year:

- 1) The Committee approved rescheduling the loan to Markerstudy, which will be repaid in full including interest by 30 April 2020.
- 2) The Committee approved the budget for the year 2020.
- 3) The Committee reviewed the effect on the technical reserves from the changes in Ogden rates in the U.K. and its impact on the overall profitability of the Group.
- 4) The Committee reviewed and approved the proposed changes to the organisation structure of the Group, and presented the same to the Board for ratification.

5.10.3 Audit Committee

Committee members:

Sheikh Saoud Bin Khalid Bin Hamad Al Thani
Chairman

Mr. Khalaf Ahmed Al Mannai
Member

Mr. Jassim Mohammed Jaidah
Member

Sheikh Faisal Bin Thani Bin Faisal Al Thani
Member

Meetings held during the year:

Meeting	Date	Members in attendance (personally or by proxy)
1	31 January 2019	2
2	22 May 2019	3
3	5 September 2019	3

Meeting	Date	Members in attendance (personally or by proxy)
4	27 October 2019	3
5	28 November 2019	3
6	11 December 2019	3

The Audit Committee is committed to undertake the following tasks:

- i. Make necessary recommendations to the Board on the appointment of external auditors; discuss their reports and comments and take necessary action.
- ii. Appointment of internal auditors, approve internal audit plans and strategies, discuss periodic reports and issue necessary guidance and directions.
- iii. Review the effectiveness of the Internal Audit function, including compliance with best practices and international audit standards.
- iv. Submit its report to the Board on internal audits conducted during the year and submit its opinion on the matters reviewed.

Activities during the year:

- 1) The Committee considered and approved the Internal audit reports and the observations presented by the Internal Audit Department. However, given the size and nature of the operations these observations did not represent any significant weaknesses in the internal control systems.

2) The Committee Activity Report for the year 2018 and 2019 as reviewed by the Committee was agreed for presentation before the Board.

3) Draft Audited Financial Statements along with the external auditor's report for the year 2018 were reviewed by the Committee and agreed for presentation before the Board.

4) Internal Control Reports on the assessment of Internal Controls for the year 2018 and 2019 were presented by the Internal Audit department. and were considered and accepted by the Committee.

5) The 2019 Budget for the Internal Audit Department was considered and approved by the Committee.

6) Re-appointment of Ernst & Young as external auditors for 2020 was considered by the Committee and agreed for presentation before the Board.

7) The Internal Audit Plan for 2020 was considered and approved by the Committee.

5.10.4 Nomination and Remuneration Committee

Committee members:

Mr. Abdullah Bin Khalifa Al Attiya
Chairman

Mr. Hussain Ibrahim Al Fardan
Member

Mr. Khalaf Ahmed Al Mannai
Member

Attendees by invitation:

Group President and CEO

Meetings held during the year:

Meeting	Date	Members in attendance (personally or by proxy)
1	4 December 2019	2

The Committee undertakes the following tasks:

- 1) Identification and nomination of new Board member candidates that demonstrate the ability and oversight to make sound decisions on behalf of the Group and its shareholders and submit the list of Board membership candidates to the Board, including its recommendations.
- 2) Facilitation of the evaluation of the performance of the Board members and development of a succession plan for managing the Group to ensure that suitable alternatives are available on a timely basis.
- 3) Approval of the organizational structure of the Group, any changes to it, and all matters related to the changes in compensation of management and employees.
- 4) Approval of the policy for granting bonuses and incentives to Executive Management and employees in line with the performance assessments and results, as deemed appropriate by the Board,

5) Development of rules for bonus and allowances of the members of the Board, as well as recommendations for the board membership at the end of the year, in line with the provisions of the Commercial Companies Law (Article 119), the amended articles of association (Article 60) and Qatar Central Bank Executive Insurance Instructions.

6) Reporting to the Board on its activities, observations and recommendations.

Activities during the year:

- 1) In view of the expected results for 2019, the Committee has set the remuneration and incentives for employees at (5.5%) of the net profit for the year (same as the previous year) and proposed the Board of Directors remuneration for the year 2019 in accordance with applicable regulations.
- 2) Approved and recommended for Board approval the Group Remuneration policy.
- 3) Conducted the annual performance assessment of the Board and its committees.
- 4) Initiated the process to receive candidacies for membership to the Board of Directors for the period 2020-2022.

5.10.5 Risk Management and Compliance Committee

Committee members:

Sheikh Hamad Bin Faisal Bin Thani Al Thani
Chairman

Sheikh Faisal Bin Thani Bin Faisal Al Thani
Member

Mr. Ali Youssef Hussain Kamal
Member

Attendees by invitation:

Group Chief Risk Officer

Meetings held during the year:

Meeting	Date	Members in attendance (personally or by proxy)
1	28 October 2019	2
2	10 December 2019	2

The Risk Management and Compliance Committee is committed to undertake the following tasks:

- 1) Approve the risk management framework and discuss periodic reports in accordance with the established framework. To review and approve risk appetite and tolerance limits in line with the business profile.
- 2) Ensure that a structure is in place for the identification, assessment, evaluation, monitoring and reporting of various risks and monitors the key risks and controls to effectively manage such risks.
- 3) Reviews the compliance and Anti Money Laundering ("AML") policies to ensure that there is an effective mechanism for monitoring, reporting and adhering to the regulatory requirements. Reviews the related

monitoring reports detailing non-compliances and remedial action put in place.

- 4) Submit its report to the Board on the risk management and compliance activities conducted during the year.

Activities during the year:

- 1) Reviewed and recommended for Board approval the Risk Appetite & Tolerance Statement.
- 2) Reviewed and recommended for Board approval QIC's Own Risk & Solvency Assessment Report (ORSA).
- 3) Approved the Risk Management Plan and the Compliance plan for the entities in the MENA region.
- 4) Reviewed the risk management updates including the risk related reports.
- 5) Reviewed the compliance updates and the compliance activities undertaken during the year.

5.11 Performance assessment of the Board, its Committees and Executive Management

The assessment for the performance of the Board and its committees is conducted by the, Nomination and Remuneration Committee using a self-assessment process that takes into consideration, amongst other things, the attendance and participation levels of a director in the Board and committees' meetings. The Chairman of the Board also meets separately with each director to discuss the performance of the Board

and its committees. Performance of executive management is assessed against the achievement of the Groups objectives.

The assessments performed in December 2019, demonstrated that the Board, its committees and executive management are effective in achieving its objectives.

6. Remuneration of the Board and Executive Management

The remuneration policy of the Group is an integral part of the governance and incentive structure overseen by the Board. The aim is to enhance performance, encourage acceptable risk-taking behaviour and reinforce the Group's risk culture.

The Board, through delegation to the Nomination and Remuneration Committee ("NRC"), is responsible for the oversight of management's implementation of the remuneration system. The NRC reviews and assesses whether the Group's approach to remuneration is in accordance with established processes for risk, capital and liquidity management. The Board reviews the remuneration plans, processes and outcomes on an annual basis.

The Group Remuneration Policy was reviewed and updated to comply with the 2017 QCB circular on "the base and policies of granting bonuses and incentives to all insurance companies" and the Governance Code.

The General Assembly determines the Directors' remuneration based on the recommendations of the Board. The remuneration is determined in light of the results of the activity of the Group and the limits stipulated by the new Commercial Companies Law (Article 119), the articles of association of the Company (Article 60) and the Governance Code.

The total remuneration paid to the Board of Directors was QR 21.5 million for 2018 which includes Board Committee meeting sitting fees of QR 10 thousand for each meeting attended during the year.

The remuneration for executive management has been disclosed under "Related Party Disclosures" in the Group's audited consolidated financial statements which forms part of the annual report for the year 2019.

7. Related Parties

For all dealings with related parties, the Group applies its policy on 'related party transactions', established in accordance with the provisions of applicable legislation, Commercial Companies Law and Corporate Governance, to ensure maximum transparency, fairness and disclosure. For information on the related party transactions, please refer to "Related Party Disclosures" in the Group's audited consolidated financial statements which forms part of the annual report for the year 2019.

8. Risk Management Framework

The risk management framework is designed to assess, control, and monitor

risks from all sources, with the aim of increasing short and long-term value to the stakeholders. The risk management framework involves determining, evaluating and managing the risks faced by the Group as below:

• Insurance risk

The Group manages its insurance risk through the careful formulation and implementation of its underwriting strategy and guidelines, together with ensuring that adequate reinsurance arrangements are in place and that claims handling is proactively carried out. The concentration of the Group's insurance risk exposure is mitigated by the Group's underwriting strategy, which attempts to ensure that the risks underwritten are diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to ensure this diversification.

The Group, in the normal course of business and in order to minimise its financial exposure arising from large claims, enters into reinsurance contracts. These reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the Group's underwriting is reinsured under treaty and facultative reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the terms of the reinsurance contracts.

• Operational risk

When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group does not expect to eliminate all operational risks, but by implementing a rigorous control framework and by monitoring and responding to potential risks, the Group seeks to manage its operational risk.

The Group has detailed systems and procedure manuals designed to achieve effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes. These procedures are backed up by a compliance and internal audit framework.

• Credit Risk

The Group has established a range of credit risk limits (including counterparty, sector and country limits) to manage its exposure within the defined Group credit risk appetite. These limits are monitored periodically by the Board Investment Committee. For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

The Group's exposure to credit risk principally arises from its insurance and reinsurance receivables, its cash and cash equivalents held in bank accounts, its reinsurance contract assets and

its portfolio of available for sale fixed income securities.

• Investment Risk

The Group manages investment risk by quantifying the risks associated with each investment and only investing in accordance with the Group's investment strategy and risk profile. Any proposed investment that is outside established limits must be approved by the Board Investment Committee.

The Group seeks to limit investment risk by maintaining a diversified portfolio of investments and by continuously monitoring developments in international and local equity & bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including the operational and financial performance of its investee companies.

8.1 Governance

The primary objective of the Group's risk management framework is to protect its shareholders from events that could cause the Group to fail in achieving its objectives. The Board approves and monitors the implementation of the Group's risk management strategy and is primarily responsible for the oversight of risk management in the Group. The Group CEO and the Executive Management, acting through the Group Risk Committee and the Risk Committees at its subsidiaries, are responsible for implementing the approved risk management strategy across the Group. Through the Group Risk Committee, the Group aims to:

- align the Group's risk management activities with its overall corporate objectives and policies;
- obtain a consolidated view of Group-wide risks to ensure consistent and acceptable management of risks across the Group;
- ensure that risks are taken within prudent limits;
- ensure that a consistent approach is taken across the Group for identifying, assessing, measuring, mitigating, monitoring and reporting on risks;

The various heads of risk management within the Group's subsidiaries are charged with managing their entity's risk profile, monitoring the progression of risk management and the implementation of risk mitigation strategies.

Group Internal Audit periodically assesses the adequacy and effectiveness of the risk management system and the processes in place for controlling and managing risks across the Group.

8.2 Capital Management

The Group's internal risk management framework identifies the risks to which each of its business units and the Group as a whole are exposed and quantifies the impact of these risks on the Group's economic capital. The internal risk management framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk, based on a number of financial and non-financial stress tests applied to the capital position of the business.

8.3 Regulatory

Regulation applicable to the Group aims to ensure that the rights of the Group's policyholders are fully protected and that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are subject to regulatory requirements within each of the jurisdictions where it operates. These regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (for example, maintenance of a required level of capital adequacy) to ensure that the Group is able to meet its liabilities as they arise.

Compliance and Money-laundering Reporting Officers within each subsidiary also identify and assess compliance and money-laundering risks across their businesses, monitor the implementation of risk management strategies and ensure timely reporting of breaches, corrective action taken and all suspicious transactions.

The Group also has systems and processes in place to ensure that all the regulatory compliance and statutory requirements of the Stock Exchange of Qatar are complied with.

8.4 Enterprise Risk Management

The Group's Enterprise Risk Management function covers risk and capital management as well as exposure monitoring. The Group has adopted a

three lines of defence risk management model which comprises:

- First line - Operational management who is responsible for managing risk through deployment and execution of controls and management oversight;
- Second line - Compliance, risk and actuarial functions, which report on the first line of defence activities from an independent perspective and challenge them; and
- Third line - Internal and external audit, which provide independent assurance.

In addition, the Group has a dedicated risk management committee in each subsidiary, a representative of this committee is also seated on the Group Risk Committee which, in turn, reports to the Risk Management and Compliance Committee of the Board.

The Group's enterprise risk management cycle comprises of:

- Risk identification and assessment. Each risk identified must have an owner responsible for ensuring that the risk is effectively monitored and managed. In addition, the inter-relationship and correlation of risks is also assessed at a Group level through simulation and stress testing;
- Risk measurement;
- Risk management, including through appropriate limits and contingency planning; and
- Risk monitoring, including through key controls and risk indicators, to ensure that business issues are identified

and addressed as appropriate by management.

9. Group Executive Management

The Group Executive Committee, which functions under the chairmanship of the Group Chief Executive Officer, is responsible for assisting the Group Chief Executive Officer in the operational management of QIC, subject to statutory and delegated limits of authority. Its main functions are strategic direction, coordination and performance monitoring.

The Group President & CEO is Mr. Khalifa Abdullah Turki Al-Subaey. He holds a BA in Economics and Political Science from the University of Michigan, USA (1981). He worked for Qatar Petroleum as Chief of the Department of Insurance in 1982 and thereafter joined Qatar Insurance Company in 1986 as General Manager before being appointed as the Chief Executive Officer. He represents Qatar Insurance Company on the boards of Damaan Islamic Insurance Company (BEEMA) and other QIC Group entities.

The Group Executive Management supporting the Group President & CEO comprises the following positions:

- Senior Deputy Group President & CEO
- Group CEO - International
- Deputy Group President & CEO
- Two Advisors to the Group President & CEO
- Group Chief Finance Officer
- Group Chief Investment Officer
- Group Chief Risk Officer

10. Management Committees

The Executive Management has organized itself into standing management committees with an aim of effectively and efficiently handling the delegated responsibilities and running the day to day activities of the Group.

10.1 Group Risk Committee

Members

- Group Chief Risk Officer (Chairman)
- Group Chief Finance Officer
- Group CEO – International
- Advisor to the Group President & CEO
- Group Chief Actuary
- Head of Group Enterprise Risk Management

By invitation

- Deputy Group President & CEO

This Committee has two core functions:

- To encourage and facilitate embedding a culture of effective risk management throughout the Group.
- To ensure that there is a structure in place for the identification, assessment, evaluation, monitoring and reporting of various risks.

10.2 Group Reserving Committee

Members

- Group Chief Finance Officer (Chairman)
- Group Chief Risk Officer
- Chief Finance Officer – QIC Capital

- Head of Group Reinsurance
- Group Chief Actuary
- Chief Finance Officer – QIC Global
- Vice President Finance – MENA Region
- Adviser to Group CEO

The main objectives of this committee are to:

- Ensure that the Reserving Policy is functioning effectively and updated as necessary.
- Review and approve the provision for adequate reserves, premium and claims reserves including incurred but not reported claims reserves, in accordance with accounting standards and insurance best practices.

10.3 Group Technical Governance Committee

Members

- Advisor to the Group CEO (Chairman)
- Group Chief Risk Officer
- Active Underwriter - Antares
- Head of Ceded Reinsurance – Qatar Re
- Head of Group Reinsurance

The core functions of this committee are to:

- Provide the most suitable reinsurance structure for the business individually and/or collectively.
- Ensure that the Group's underwriting strategy, practices, claim guidelines are properly managed and continuously improved whilst ensuring the Group is meeting its regulatory and legislative obligations.

10.4 Group IT Committee

Members

- Group CEO – International (Chairman)
- Deputy Group President & CEO
- Group Chief Finance Officer
- Head of Group IT

This Committee has the following core functions:

- Developing the annual Group IT Strategy in line with the overall Group IT Vision and approved long-term IT Strategy which is aligned to the overall group business strategy.
- Direct and steer IT project development & security requirements and new initiatives proposed by Group IT for Group Entities in the best business interest of the Group as a whole.
- Monitor and review the performance of IT project developments and IT security initiatives and direct best course for its timely execution and completion for group entities in meeting their business objectives.

11. Internal Control Functions

QIC reorganized its Control Functions by consolidating them under the Governance Risk and Compliance (GRC) pillar, headed by the Group Chief Risk Officer. The approach was adopted in response to the Group's increased business complexity, the developing regulatory environment and an increased focus on internal and external accountability. The GRC pillar has, therefore, integrated the Group's Governance, Risk, and Compliance

initiatives with the aim of adding significant business value, building competitive advantage and assisting management with the control of the business.

The Control functions under the GRC pillar have full access to the Audit, Risk and Compliance Committee of the Board and include the following functions:

- Group Risk Management
- Group Compliance
- Group Actuarial
- Group Governance and Internal Controls

The Group Internal Audit, which is not under the GRC pillar, reports directly to the Board of Directors through the Audit Committee of the Board.

11.1 Group Risk Management

The Group's Enterprise Risk Management function is responsible for risk management and exposure monitoring for the Group. In liaison with the different business areas, the function performs a qualitative and quantitative assessment of exposures against the defined tolerances and reports to the respective Entity Level Risk Committees, Group Risk Committee and the Audit Committee of the Board.

Additionally, stress and scenario testing is also used in setting strategy and in business planning to quantify the implications of possible events and future changes in economic conditions that could have unfavourable effects on the business plan and financial standing of the Group. This analysis is

used to support the development of management and mitigation strategies. The Group Risk Management function also assist other departments within the Group in emerging risk assessment, capital management, etc.

11.2 Group Compliance

The Group considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group Compliance team, together with the compliance functions of the respective subsidiaries, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

The monitoring of regulatory requirements includes due diligence procedures and the reporting to relevant agencies with an aim to combat money laundering and the financing of terrorism. In addition, the Group Compliance function undertakes screening checks against applicable sanctions watch lists.

11.3 Group Actuarial

The Group Actuarial Function was created in order to support the Group across all areas where actuarial support is typically sought and also to coordinate the development of best practices across the existing actuarial teams already embedded in the international entities of the Group. The areas requiring actuarial support consist of three main functions: The Reserving function, which ensures the Group is adequately

reserved to face its future liabilities; the Pricing function, which helps assess and drive the profitability of the business in a strategic manner; the Capital Modelling function, which assesses the amount of capital required to run the business and how it can be utilised in the most optimal way.

11.4 Group Governance and Internal Controls

The Group Governance and Internal Controls Function was created to develop the governance and internal control framework with an aim to protect shareholders from events that may hinder the achievement of the set objectives. It achieves this by:

- ensuring appropriate supervision and management of the Group's business;
- ensuring clear allocation of roles and responsibilities, designing controls over financial reporting to ensure the accuracy and completeness of the Group's consolidated financial statements

Governance

The Board recognises the importance of the function and approved the Governance framework based on the Governance Charter with clear objectives aligned with those of the board of directors, its committees and the associated executive management committees. A strong system of governance throughout the Group is essential to ensure the business runs smoothly, to aid effective decision making and to support the achievement of the objectives.

Internal Controls

Internal control refers to Group's policies, procedures and practices that ensure the Group achieves the targets set in the strategy, uses resources economically and bases management decisions on reliable information. Internal control also ensures that risk management and protection of property are adequately addressed. Conformance to regulations and approved ethical principles are also ensured through internal control. The Board is responsible for organising and maintaining adequate and effective internal controls, ensuring that the Group has an adequate set of guidelines and supervises internal control effectiveness and sufficiency. The Board-approved Group Internal Control framework, based on the 'three lines of defence' model, which is supplemented with a clear organisational structure, documented delegated authorities, responsibilities and a system of policies and procedure manuals. The framework requires management to report significant internal control and risk-related issues to the Audit Committee of the Board on a regular and continuing basis to ensure that the Committee and the Board have a clear view of material issues facing the Group, and have the necessary information and tools to appropriately analyse and manage these risks.

The framework has been developed utilizing the best practice guidelines and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to comply with the

Corporate Governance code issued by the Qatar Financial Markets Authority.

Internal Controls over Financial Reporting (ICOFR)

The Management has undertaken a formal evaluation of the adequacy of the design and operating effectiveness of the system of ICOFR. The system of ICOFR consists of a number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements.

11.5 Group Internal Audit

This function performs an independent review of the internal control and governance systems within the Group. It reports on the existence, effectiveness and/or weaknesses of such systems covering risk management, the system for maintaining and safeguarding assets and the accuracy of the financial statements of the Group. It also reviews the effectiveness of the compliance function as an internal control tool of Management by providing assurance to the Board of the existence of sound internal control systems in the Group commensurate with size and nature of its business.

12. External Auditor

The shareholders at the Annual General Meeting of the Company held on 26 February 2019 approved the re-appointment of Ernst & Young as the external auditors for the year 2019, on the recommendation of the Board of Directors.

13. Capital Stock

The Company's authorized and issued capital is QR 3,266,101,330 divided into 3,266,101,330 shares and is fully paid. No shareholder other than the Government of Qatar or government entities is allowed to hold a share of more than 5%. The total number of shareholders of the Company as at 31 December 2019 was 2,025 shareholders comprising government entities, banks, companies and individuals of different nationalities and there were 235 major shareholders with a shareholding above two million shares in the Company. A list of the major shareholders is attached at the end of this report.

14. Relationship with Shareholders and Stakeholders

- A. The Company keeps the channel of communication open and transparent with shareholders who have all the rights to be informed by virtue of relevant laws and regulations in line with the Corporate Governance requirements.
- B. The Company publishes financial information and data which is available to investors and other stakeholders on a regular basis through the Company's website and various media in addition to communication through Qatar Exchange.
- C. The Company maintains a record of shareholders which is updated monthly to comply with the register of shareholders of the Company filed with the Qatar Central Securities

Depository. The Qatar Exchange maintains all information relating to trading of the shares of listed companies on the stock market.

- D. The Shareholders are entitled to obtain a copy of the Company's statute and all other relevant documents for a fee as determined by the QFMA.
- E. The shares of the Company accord equal rights to the shareholders without any discrimination. In case if any share amounts are owed to the Company, restrictions are imposed on such shares in the register of shareholders to their share in the profit or assets of the Company. A shareholder whose name appears on the Company's shareholder register has the right to collect any amounts due for the share whether being dividends or a share in the Company's assets.
- F. Each shareholder has the right to attend the General Assembly in person or by way of proxy as per the law in force and each shareholder shall have voting rights equivalent to the number of shares held by him.
- G. The Board ensures that as required in the relevant legislation and in accordance with the Company's corporate governance requirements, all employees are treated at par as per the principles of natural justice and equity without any discrimination. They are empowered to whistle blow on any suspicious matters relating to financial reporting, internal control while providing protection to them

of any retaliation, negative action or damage.

- H. The Annual General Assembly of the shareholders is held within three (3) months following the end of the fiscal year. The advertisement of the meeting is published along with all the data, information, reports and statements required for the meeting in accordance with the Commercial Companies Law, the QFMA, the rules of Qatar Exchange, and the Company's articles of association. The Company also provides a copy of these documents to all shareholders requiring such information to facilitate their discussion on the Company's performance.
- I. The Annual Report includes the report of the Board of Directors to the shareholders and dividend recommendation for distribution of profits. The dividend is disbursed upon adoption of the proposed distribution of profits by the General Assembly.

Annual General Meeting

At the Ordinary and Extraordinary General Meetings held on 26 February 2019, the General Assembly approved the following:

- 1) The Board of Directors' report on the Company's activity and financial position during the year ended 31 December 2018 and the Company's future plans.
- 2) The auditors' report on the Company's financial statements for the year 2018.

- 3) The Company budget and profit and loss account for the year 2018.
- 4) The proposed distribution of the dividends of 15% of the nominal value of the shares or QR 1.5 riyals per share.
- 5) Discharge members of the Board of Directors and approve their remuneration of QR 21.5 million.
- 6) The Corporate Governance Report for the year 2018.
- 7) The Remuneration Policy for the Group for the year 2019.
- 8) Related party transactions policy.
- 9) The policy of nomination and election of the members of the Board of Directors.
- 10) The re-appointment of Ernst & Young as auditors for the financial year 2019 for a fee of QR 843,000.

Extraordinary General Meeting

The Extraordinary General Assembly held on the same date also ratified the following:

- 1) Increase in the Company's capital by QR 77,042,580 through the issuance of private shares of 7,704,258 shares. Only the minority shareholders of the subsidiary QIC Capital, registered in Qatar Financial Center, have full rights of subscription in the new shares. Article (5) of the articles of association was amended to reflect the increase in capital and delegate the board of directors to finalize the transaction.
- 2) The amendment of Article (5) of the articles of association to comply with QFMA board of directors' resolution,

issued at its fourth meeting held on 16 December 2018 to change the shares nominal value to QR 1 as a condition for listing shares of Companies on the main market and the secondary market.

- 3) The amendment of Article (37) of the Articles of association in respect of provision number 3 as one of the conditions of membership of the board of directors, that Directors should own two million of the Company's shares.
- 4) Authorisation of the Chairman or his deputy to be the sole signatory on all documents needed to amend the article of association of the Company.

15. Disclosure

The Company is fully committed to all disclosure requirements including market listing as required under existing legislations and regulations of various regulatory authorities and has fully complied with the requirements set forth in this regard in the Corporate Governance rules.

The most important requirements in this regard relate to the publication of information on shares of the Company uniformly to all shareholders, investors and dealers to enable them to access all information that affects stock prices providing equal opportunities to them for their investment decision.

The Board of Directors, through the Compliance department, ensures that all the disclosures that the Company makes are accurate and the financial reports of the Company conform to applicable accounting standards and guidelines.

During the year, the Company disclosed all decisions taken by the Board of Directors that were of interest to shareholders and the investing public and brokers. All such decisions were immediately notified to Qatar Exchange and the QFMA, in addition to publication in the local newspaper and on the website of the Company.

Pursuant to the provisions of the Commercial Companies Law and the requirements of QFMA, Qatar Exchange and the Law of the Qatar Central Bank and the regulation of financial institutions, the Company also published audited financial reports in newspapers and on the website of the Company.

Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Group. Communication with institutional shareholders, the investment community and general public communication is conducted by QIC's Public Relationship (PR) department. The Group Chief Administration Officer has been appointed as the spokesman for the Group and a comprehensive PR programme is in place to ensure appropriate communication channels are maintained.

During 2019, the Group was not subject to any material regulatory penalties for non-compliances with the provisions of the Code.

16. Disputes

The Group operates in the insurance industry and is subject to litigations

in the normal course of its business. While it is not practicable to forecast or determine the final results of all initiated legal proceedings the Board does not believe that such proceedings including litigations will have a material effect on its operations.

17. Corporate Social Responsibility

The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises QIC's responsibility to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability while safeguarding the interests of all its stakeholders.

QIC's social responsibility efforts include the provision of support to communities in the fields of culture, sports, education and health.

The Group takes initiatives in social responsibility at all levels – health, environment, sports and education. One such initiative was adopted by Q Life and Medical, one of the Group's subsidiaries which organized an event to provide free medical tests of various types, across different medical centres in Qatar. This event comes within the framework of the Group's social responsibility to improve the health of Qatari society and in line with the Group's vision towards achieving Qatar's National Vision 2030. This initiative was to create awareness and to extend a helping hand to the underprivileged and those in need.

As part of its commitment towards Corporate Social Responsibility the Group inaugurated the newly established orphan accommodation for Dreama. Under this initiative, QIC collaborated with Dreama to provide sponsorship for quality housing for orphans and integrating them into the society.

With the aim to promote sports and wellness in the community, the Group sponsored the Katara International Beach Volleyball Championship. The Group was also the platinum sponsor of the Football Championship organized by Hamad Medical Corporation.

18. Conclusion

Since its inception, the Group is fully committed to the requirements and principles of Corporate Governance as laid down in the rules and regulations. Going forward, the Group will further strive to achieve and implement the best possible level of Corporate Governance culture in line with best practices.

For Qatar Insurance Company Q.S.P.C

Khalifa Abdullah Turki Al Subaey
Group President

Khalid Bin Mohammed Bin Ali Al Thani
*Chairman of the Board
and Managing Director*