



Corporate Governance Report  
2018

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# Chairman's Foreword



Dear Shareholders,

Greetings,

Recognizing the importance of implementation of the best standards and practices of good governance as the cornerstone of maintaining QNB Group's reputation and enhancing the confidence of potential shareholders, investors and stakeholders, QNB Group continuously develops and enhances the processes of disclosure, internal controls and the decision-making mechanisms as the outputs of governance system and as an integral part of the values and culture of the Group.

In 2018, QNB Group was keen to continue the adaptation and implementation of the best practices in the field of Corporate Governance, in line with the relevant instructions issued by Qatar Central Bank and Qatar Financial Markets Authority. This is reflected in several pioneering initiatives, including the adoption of the policy to protect the rights of stakeholders along with the disclosure and transparency policy, the review and update of the relevant policies and procedures and the rules of the code of conduct, as well as the promotion and dissemination of culture of commitment among all the staff across QNB Group.

Furthermore, this report reflects the vision of the Board of Directors and their strategy which is based upon increasing the levels of effective supervision and their role in monitoring the implementation of the tasks and duties entrusted to the executive management of the bank, while continuously reviewing the challenges and the risks facing the Group and carrying out self-assessment for the performance of the Board of Directors, individually and collectively in line with best practices.

In addition, QNB Group has developed mechanisms for supervising overseas branches and subsidiaries by unifying policies and expanding supervision and oversight, as well as evaluating the performance of QNB Group's representatives on the Board of Directors of the subsidiaries and associates of the Group, to ensure consistency and complementary vision and of the strategic objectives at the level of the Group as a whole.

We express our appreciation of all the efforts exerted by all the supervisory bodies in the State of Qatar, to raise the standards of Corporate Governance of national companies to cope with the international standards and emphasize that QNB Group is committed to the continuous development of its activities and financial and banking services and to safeguard the interests of its shareholders and clients in a manner that serves the stability of the financial sector and the development efforts in the state of Qatar.

Accordingly, I am pleased to present the Annual Corporate Governance Report of 2018, which summarizes QNB Group's performance and practices in the area of Corporate Governance, according to the regulatory requirements of Qatar Central Bank and Qatar Financial Markets Authority and leading international practices.

**Ali Shareef Al-Emadi**  
Chairman of the Board of Directors

## Introduction

QNB has a robust set of Corporate Governance measures in place across the Group that combines all aspects of internal control, risk and compliance. These help QNB to successfully navigate the constantly changing regulatory landscape, allowing it to meet customer expectations and deliver sustainable value to its stakeholders. Corporate Governance continues to remain a vital component for QNB Group in maintaining its robust reputation, both locally and internationally. In its essence, Corporate Governance involves maintaining a set of balanced relationships and interests between a company's management, its board, its shareholders, the community and other stakeholders.

The Group has adopted various undertakings to improve our transparency around reporting financial and non-financial information to our stakeholders. QNB's approach is vital for evaluating the existing Corporate Governance infrastructure and engaging with our stakeholders across the Group to ensure that the level of reporting is robust and can withstand public scrutiny. Corporate Governance also provides the structure through which the goals and objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Effective Corporate Governance is not an end in itself, it is a means to the proper functioning of a financial institution and the banking sector overall. The commitment to Corporate Culture motivates directors, managers and employees to maximise operational efficiency and comply with sound principles of conduct, hence ensuring high returns on investment and long-term productivity growth.

QNB's well-being, reliability, trustworthiness, safety and dependability are key to the financial stability of the Group, and the manner in which it conducts its business and corporate governance activities, therefore, is central to creating market confidence and business integrity in the region and across the jurisdictions where it operates.

This Corporate Governance Report, reflects QNB Group's efforts to comply with the supervisory and regulatory requirements issued by Qatar Central Bank (QCB), Qatar Financial Markets Authority (QFMA) and all relevant regulatory authorities across our operating footprint.

## 1. The QNB Framework for Corporate Governance

QNB Group operates a world-class Corporate Governance framework that ensures it is fully compliant at every level in every country and are able to effectively manage all risks. QNB's corporate governance framework is fundamental to the success of its business, reinforcing the trust in the brand that allows QNB to deliver sustainable and comprehensive change. QNB Group believes that good Corporate Governance facilitates effective, entrepreneurial and prudent management that can deliver long-term success for the Group and maintain a culture that is in line with QNB Group values.

Corporate Governance standards across QNB Group are naturally pursued in a manner consistent with the applicable local laws, regulations and codes. It also follows the recommendations of the international best practices issued by the Basel Committee on Banking Supervision (BCBS), the Organisation for Economic Cooperation and Development (OECD), the International Corporate Governance Network (ICGN), International Chamber of Commerce (ICC) and other leading international institutions.

QNB Group's BOD reviews, maintains and approves a comprehensive set of Corporate Governance policies and procedures to assure and ensure that effective vigilance is exerted by the BOD and Executive Management in the management of the Group's businesses and activities. Care and attention is devoted to ensure that Corporate Governance measures employed are compatible with the legal and regulatory requirements and that they reflect the actual orientation to comply with the international standards. The roles and responsibilities of the BOD are segregated from the functions of Executive Management, whereby the Board assumes the overall supervision of the Group and provides strategic direction through the approval of the strategic initiatives, policies and objectives, while the daily affairs of the Group are carried out by the Group Chief Executive Officer, duly supported by the Executive Management team.

QNB Group maintains a Corporate Governance Manual based on the latest regulatory updates from both QCB and QFMA in addition to the international best practices. The Corporate Governance Manual is an important policy document, which defines the Corporate Governance approach of the Group, the structuring and responsibilities of the Board and Management committees. The Manual is also an extremely sought after document for any businesses, shareholders, rating agencies, investors and other stakeholders as they are all increasingly focusing on the application of sound Corporate Governance processes

as evidence of a demonstrable commitment to delivering long-term value and sustainability. The Manual was structured in two parts where the first one sets out the role of the BOD, the Chairman, the Chief Executive Officer and the established committees of the Board and the Executive Management. The second part was dedicated to the Risk Management and Internal Control Framework, External Auditor and Shareholders and Stakeholders rights

### 1.1 Key Corporate Governance Guiding Principles

In application of article (3) of the QFMA Corporate Governance Code, principles of Corporate Governance are intended to assist public companies boards and management in their efforts to implement appropriate and effective corporate governance practices. Although there is no "one size fits all" approach to governance that will be suitable for all companies, QNB Group believes that the creation of sustainable long-term value is the ultimate measurement of successful corporate governance approach, and it is important that shareholders and other stakeholders understand why the bank has chosen to use particular governance structures, practices and processes to achieve this objective.

QNB Group adopts and maintains the following primary guiding principles for corporate governance:

- The Board approves corporate strategies that are intended to build sustainable long-term value; selects the Group Chief Executive Officer (GCEO); oversees the GCEO and Executive Management in operating the company's business, including allocating capital for long-term growth and assessing and managing risks; and sets the "tone at the top" for ethical conduct.
- Management develops and implements corporate strategy and operates the company's business under the Board's oversight, with the goal of producing sustainable long-term value creation.
- The Management, under the oversight of the Board and its Group Board Audit and Compliance Committee (GBACC), produces financial statements that fairly present the Group's financial condition and results of operations and makes timely disclosures that investors need, to assess the financial and business soundness and risks of the company.

- The Group Board Audit and Compliance Committee (GBACC) maintains and manages the relationship with the external auditor, oversees the Group's annual financial statement audit and internal controls over financial reporting, and oversees the bank's risk management and compliance programs.
- The Group Board Nomination Remuneration Governance and Policies Committee (GBNRGPC) plays a leadership role in shaping the corporate governance practices of the Group, strives to build an engaged and diverse Board whose composition is appropriate in light of the Bank's needs and strategy, and actively conducts succession planning for the Board.
- The Board and Management engage with long-term shareholders on issues and concerns that are of widespread interest to them and that affect the Group's long-term value creation. Shareholders that engage with the Board and Management in a manner that may affect corporate decision making or strategies, are encouraged to disclose appropriate identifying information and to assume some accountability for the long-term interests of the Bank and its shareholders as a whole. As part of this responsibility, shareholders should recognize that the Board must continually weigh both short-term and long-term uses of capital when determining how to allocate it in a way that is most beneficial to shareholders and to building long-term value.
- In making decisions, the Board may consider the interests of all of QNB Group components, including stakeholders such as employees, customers, suppliers and the community in which the Group operates.

QNB Group strongly considers that good Corporate Governance complements and significantly helps its long-term business success. This success has been the direct outcome of the Group's key business strategies, including the commitment of the Board to the quality, integrity and transparency of QNB's financial reports.

## 1.2 Approach to Establish Effective Corporate Governance

QNB Group's approach to Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices, many of which were in place even before they were mandated by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour. As a global organization, the Corporate Governance practices followed by the Group are compatible with leading international standards and best practices. Through the Governance mechanism in the Group, the Board along with its Committees undertake the fiduciary responsibilities to all the stakeholders by ensuring transparency, fairness and independence in the decision-making process.

The Corporate Governance approach is further strengthened with the adherence to the proprietary QNB Group Business Excellence Model as a means to drive excellence along with the Balanced Scorecard methodology for tracking progress on long-term strategic objectives. Furthermore, QNB's 'Code of Conduct', serves as a guide to the Group, its Directors, management and employees, in articulating and reinforcing QNB's values, ethics and business principles. It is supplemented with an appropriate mechanism to report any concern pertaining to non-adherence to the said Code.

In 2018, QNB Group ensured effective application of all aspects of the QFMA issued 'Corporate Governance Code' and which provides a comprehensive framework for corporate governance of listed companies including the main principles for the protection of the shareholders' rights and focuses on the principles pertaining to strengthen the internal control systems in the company and to apply and fulfil the requirements contained therein. Going forward QNB Group is also working towards further enhancing, managing and reporting its environmental, social and governance (ESG) measures.

QNB is in full compliance with Qatar Central Bank and Qatar Financial Markets Authority obligations with respect to Corporate Governance.

## 1.3 Commitment to Ensuring Compliance with Corporate Governance Regulations

The Board of Directors (BOD) and Executive Management believe that Corporate Governance is an essential element to enhance shareholder confidence, specifically that of minority shareholders and stakeholders, by increasing the level of transparency of the ownership and control, and the implementation of effective monitoring systems for strategic business management. Hence, during 2018, all necessary efforts were focused towards continuing to create and maintain awareness of the importance of Corporate Governance within QNB Group and on enhancing Corporate Governance measures.

In application of article (4) of QFMA Corporate Governance Code, the annual Corporate Governance report submitted annually to both regulators (QCB and QFMA) aims to ensure a transparent disclosure of the governance practices within QNB Group. It embodies the Group's values and policies that all parties must conform to. The report includes and covers areas including, the capital structure, control measures, key corporate governance achievements, shareholders' rights and fair treatment, description of BOD charters and its committees, related parties' transactions policy, succession planning, and periodic review of professional conduct principles, in order to ensure the application of best professional practices that meet QNB Group's needs and objectives.

## 2. QNB Group Achievements during 2018 to Enhance the Corporate Governance Framework

Risk, Governance and Compliance aspects evolve rapidly and there is an inherent need for banks to move away from silo-based working cultures and shift towards a collaborative approach by working side by side internally, with the various divisions, as well as with external parties such as regulators and shareholders. Enhanced levels of compliance are hard to achieve without a strong culture starting right at the top, and adoption of the '**Spirit of Compliance**' Model. For QNB Group, **tone at the top** is critical and hence Compliance and Corporate Governance are core focus areas for the Board of Directors, Board Committees, Executive Management and all other employees and members of QNB Group. This culture is fostered through effective compliance monitoring and awareness programs across the Group and across different levels.

QNB Group is committed to high standards of corporate governance. As part of building a strong 'Corporate Governance Culture' across the Group, QNB witnessed during 2018 several initiatives and developments across all levels in terms of corporate governance practices and arrangements. These new developments targeted either the organisational aspects or specific processes at QNB.

The below topics summarize QNB's key efforts in 2018, with respect to the enhancement of the Corporate Governance Framework:

### 2.1 Enhanced Corporate Governance Practices and Arrangements

As part of building a strong Corporate Governance Culture across the Group, QNB witnessed during 2018 several developments at all levels in terms of Corporate Governance practices and arrangements. The below topics summarize QNB's key efforts in 2018, with respect to the enhancement of the Corporate Governance Framework:

#### **Independence Assessment: Independence of Mind and Perspectives**

An important role of Group Compliance is to promote good Corporate Governance across QNB Group, and at the center of sound governance is an effective Board of Directors (BOD). The long-term success of the Group is dependent on a quality Board where the Directors are competent, well qualified, committed, with diverse backgrounds and who have independence of mind and perspectives.

In 2018, in line with regulatory requirements in Qatar, Group Compliance conducted a comprehensive assessment to evaluate the independence of the QNB Board. Strengthening the transparency and accountability of the Board, including its Independent Non-Executive Directors was among the main areas of the assessment, which also assessed the Director's time commitment, board diversity, factors affecting the independence of Independent Directors, to ensure the appropriateness and fulfillment of the independence criteria under QCB's principles and QFMA's Corporate Governance code and rules.

#### **Intensive Board Performance Assessment for an Optimal Leadership Structure**

As part of its engagement to provide the Board with useful tools, recommendations and considerations for increasing Board effectiveness through an enhanced approach, Group Compliance coordinated the conduct of a thorough annual self-assessment to aid QNB Group's Directors to optimise their holistic performance. Annually, Directors complete surveys and provide their feedback on Board effectiveness, composition, culture, focus, optimal leadership structure, governance practices and enhancements. The outcomes are evaluated based on QNB Group long-term strategy, business needs, and the evolving regulatory environment.

Board annual assessments are the key to ascertaining that fit and proper Directors are working together effectively, which constitutes in itself a real strategic asset to the Group since on-going reviews and reflection of Board performance and dynamics contribute to organisational, Board and individual Director improvements.

#### **Regular Review of Board Policies: Providing Clarity on Roles and Responsibilities**

Maintaining updated and unified Board related charters, policies and processes is a fundamental part of Group Compliance commitment to providing clarity on the roles of directors and the board as a whole with the purpose of accelerating decision-making and avoiding unnecessary director conflicts.

Recent regulatory updates with respect to QFMA's Corporate Governance Code and new measures pertaining to Board interactions with stakeholders have been outlined and reflected by Group Compliance in the relevant charters and policies.

Consistent and pertinent update of Board documentation contributes to identifying gaps in

knowledge and expertise related to rapid changes in technology, regulatory and other associated aspects, risks and opportunities for the Group. It also facilitates developing deeper understanding of the robust and well-defined Director's role along with associated governance dynamics.

**Assessment of QNB Representatives at QNB Subsidiaries BOD: Enhancing Oversight Methodology**  
QNB Group owns several subsidiaries globally and consequently have numerous decision-making levels and interactions. Therefore, a number of challenges may arise with respect to strategic objectives, implementation and monitoring of plans, dissemination of corporate culture, risk management, reporting and mitigations of potential conflicts of interests, among other matters. As a result, it was of great importance to nominate representatives at the Board level of each QNB entity/subsidiary in order to align interests, protect QNB stakeholders including shareholders and create an adequate setting for the sustainable development of the Group.

In this context, an assessment exercise was conducted to evaluate the performance of QNB representatives', which are primarily executive managers from QNB Qatar (as the holding company) at QNB subsidiaries' BOD. The 2018 assessment covered various Governance aspects pertaining to the establishment of a clear communication of the Group common strategy, having regular monitoring meetings and escalation channels among representatives to follow-up on the implementation of directives, performance and deficiencies remediation.

**Monitoring of Shareholding Limits: An Antitakeover Defense to Safeguard Value Creation**  
The 5% ownership limit per single shareholder is, in theory, used to prevent against a legitimate takeover bid, particularly in cases where the public interest is under threat.

Accordingly, any increase over the limit is closely supervised as part of the monitoring of shareholding limit process, which consists of a set of actions taken by the bank in monitoring the threshold of 5% on the shares ownership for each shareholder in accordance with QNB Group Article of Association and regulatory obligations in this respect.

The core objective of this practice is to identify shareholders that exceed the limit (under certain criteria), communicate with them and mutually agree on the required actions to remedy the situation.

**Corporate Governance Guidelines for Overseas Branches and Subsidiaries: A Strategic Oversight**  
While a comprehensive and adequate foundation of Corporate Governance has been established by Group Compliance within QNB Group, which articulates the framework of sound governance, when it comes to governance of international branches and subsidiaries, a variety of challenges may arise. As the Group grows in size and expands its operations to international markets, the number of overseas branches and subsidiaries tends to increase and the decision-making interactions between entities become more challenging.

A set of guidelines was released to address certain specific aspects of subsidiary governance such as the composition of the subsidiary boards, time spent by its Board on the oversight, the approval and executive process at the branches/subsidiaries, the synergy between domestic and overseas divisions and adoption of the Group wide policies and procedures at QNB entities.

The guidelines provide insights in extending sound Corporate Governance practices and policies downstream to overseas branches and subsidiaries, to ensure appropriate control structures and arrangements, which would best contribute to an effective chain of Group's oversight.

**Conflict of Interest and Insider Dealing Policy: It Begins with Top Management**  
QNB Group stands committed to maintaining the highest levels of fairness, integrity and responsibility. In this respect, the established Conflict of Interest and Insider Dealing Policy guides all employees from top management to entry-level employees, as they make every effort to meet their obligations to QNB's Board, shareholders, clients, personnel and all stakeholders.

The policy addresses potential conflicts of interest between QNB and its employees, contains prohibitions, restrictions and disclosure requirements that help identify and manage these risks, and ultimately protect the Group's reputation. It lays out the expectations that the Group has for each banking area and function and provides the information and the resources needed to conduct business ethically and in compliance with laws and regulations everywhere the Group operates.

**Disclosure and Transparency Policy: A mind-set of Openness, Authenticity and Integrity**  
To make sound investment decisions, investors need to trust markets and companies. They also require robust information that is reliable, transparent, accurate, and comprehensive and in accordance with accepted international practices. The impact of disclosure and transparency on corporate governance endeavors denotes a shift toward a more intangible economy, a more pronounced focus on long-term results and demand from regulators and other stakeholders for greater transparency.

QNB Disclosure and Transparency Policy outlines step-by-step guidance for the concerned divisions on the disclosure of financial, strategic, governance, and performance information taking into account differences in banking areas, organizational complexities, operational and functional specific contexts while ensuring that the information is thorough and reliable.

The policy is intended to develop periodic reports that incorporate relevant material environmental, social, and governance (ESG) information that investors and other stakeholders increasingly seek going forward. Adhering to these standards will positively encourage more investors to consider adding well-governed companies to their investment portfolios.

**Working Cohesively to Protect Shareholders' Rights**  
The protection of shareholder rights is central to Corporate Governance, and is a focal articulation of companies operating worldwide. In QNB, the protection of shareholder rights begins with an ethical corporate behavior, an accurate legal and regulatory framework, and robust enforcement of policies and procedures. It is established by contractual relations and commitments that are continuously respected and culturally accepted in the business.

In this regard, the Shareholders' Rights Protection Policy defines the Group's various stakeholders and promotes cooperation between them and the Bank in creating wealth, growth and sustainability. It also establishes clear rules and mechanisms on the fair treatment and protection of stakeholders.

This key component of QNB's Corporate Governance framework encourages taking the interests of all stakeholders into consideration during the decision-making processes, instead of making choices based solely upon the interests of shareholders.

## 2.2 Promoting Ethical and Professional Behavior

### Tone at the Top

One of the most critical responsibilities for the Executive Management at QNB Group is to instill a culture of ethical and professional behavior. The tone at the top sets out QNB management's desire and commitment towards honesty and integrity whilst ensuring professional standards within the Group. Starting from the Board of Directors, QNB Group continuously encourages its senior members to be a role model for others to follow as the tone at the top has a trickledown effect on all employees within the Group. This also serves as an effective risk mitigation tool against fraud, corruption and bribery, insider dealing, conflict of interest, etc.

### QNB Group Code of Ethics: Enforcement

One of the key responsibilities of QNB Group is for ensuring active application of the Group's Code of Ethics across the Group. Accordingly, Compliance at QNB has in place a well-defined mechanism as per industry best practice to identify and report to the Board of Directors and Executive Management for any instances of breach to the code. During 2018, the Bank enhanced several standards and guidelines, which included; data privacy, outsourcing and relationships with vendors, declaration on conflicts of interest, and management of staff accounts, investments by employees, disclosing confidential information, etc.

## 2.3 Strengthened Financial Crime Compliance Structures, Frameworks and Tools

Group Compliance strategically manages QNB's Anti-Money Laundering and Combating Terrorism Financing (AML/CTF) framework and related activities, where robust systems and controls are in place to detect and deter the flow of illicit funds through the banks' financial system. The AML/CTF framework is designed to accurately identify QNB's customers in order to conduct regular account reviews, and monitor and report any suspicious transactions. During 2018, as part of QNB's 'Diagnostic Assessment' to achieve its AML/CTF framework objectives, the following initiatives were implemented across the Group:

### Employing Reliable and Secure AML/CTF Systems and Technologies

Robust AML/CTF technologies and systems form an essential part of an effective AML/CTF Framework for countering money laundering and terrorist financing and assist in addressing the 'de-risking' within QNB.

In line with QNB's strategic plan for 2018, Group Compliance implemented a new 'Global Screening' platform for Head Office and overseas branches as the main system for the real time screening of customers and execution of financial transactions. Furthermore, Group Compliance also developed a proprietary in-house system i.e. the "Spider Fund Tracker System", which was deployed domestically and across all overseas branches, and which allows QNB to tailor its scope of AML/CTF reviews for more efficiency and visibility while investigating cases thus creating a more robust AML/CTF Framework.

#### Harmonizing Screening Mechanisms

During 2018, Group Compliance launched an initiative to harmonize the mechanism for monitoring and screening the customers' database as well as transactions across QNB Group to ensure that all domestic units, overseas branches and subsidiaries are transparent and consistent in approach, principles and methodologies. In this regard, Group Compliance focused on the oversight and monitoring of QNB's overseas branches and subsidiaries and reassessed the related processes, mechanisms and guidelines for customer and data screening. In addition, KPIs representing the effectiveness of the monitoring and reporting mechanism were developed to monitor the achievements of closing alerts at the overseas branches.

#### Reporting: Focus on Effective and Efficient Communication

QNB firmly believes that better reporting channels and communication systems create a more efficient work environment. In 2018, Group Compliance enhanced its domestic AML/CTF reporting system and re-established the mechanism and template for Suspicious Transactions Reporting to external and internal stakeholders. The enhanced system employs balanced checks and measures to avoid any miscommunication or human errors while reporting. Moreover, the criteria for defining Suspicious Transactions was revamped along with employing dedicated resources and skilled personnel.

#### Spreading the AML/CTF Culture: Opportunity to Discover

Group Compliance has developed a specialized AML/CTF training program, and regularly delivers AML/CTF related trainings customized for domestic QNB departments / business units and overseas branches and subsidiaries. These trainings involve face-to-face training sessions, awareness emails and circulars, on-site visits to domestic branches and video calls to overseas branches and subsidiaries. In addition to AML/CTF, the trainings also cover various related aspects such as Know Your Customer (KYC), Know

Your Product, Whistleblowing and Chinese Walls. Moreover, Group Compliance periodically circulates guidelines across QNB Group with a view to promoting employee awareness on new AML/CTF updates and challenges at both the local and international levels. Elevating the level of culture is again in line with the top down approach to Corporate Governance.

#### Know Your Customers: Our New Compliance Asset

Group Compliance devotes focused attention to ensure proper identification of QNB's customer domestically and internationally, and employs regular and structured KYC assessments to ensure adherence to this aspect. In this regard, Group Compliance has also established a "Group Compliance KYC Helpdesk", within Group Compliance, in order to enhance the existing KYC monitoring capabilities within the Group. In addition, a global KYC platform across QNB Group is in the process of being implemented via a phased approach, which is expected to give an accurate view of the quality of the customers' KYC information and to enhance the profiling and monitoring processes.

#### 2.4 Reinforcing the Sanctions Compliance Framework and Programs across QNB Group

The 'Sanctions Compliance Framework' is a core component designed and maintained by Group Compliance and implemented across QNB Group. The framework is designed to prevent terrorism and organized crime risks, minimize the risk of sanctions breaches, abuse of the Group's products and services and to protect the bank's channels from being used for illicit purposes. Through the framework, the strategic sanctions plan and related programs and initiatives, QNB monitors emerging risks and trends linked to sanction breaches, in order to avoid being directly or indirectly part of any illegal activity. In 2018, a numbers of sanction related initiatives were implemented across the Group, as follows:

#### Sanctions Systems and Technologies: Safe, Proficient and Effective

In 2018, Group Compliance focused on implementing "Safe, Proficient and Effective" automated processes at the local and international levels to execute transactions with a view to protect QNB and its customers from risks that could potentially occur due to the human errors. In this regard, an automated system that replaced manual processing of Trade Finance transactions was implemented in order to avoid human errors, to enhance oversight for completing required checks and to streamline the process to obtain relevant internal approvals within QNB.

#### Spreading the Sanctions Culture: Sanctions Boundless Awareness

Group Compliance is committed to inculcating a culture of compliance related awareness across QNB Group. In accordance with this goal, it developed targeted Sanctions training programs, customized for departments / business units across QNB Group including domestic and overseas international branches. This was supplemented with awareness emails and circulars, on-site visits, and "Train the Trainer" programs to Compliance Officers at overseas branches.

To increase customer awareness on sanctions programs, Group Compliance developed new Sanctions brochures and flyers, which were circulated to QNB Corporate customers. These brochures provided customers with an overview on Sanctions and related programs in place at QNB and highlighted what QNB expects from such customers.

#### Sanctions Safeguards: Tailoring Fundamental Mechanisms

To ensure the right safeguards are in place, QNB Group diligently maintains a dynamic and updated list of 'high-risk countries' that require focused compliance attention, due diligence, interaction and involvement before processing transactions linked with such countries. This list is regularly monitored and updated by Group Compliance, to keep pace with the new challenges and regulatory updates locally and internationally.

In 2018, Group Compliance conducted a number of sanction related reviews and assessments over QNB's overseas branches and subsidiaries to tailor new safeguards and controls. The objective was to ensure that QNB Group is not directly or indirectly involved in any transactions that may breach any of the international sanctions programs. Moreover, QNB implemented a new 'Sanctions Reporting Mechanism' between Head Office (Group Compliance) and all international branches and subsidiaries to ensure that the entire Group follows the same methodology in handling sanctions related matters and activities is in place.

#### Sanctions Documentation Infrastructure

QNB Group keeps abreast of new sanctions regulations, updates and international political challenges and trends. During 2018, Group Compliance developed new guidelines and strategic reports in response to new domestic and international requirements related to sanctions and defined the minimum standards that QNB Group should comply with related to sanctions. The new developed guidelines and reports have resulted in changes to some of the existing policies and procedures as well as the mechanisms of processing QNB's business transactions. Group Compliance proactively revisits its sanctions policy and related documentation infrastructure to enhance its Sanctions Framework based on the impact of such local and international sanctions updates.

#### 2.5 Building the Fraud Control Framework at QNB Group

During 2018, the Fraud Control Unit under Group Compliance started the foundation of a robust Fraud Management program, leveraging on industry best practices and standards. The Fraud Risk Management Program demonstrates the expectations of the Board of Directors and Executive Management and their commitment to high integrity and ethical values regarding managing fraud risk. A Group Wide Anti-Fraud Policy was approved by the Board of Directors and rolled out across QNB Group, including its International Branches and Subsidiaries. The key components of the Fraud Control activities during the year consisted of the following:

#### Fraud Risk Assessment

The Fraud Control Unit has conducted a structured and comprehensive fraud risk assessment across major products and channels, to identify specific fraud schemes and risks, assess their likelihood and significance, evaluate existing fraud control activities, and implement actions to mitigate residual fraud risks. The Fraud Risk Assessment was performed on a risk-based approach related to the products, processes, risks (existing and anticipated), and controls.

#### Fraud Monitoring, Prevention and Detection Activities

The Fraud Control Unit performs ongoing monitoring of alerts and exception reports to mitigate the risk of fraud events occurring or not being detected in a timely manner. The Fraud Control Unit has also rolled out fraud awareness sessions for employees across the Group, and has put in place fraud reporting mechanisms for International Branches and Subsidiaries.

### Enterprise Fraud Management System

In line with the QNB Group Compliance ‘Strategic Plan for 2018’ to improve efficiencies, visibility and enhance control environment for anti-fraud efforts, we have initiated a clear plan for the implementation of an Enterprise Fraud Management system, due to roll-out during 2019. This will ensure real and near real time screening of financial transactions, including non-monetary activities, across users, accounts, products and channels, to identify and prevent internal and external fraud across QNB Group.

### Fraud Investigations

The Fraud Control Unit has an established process for receiving, evaluating, and treating communications relating to potential fraud and conducts investigations into potential fraud, taking into account the scope, severity, plausibility, and implications of the reported matter. Reports are shared with Management so that appropriate corrective actions could be taken, including discipline, remediation, asset recovery, training, civil action, and/or criminal referral.

## 2.6 Tax Reporting: Enabling Transparent and Effective Tax Information Exchange across QNB Group

Increasing customer tax reporting requirements around the world and the digitisation of the administration of tax has increased QNB’s tax compliance burden. Non-compliance could expose the Group to financial costs or penalties or reputational damage because of failing to comply with required laws and practices.

QNB applies the letter and spirit of the law in all regions where we operate. The Tax Compliance Unit within Group Compliance continues to strengthen QNB’s processes to help ensure that QNB’s banking services are not associated with any arrangements known or suspected to facilitate tax evasion. The Tax Compliance Unit applies global initiatives to improve tax transparency across QNB Group such as:

- The US Foreign Account Tax Compliance Act (FATCA)
- The OECD Standard for Automatic Exchange of Financial Account Information (also known as the Common Reporting Standard (CRS))

The worldwide regulations highlighted above are designed to put in place adequate agreements between different countries to exchange customers’ information aimed, primarily, at combatting tax

evasion. The Tax Compliance Unit is responsible for managing the entire gamut of FATCA and CRS related responsibilities across QNB Group.

The Tax Compliance Unit serve as subject matter experts in FATCA and CRS aspects and work with the different business-units domestically and with compliance officers at overseas branches and subsidiaries to serve as the liaison point in FATCA/ CRS implementation and reporting programs. In 2018, the Tax Compliance Unit successfully led comprehensive initiatives and programs to ensure that the required FATCA and CRS reportable data set by the regulatory authorities in Qatar and by applicable jurisdictions in overseas branches and subsidiaries were duly submitted.

## 2.7 Enhanced Compliance Monitoring and Oversight

### Compliance Monitoring Program

QNB Group has set in place a robust, detailed and effective Compliance Monitoring Program (CMP) across QNB Group. The CMP provides a thorough snapshot of where the Bank stands particularly in relation to applicable regulatory requirements. During 2018, QNB’s CMP was remodelled and enhanced to include the compliance status of every regulatory requirement, the process owner for the same, the applicability level (i.e. at the Bank domestically or at the Group level), level of importance, the need to update the relevant policies and procedures and frequency of periodic review.

The CMP is developed using a risk-based approach and is subject to oversight by the Group Chief Compliance Officer to ensure appropriate coverage across businesses and co-ordination with the risk management functions.

Group Compliance has also implemented a customized version of the compliance monitoring program for analyzing the key regulatory developments at QNB’s overseas branches jurisdictions that could affect their operations, structures and procedures. An effective compliance monitoring program ensures a well-organized Corporate Governance vision.

### Effective Implementation Mechanism of Evolving Regulatory Requirements

QNB Group Compliance is in the driving seat when it comes to complying with the ever changing and complex regulatory landscape. It has been at the forefront for dealing with new local and international regulatory requirements. QNB has

developed an end-to-end proficient and sustainable monitoring mechanism to ensure proper and timely implementation of the new regulatory requirements.

Any new requirements are carefully interpreted, discussed and implemented within the given timeframe keeping in mind the overall impact on QNB Group. This monitoring mechanism is formalized and well documented in the Group’s Compliance policy with clear instructions on the roles and responsibilities of each relevant party starting from the senior management and cascaded down to the relevant process owners. During 2018, enhancements were made domestically to procedures related to the handling QCB as well as QFMA circulars and directives by clearly chalking out the methods of relaying the necessary requirements across the business.

### Compliance Self-Assessment Framework and Mechanism Enhancements

In 2018, Group Compliance sustained its efforts to enhance QNB’s comprehensive ‘Compliance Self-Assessment Framework’ across QNB Group. The main objective behind this framework is to identify areas that pose the greatest compliance risks i.e. relevant to corporate governance, sanctions, regulatory compliance and AML/CTF activities. This undertaking helps QNB prioritize compliance risks assessments by assigning proper ratings, mapping them to the applicable risk owners and effectively allocating resources to perform risk mitigation tasks. The framework also incorporates a ‘self-awareness questionnaire’ directed towards the bank domestic divisions, overseas branches and subsidiaries and the feedback is evaluated and validated to identify weaknesses and work on areas of improvement.

### Compliance Self-Awareness Questionnaires (CSAQ)

Tied to the ‘Compliance Self-Assessment Framework’, the ‘Compliance Self-Awareness Questionnaire (CSAQ)’ was initiated and developed by Group Compliance in 2014 with the objective of testing domestic divisions/subsidiaries and overseas branches and subsidiaries awareness with regards to their compliance responsibilities and in disseminating the Compliance Culture across QNB Group. The exercise is used as a multipurpose tool, intended to help QNB determine whether good business practices and adequate internal controls, which are required by the regulators as well as through the Policies and Procedures of QNB Group, are being observed and complied with by the respective divisions, branches and subsidiaries of QNB Group. During 2018, Group Compliance continued its efforts to review and update the

content of the CSAQ; added new sections related to outsourcing, privacy and customer data protection, automatic exchange of information (tax) and enhanced the scoring methodology so that it better reflects the actual compliance risk relevant to QNB’s domestic and international activities.

### Compliance Self-Awareness at Overseas Branches and Subsidiaries

To improve and enhance the Compliance Self-Awareness exercise across overseas branches and international subsidiaries, Group Compliance tailored the QNB Group ‘Compliance Self-Awareness Questionnaire (CSAQ)’ scoring methodology to deploy the same approach across the entire QNB Group Network.

The scope of the Compliance Self-Awareness Questionnaire for overseas branches covers core compliance areas (i.e. governance, whistle blowing, compliance with QNB policies and procedures, compliance with AML/CTF, sanctions requirements, Chinese walls, branch specific ‘Compliance Monitoring Programs’, systems and regulatory requirements). Group Compliance examines and discusses the outcomes of the self-assessment with the Heads of Compliance and Internal Control at overseas branches in order to implement improvement initiatives.

For QNB’s international subsidiaries, Group Compliance initiated specific new guidelines to enhance the development of the CSAQ “Compliance Self-Assessment Questionnaire” framework and align it with the approach applied at Head Office. All the final “Compliance Self-Awareness Questionnaire” outcomes at international subsidiaries are communicated to Group Chief Compliance Officer.

## 2.8 Augmenting the Capability and Skillset of the Group Compliance Team

QNB attaches great importance to the professional improvement of its employees and supports them in obtaining trainings, certifications and professional development opportunities in an effort to increase the work quality and ensure compliance with international standards. In this sense, employees within Group Compliance are encouraged to pursue continued development and obtain internationally accepted certifications, professional qualifications and credentials in the field of Financial Crime, Regulatory Compliance and Governance to help QNB Group create a difference in the industry.

In this regards; Group Compliance plans and assigns training courses to all staff across levels, as per an analysis of their training needs, and initiates proper certification programs as appropriate' such as the ACAMS Certification training and CISI – QFMA Regulations Certification Training. A majority of the Compliance staff hold internationally accepted certifications, professional qualifications and credentials in the field of compliance, AML/CTF, fraud risk management, fraud investigations, financial crime, etc. Group Compliance consists of qualified experts and helps QNB create a difference in the industry.

## 2.9 Group Compliance Training and Awareness towards QNB Staff: Incorporating Leading Practices into Compliance Awareness and Training Programs

QNB Group embraces and continually emphasizes the importance of delivering compliance related awareness and trainings initiatives as a key part for molding QNB culture and for nurturing a positive environment towards compliance.

Group Compliance on an ongoing basis reviews, adopts and implements within its training programs, regulatory requirements and compliance related global best practices, including but not limited to those issued by the 'Qatar Central Bank (QCB)', Qatar Financial Market Authority (QFMA), The Qatar Financial Centre Regulatory Authority (QFCRA) and the 'Financial Action Task Force (FATF)' recommendations on 'Continuous Training and Education for Employees' and international best practices, at all levels of the organization across QNB Group. This approach serves to enhance compliance awareness and sensitivity among QNB's employees, thus aiming to protect and enhance QNB Group's reputation globally.

### Compliance Strategy: Risk Based Approach towards Awareness and Training Programs

A key focus of QNB's compliance awareness and training programs are to ensure that QNB Group and its employees operate in compliance with relevant laws and regulations across the jurisdictions where it operates. Consequently, the programs focus on increasing the Group's reputation regarding compliance aspects and ensuring that QNB's global brand is not exposed to jeopardy or risk of impairment.

In 2018, the compliance training strategy was enhanced in order to further align the content of the training courses with QNB employee needs, while enhancing the trainees experience and thus improving

the program effectiveness. The designed courses focused on providing practical insights into actual compliance issues faced by the staff or spotted by Group Compliance during the day-to-day activities.

## 2.10 Relationship with Regulators in Different Jurisdictions

### “Compliance” as Single Point of Contact

QNB Group Compliance is the focal point of interaction between the Bank and Regulatory Authorities and hence it is crucial to maintain a close and clearly established working relationship with all relevant parties including the business units. During 2018, QNB Group's relationship with the regulators was further strengthened by having clear and transparent communication channels. Correspondence with regulators typically includes handling responses to inquiries, customer complaints through the regulatory authorities' inspection reports.

### Regulatory Approvals Support

QNB Group as the market leader in offering cutting edge and innovative products and services especially in light of the ever growing digitalized environment and breakthroughs across the world, it is critical for the Group to ensure that any new initiatives and innovations which impact our business, operations, systems and controls are line with relevant laws and regulations. In 2018, Group Compliance assisted the business units and support functions in seeking the necessary regulatory approvals from QCB, QFMA and other regulatory authorities for numerous activities, which included offering new products and services as well as development of existing ones.

### Regulatory Reports

QNB Group has in place a highly efficient mechanism to collate and report all required information from a regulatory perspective in a timely and accurate manner. In this mechanism, the responsibility of submitting required regulatory reports rests with the various business units. Group Compliance coordinates and ensures that the information shared is true and accurate and is submitted within the given deadlines. Group Compliance has also taken the lead to provide assistance to the regulators on any inquiries and inspections in order to resolve pending issues that may lead to violations or financial penalties.

## 2.11 Preventing Bribery and Corruption

Bribery can take place in many types of activities. It usually designed to obtain financial benefits or other personal gain. For example, bribes are intended to influence behavior – they could be in the form of money, a privilege, an object of value, an advantage, or merely a promise to influence a person in an official or public capacity.

### QNB's Framework to Combat Bribery and Corruption

At QNB Group, the way of doing things is just as important as what to do. QNB Group seek to create and maintain a work place where every employee is empowered to achieve the highest business and personal standards, and where everyone feels proud to be part of the QNB Group and the job which he or she does. QNB Group adopts a zero-tolerance approach to bribery and corruption and is committed to implementing the highest standards of acting professionally, fairly and with integrity in all business dealings and relationships, wherever it operates, by implementing and enforcing effective processes, measures and systems to counter bribery and corruption.

QNB maintains a comprehensive group-wide 'Anti-Bribery and Corruption' policy and framework, to provide information and guidance to those working for the Bank on how to recognize and deal with bribery and corruption issues and to specify clearly the obligation of the Board of Directors, Management and employees in relation to their duties in the prevention and fight against corruption and bribery. QNB also encourages reporting of suspicions through the appropriate communication channels (such as through QNB's confidential Whistle Blowing mechanism) to protect the Bank's image and reputation.

### Strengthening our Integrity

Corruption and bribery violates the public's trust, threatens economic and social development, and hurts fair trade and the employees at QNB Group are committed to act lawfully, ethically and with integrity. As part of this commitment all forms of corruption and bribery are unacceptable and the Bank ensures that anti-bribery and anti-corruptions measures to ensure transparency and fairness in all its dealings, and when dealing with any third parties, outsourcing and external vendors. The fundamental standards of integrity under which QNB Group operates do not vary depending on where we work or whom we are dealing with. Controls and checks are also in place across QNB Group to make sure anti-corruption and anti-bribery related risk

measures are embedded within relevant QNB policies and procedures. Bribery, fraud and other forms of corruption are regularly assessed and updated using the fraud risk assessment program, which reviews different products, processes, key functions and divisions to assess the inherent corruption and bribery risks.

## 2.12 The International Compliance Structure for Enhanced Governance

### General Data Protection Regulation (GDPR)

The General Data Protection Regulation (GDPR) is a European Union (EU) Regulation that took effect on 25 May 2018 and provides EU citizens/residents across the globe with enhanced rights in relation to the protection of their personal data. As per GDPR, European regulators can impose fines up to 4% of global revenue or EUR 20 Million on organizations that fail to comply with its requirements.

Group Compliance is the project and function owner for GDPR implementation across QNB Group. In 2018, Group Compliance initiated the implementation of a robust GDPR program across QNB Group and particularly for the EU entities where it operates (i.e. UK, France and Switzerland). Implementation of GDPR has been undertaken via a phased approach and Group Compliance has been actively working with involved stakeholders across the Group to ensure an efficient and effective implementation.

### Assessing the Compliance Framework at International Representative Offices

In 2018, Group Compliance initiated a new framework for assessing the compliance function and activities of the international representative offices in cooperation with Group Strategy, with the objective of testing the entity's' awareness with regard to their compliance responsibilities. The framework serves as a multipurpose tool, intended to assist the Group in determining whether good business practices and adequate internal controls, which are required by the regulators as well as through the codes, policies and procedures of QNB Group, are being observed and complied with by the respective representative offices at the Group level.

### Compliance Documentation Infrastructure Alignment at QNB International Subsidiaries

Group Compliance introduced a ‘document infrastructure alignment project’ in 2018, which focused on aligning the compliance related documentation at QNB Subsidiaries with QNB Group policies and standards. Operating in different jurisdictions is challenging given jurisdiction specific obligations and requirements. The goal of this initiative was to allow the QNB subsidiary network to benefit from and to leverage Group Compliance’s robust compliance documentation infrastructure when developing new compliance documentation or enhancing existing documentation. This initiative is being conducted in a phased approach and in the initial phase where we focused on analyzing the compliance documentation at three of QNB’s largest subsidiaries. In subsequent phases, the project will extend to the remaining subsidiaries.

### 2.13 Strategic and Operational Risk Management Governance Measures

Risk management within QNB Group is a key focus area across all levels of the bank. QNB enjoys a robust risk management framework and governance structure that ensures a crucial balance between risk and reward. QNB Group adopts a centralized approach to risk management, complemented by local expertise and knowledge. This ensures proactive risk governance and management at the consolidated and the local level.

Group Risk launched several initiatives during 2018 to tackle the evolving challenges across the globe in order to consolidate the risk management framework, enhance governance measures and preserve the safety of QNB Group.

#### Operational Risk Governance Framework

During 2018, QNB implemented and published a new group wide ‘Operational Risk’ framework document for heightened governance of operational risk aspects. There was also restructuring and expansion of the Group Operational Risk division to enhance operational risk mitigation measures across QNB Group. A ‘Group Operational Risk Management Sub-Committee’ was also created for evaluating the operational risks at domestic and overseas branches.

#### Realignment of Strategic Risk Management Structures

Following the segregation of Credit Lending division at QNB and based on recommendations from an independent review of risk capabilities, a realignment

of strategic risk management (SRM) structures has been implemented. The goal of this initiative is to better align responsibilities and functional team mandates with respect to management of Enterprise Risk, Portfolio Management, Risk Systems/MIS, Change Management, ALM/Liquidity/Market Risk and Global Risk Support.

#### Addressing QCB’s Requirements under Basel III

As part of ‘internal capital adequacy assessment process’ (ICAAP) recommended enhancements, the standards for model review and validation was formalized at QNB through publication of the related Group policy. In addition, an ‘Enterprise Stress Testing’ framework was developed for firm-wide implementation in 2019. In line with QCB’s requirements, a capital risk report was introduced that included a comparative analysis of the ‘internal ratings-based’ (IRB) approach and related impacts and which is reported through the appropriate committees at QNB.

#### Incorporation of Group Structures at Overseas Entities for Effective Risk Management

Group Risk implemented enhanced oversight of overseas branches through cascading of limits and controls as well as by establishing deeper engagement and reporting lines with international subsidiaries to achieve alignment with group wide adopted standards. A model governance framework was also implemented, including the establishment of a technical committee.

Risk SLAs were revisited across QNB’s international network to ensure alignment of responsibilities and to align local risk committee structures and charters with group standards. There was also focused group oversight on the review of international risk policies and procedures, which resulted in enhanced overall Group Risk reporting and controls in relation to overseas branches and subsidiaries.

#### New Operational Risk Mitigation and Monitoring Systems / Programs

2018 witnessed the creation of a new ‘Third Party Risk Management’ department within the Operational Risk division at QNB to analyze, control and manage risks presented to QNB, its data, performance, security, operations and financial position by third (other) parties. A new ‘Merchant Risk Acquiring’ function was also created within the Fraud Oversight unit, with a focus on merchant card payment transactions fraud control, and for effective risk governance of new QNB-acquired merchants. To further mitigate operational risks during 2018, the escalation process for ‘QNB

Notifiable Event Process’ (QNEP) and ‘Events Loss Data Management’ (ELDM) at a Group wide level was also enhanced. A new methodology for ‘Risk Control Self-Assessment’ (RCSA) was also developed and which incorporated a process based approach.

In terms of systems and tools, a new operational risk tool and third party risk management module was implemented at QNB. QNB also implemented and enhanced its card fraud monitoring platform ‘Smart Vista’ (BPC) to enable effective risk-based monitoring alerts and analysis of QNB card customer transactions. Additionally, risk controls were implemented for ‘Manual Key Entry’ card payment transactions of QNB acquired ‘Point-of-Sale’ card transactions.

#### Strategic Risk Management System Enhancements

QNB undertook implementation of a ‘credit impairment measurement solution’ to meet compliance requirements of IFRS 9 and QCB and in order to enable regular streamlined management reporting. The related operating model enhancements for IFRS9 include the establishment of a third party review mechanism that addresses modeling outputs, staging analysis as well as accounting and reporting requirements.

In relation to new securitization funding trades, Group Risk have developed and maintained pricing models to enable the bank to independently monitor these transactions to validate margin requirements and to assess requirements for collateral levels to manage risks on these trades. New retail scorecards were also developed to improve decision-making and which aid efficiency.

### 2.14 Financial Disclosure Regimes Synchronized with the Corporate Governance Framework

The importance of transparent and timely financial disclosures, as a component of the Corporate Governance framework, greater investor relations and enhanced international regimes is growing and focus on the financial control role has increased in terms of producing pertinent and transparent financial information with no margin of error to the financial community in general.

Financial reporting disclosures are essential to the shareholders of a company because they frequently use these disclosures for their economic decisions about the business. Investors and shareholders thus consider transparent financial disclosures as a key part of corporate governance and a strong indicator of the strength of a company’s practices. QNB Group continually strives for stringent and timely adoption

of international accounting and reporting standards to produce precise financial information that accurately reflects QNB’s financial position.

#### Adoption of IFRS 9

In line with the International Financial Reporting Standards (IFRS), QNB Group has adopted IFRS 9 with effect from 1 January 2018. The key changes related to new standards include:

- Classification and measurement of financial assets after initial recognition
- Impairment of financial assets with the introduction of Expected Credit Loss (ECL) model

IFRS 9 implementation has brought about for financial institutions more stringent controls and reviews of data to support granular reporting to QCB along with enhanced financial auditable disclosures. IFRS 9 is embedded as a part of management reporting at QNB.

#### Preparedness for Implementation of Value Added Tax (VAT) in Qatar

With the upcoming implementation of the Value Added Tax (VAT) regime in Qatar, QNB has begun preparing itself for the implementation of VAT with the assistance of an external consultant to guide the implementation process at QNB Group and to identify key areas for improvement, to comply with the upcoming tax regulations in this regard.

#### Corporate Governance Framework Enhanced to Ensure Effective ‘Internal Controls Over Financial Reporting’ (ICOFR)

Based on regulatory developments issued by QFMA during 2017, QNB Group engaged an external auditor in 2018 who performed an extensive risk assessment of QNB Group’s ‘Internal Controls Over Financial Reporting (ICOFR)’ for the purpose of ensuring full compliance with QFMA’s issued ‘Corporate Governance Code’ including:

- QNB’s compliance with the implementation of leading international standards in auditing and the preparation of financial reports as well as its compliance with international auditing and accounting standards (IFRS/IAS) and (ISA) and their requirements
- Appropriateness and effectiveness of internal control systems implemented at QNB Group
- QNB’s compliance to develop the required internal policies and procedures

- QNB's compliance to its Articles of Associations and with the provisions of the Law and the authority's relevant legislations, including the provision of the QFMA Corporate Governance code

## 2.15 Reinforcing Governance of Information Security Measures

### New Cyber Security Committee to Enhance Information Security and Management of Cyber Risks

QNB is implementing enhanced governance committee structures to enhance management of cyber related and information security risks across the Group. This is also in line with the QCB's requirements which advocate measures to enhance information security and management of cyber risks across financial institutions. To align with QCB's requirement on technology risks and QNB's goal to adopt leading measures, QNB has formalized the creation of a new 'Group Cyber Security Committee' (GCSC) structure, to enhance management of cyber related and information security risks across the Group. This committee will be classified as a 'Tier 1' committee who will monitor, amend and implement the Group's cyber security strategy in line with the expectations of the Board. The committee will also develop and monitor the implementation of the IT and cyber security strategy and plans across the Group. The 'Group Cyber Security Committee' will also have oversight over QNB's IT security program. The committees will comprise responsible parties from various functions and levels within QNB.

### Implementation of Improved Systems to Support Compliance to the Technology Risks Circular (from QCB) and Global Leading Practices

In 2018, following regulatory directives regarding management of technology risks and in line with international best practices, QNB allocated the necessary budget to purchase and deploy three solution enhancements; namely related to 'Privileges Access Management', 'Data Leakage Prevention', and 'Data Classification' to enhance management of technology and information security risks across QNB Group. The deployment of the solutions will take place during 2019.

## 2.16 Strengthened Governance Mechanisms for Credit Practices

### Focusing on Credit Process Improvements

In 2018, the Group Credit division at QNB undertook standardization of credit submissions from all QNB branches and subsidiaries using a set of fit for purpose credit templates and financial spreading. Moody's Risk Analyst (a ratings tool) was also adopted at two international subsidiaries, Egypt and Switzerland – both of which previously operated using legacy ratings tools. This has enhanced QNB's ability to benchmark exposures in these countries against its global portfolio and ensure consistent ratings practices across the QNB network.

### Credit Risk Dashboard for Improved Reporting

To improve management information reporting across QNB Group, a new 'Credit Risk Dashboard' was created and implemented in 2018 by the Credit and Risk divisions. This dashboard enhances reporting and monitoring at a portfolio level across QNB's branches. Key data (for example: NPL Rates, Expired Accounts, Sector Exposures, Weighted Ratings, etc.) will be available from a single source system. Furthermore, this report will follow a uniform structure and format for all branches.

### International Credit Governance Model

A new 'International Credit Governance' project was undertaken by QNB during 2018, in association with external consultants and a target governance model and roadmap produced to further integrate subsidiaries to standardize the structures, processes and credit operating model across the Group and to cascade sector, geographic and product limits throughout the Group. Furthermore, an 'International Portfolio Monitoring and Risk Review' team was established to review QNB's international operations by entity with a focused deep dive into a different overseas branch or subsidiary each month.

### Enriching Credit Systems

During 2019, Group Credit introduced a new 'Covenants and Monitoring' system and a new 'Early Warning' system to improve its processes, increase efficiency, enable better monitoring and better risk management capabilities. QNB is of the view that the right technologies could have a meaningful impact for the bank, particularly while detecting early warning signals of risk deterioration.

### Boosting Global Credit Practices through Focus on Skills and People

During 2018, QNB deployed Head Office credit staff to overseas branches and subsidiaries. These staff deployed overseas report to Head Office Credit Senior Management. They have a key objective of ensuring common standards in the processing of credit and to act as a point of reference to local staff to achieve a better awareness of the Group's risk appetite, risk acceptance criteria, analytical approach and underwriting standards. This in turn is expected to improve QNB's overall time to market performance through the 'right first time' philosophy.

## 2.17 IT Infrastructure Enhanced to Support Governance Measures

QNB launched several initiatives during 2018 to tackle the continuously evolving IT challenges and to implement effective systems and controls with a view to minimizing risks. Key initiatives include:

### Global KYC Platform

A completely new platform for 'know your customer' (KYC) validation is in the process of being implemented in Qatar and across the network of overseas branches.

### Enterprise Payment Hub solution (EPH)

The implementation of a centralized payment processing engine, 'Enterprise Payment Hub' (EPH) was completed in the beginning of 2018. EPH was also rolled out to QNB's international branches Oman, Kuwait, India, Paris and London. It is in the process of being rolled out to additional QNB network countries during 2019.

### CBX System

QNB is upgrading its Cash Management System to the state-of-the-art 'CBX platform', which will enable handling of higher volumes, improve efficiency and address the full range of financing needs across multiple channels.

### Mobile Banking Enhancements

QNB's 'Mobile Banking Platform' has been enhanced to add additional customer friendly features and the platform is being rolled out to overseas branches as well.

### Patch Management Solution

A patch management solution for the automatic patch distribution, patch implementation, patch monitoring of servers, workstations and network devices was implemented for timely update of

patches and preventing associated vulnerabilities. The Patch Management Solution including the software monitoring solution is also rolled out to all QNB International branches.

### New Trading System

QNB's Asset and Wealth Management Division is in the process of implementing a new IT system for trading, which will increase automation, generally, and diminish the risk of human error. The system-customization phase was initiated in 2018 and the new system is expected to be operational in 2019.

## Enhanced Systems and Controls at Overseas Branches

During 2018, QNB Group implemented a number of key initiatives to strengthen risk management measures and ensure effective oversight of systems and controls at overseas branches. In accordance with these initiatives and to align with leading practices employed at Head Office, QNB's international money and security transfers system, at overseas branches, was enhanced by implementing heightened control limit access and time bound measures. In addition, the core banking system at overseas branches was reinforced to ensure synergy in systems across QNB Group, along with application of an authorization matrix for adopting the four eyes concept.

## 2.18 Effective Integration with Internal Audit to Support Corporate Governance Processes

Internal audit is an independent and important managerial control tool, directly linked to the rules of the business in the way it offers fundamental security by providing the necessary level of reasonable and expected assurance related to the internal control system, which is one of the corporate governance pillars. In this context, QNB Group Internal Audit Division (GIAD) have undertaken several developments during 2018, focusing on supporting this role for safeguarding effective Corporate Governance across QNB Group.

### Oversight of Regulatory Obligations

QNB continually ensures that internal audit related assignments, particularly those set by regulators during 2018, are effectively performed; such as the examination of reconciliation of collaterals of securities and immovable property as against records at the 'Securities Exchange and Land Registry' and examination of the process underlying 'Capital Adequacy' and 'Stress Testing' methodologies relating to operations in various jurisdictions. Group Internal Audit also performed ad-hoc assurance

activities in response to requirements of home and host regulators.

#### Initiatives and Awareness Programs for Effective Risk Management

- Internal Audit launched a risk and control awareness program across international branches to help improve the risk culture within the Group. This program will continue in 2019 and similar programs will be rolled out to domestic branches.
- Internal Audit supports the continuous improvement of the Group's risk management framework by highlighting emerging risks related to various business and operations processes.
- Internal Audit continued its contribution to cyber-security risk control, monitoring and improvement of security.
- High-level governance reviews on the Group's international subsidiaries were conducted to ensure alignment with the Group standards.
- The internal audit documentation infrastructure was reviewed and updated during 2018 to reflect necessary changes in the regulatory environment, emerging risks and alignment with the Group entities.

#### External Quality Assurance Review

Group Internal Audit Division (GIAD) engaged services of the 'IIA-USA Quality Assurance Services' for conducting an external quality assurance review of the internal audit function. This was in conformity with 'Standards for Professional Practice' of internal audit and part of continuous improvement that underpins professionalism. This review displayed that QNB's internal audit's activities in Qatar "generally conforms" to the standards and the IIA code of ethics, demonstrating GIAD's commitment to maintaining professional standards and ensuring high quality in all aspects of internal audit services.

#### Internal Quality Assurance Review

During 2018, GIAD launched a survey targeting key stakeholders to seek their feedback to assess internal audit's services, alignment with business objectives, risk identification and assessment, and continuous improvement. Results of this survey enabled GIAD to evaluate the level of contribution of audit services and identify inputs for further consideration. The results of the survey showed that GIAD is

operating between "Met Expectations" and "Above Expectations" in all its activities.

#### Focusing on Nurturing Talent in Internal Audit

GIAD has continued to place importance on resource development, with due emphasis and priority placed on development of Qatari nationals. Currently over 60 percent of GIAD staff hold recognized professional qualifications, certifications and credentials required for their respective roles which include banking, audit, risk management, anti-money laundering controls, anti-terrorist financing controls, fraud investigations, governance, technology audit, cyber security, etc. Particularly, Qatari national audit staff are encouraged, as well as supported, to pursue professional certification/designation relevant to internal audit and banking, in some cases, university education. For 2019, continued focus will be placed on developing Qatari nationals in their all-round development in banking and professional auditing skills.

#### Plans for Enhancing Internal Audit Governance Activities in 2019

- Establishment of a 'Global Specialized/Focused Audit Unit' to cover Group-wide financial crime audit, thus supporting various initiatives to combat financial crime and taking cognizance of the fact that financial crime represents a top concern of regulatory bodies.
- Implementation of an enhanced 'governance' operating model over the internal audit functions of the Group's large subsidiaries.

#### 2.19 Corporate Governance and Human Resources Management: Strategic Partners

QNB Group Human Capital plays an important role in building and maintaining trust relationships between QNB Group and its employees. During 2018, QNB Human Capital Division launched/carried out several initiatives and enhancements to improve the relationship and confidence that QNB has in its employees and in turn to provide the Group with the best talent and skills required to achieve QNB's vision.

#### Leadership Continuity (Succession) Planning

To ensure readiness of capable leadership talent better prepared to assume higher and complex responsibilities, periodic planning reviews continued for key leadership positions. Additional emphasis has been placed on development of potential successors through a more rigorous approach to identification of development needs and effective development planning. Development programs on Leadership

(LDP) and Management (MDP) continued to target the promising talent identified both local and international entities.

#### Career Development

Career development remains one of the key strategic initiatives of QNB Group. During 2018, QNB continued to extend support to staff to take-up wide ranging and relevant external and professional certifications as part of the mentoring process of current and future leadership. The Career Management team, in partnership with direct managers and department/division heads, provides targeted support to develop self-motivated employee pools at all levels with the simple objective of helping them to grow in their respective roles and fulfil their career aspirations. Appropriate career development opportunities and development road map options are created for employees to meet both individual and business needs. Aligned to this and through divisional partnership, guidance is provided to enable the identification and fast-track learning and development of high potential employees as part of a formal talent pool.

An appropriate mix of 'on job trainings' (OJT), development experiences at the workplace driven by employees and their Direct/ Department Manager, coupled with formal learning via classroom and eLearning through web-based technologies now forms part of the development plan creation. Development plans are reviewed on regular basis to monitor effectiveness of implementation and the application of learning most importantly there is an engrained culture across the business that encourages career development amongst employees.

#### 360° Assessment

The 360-degree assessment and feedback mechanism tool was introduced for QNB Senior and Middle Management in 2018, and aims to enable them to identify their strengths and potential development needs.

#### Group Wide Trainings

The Bank continued to hold a number of its training courses aimed at developing the skills of its staff and promote their professional development. Learning offerings were focused on a broad curricular of technical and behavioural development opportunities to staff in both local and international operations. A number of new 'Risk' related courses were launched i.e. operational/anti-fraud awareness/audit risk and risks related to compliance.

#### Revising Organization Charts

Key organization revisions and enhancements, particularly in business and risk areas were implemented within QNB in 2018. The expansion of QNB's international business operations triggered these movements in order to streamline international entities with the parent base organization for smooth liaison in business activities. Revisions and enhancements also effected existing country structures under the International Business Division at QNB.

#### Governance of International Subsidiaries

Group Human Capital is actively engaged in QNB's governance of international subsidiaries by providing support in administering the revision of QNB's positional organization structures and job descriptions.

#### Employment Engagement Survey (EES)

To better identify staff aspirations, the annual EES was conducted in 2018. All QNB employees from Qatar as well as from the overseas branches took part in the survey to express their views and opinions about QNB. The survey is conducted and administered by a leading external third party agency to encourage transparency and fairness for employees. Based on the results and findings, the culmination of this activity is to formulate action plans on improve initiatives identified by employees. Further implementation of vital points derived from the EES results will be through action plans linked to divisional performance indicators to achieve the desired results.

#### Global Mobility

Successful staff deployments to international QNB entities continued and this numbered over sixty placements. 2018 deployments aimed to achieve two targets i.e. qualified Qatari Nationals to receive advanced development through international exposure and specialist staff to subsidiaries to improve control and coordination within the Group.

#### Employee Rewards Programs

The 'Gawakkoum Alla' staff appreciation campaign which was a great success in 2017 continued at QNB with enhancements in 2018. In 2018, reward vouchers were extended to first time nominees of 'Employee of the Month' and the nomination eligibility revised. Additionally, a new recognition policy was implemented to encourage innovation initiatives by employees, namely the 'Innovation Award'.

## 2.20 Corporate Social Responsibility: Preserving the Reputation, Integrity and Ethics of QNB Group

Corporate social responsibility (CSR) is concerned with striking a balance between economic and social goals and between individual and communal goals. The corporate governance framework at QNB encourages the efficient use of resources while maintaining accountability for the stewardship of those resources. Both corporate governance and CSR activities within QNB focus on adopting ethical practices in its business and commitment towards its stakeholders and the environment in which it operates. These responsibilities are necessary to ensure economic prosperity, environmental quality and social justice. Drawing on the tight relationship between corporate governance and CSR, QNB Group, through the Corporate Communication division demonstrated strong commitment to social responsibility initiatives to enhance the impact and perception of QNB within its environment, while encouraging all QNB Group employees to participate in QNB's corporate social responsibility activities.

During 2018, some of the main initiatives undertaken by the Group to demonstrate a strong commitment to CSR include:

### A. Participation in Social Activities

#### Autism Awareness Day

QNB Group organized various activities in collaboration with Qatar Autism Society for World Autism Awareness Day 2018 observance “Empowering Women and Girls with Autism.” In addition, QNB extends its efforts to support autism patients, develop their skills and help them become a key component of the society by aiding Governmental Health Communication Center’s National Autism strategy in line with the aspirations of the Qatar National Vision 2030.

#### Dreama

QNB participated as an official sponsor in the celebration of “Dreama Day”, held under the slogan (With you, not only today, but always). Dreama is a pioneering Qatari foundation focused on providing care to orphans and integrating them into the society.

#### Expressions Drawing Competition

QNB was the title sponsor of Babyshop’s “Expressions” Drawing Competition for children. The event aimed at encouraging children to express their creativity through colors.

#### International Women’s Day

QNB marked the International Women’s Day celebrated annually worldwide on 08 March, by distributing flowers to all women in its offices, in recognition of their social, economic, cultural and political achievements.

#### Shelli Yseer Play (theatre)

QNB sponsored and organized a day for the staff to attend a Qatari political and comedy play at Qatar National Theatre.

#### Qatari Society for Rehabilitation of Special Needs

QNB organized a social initiative with the Qatari Society for ‘Rehabilitation of Special Needs’ during the holy month of Ramadan. The event aimed at highlighting the importance of small contributions, made in whatever available capacity, in changing other people’s lives.

#### World Environment Day

QNB demonstrated its commitment towards the World Environment Day by launching a new recycling initiative in support of the UN World Environment Day and Qatar 2030 Vision goals. The initiative aimed at encouraging the staff to recycle all paper waste through dedicated bins located within every filing and printer room. This initiative was launched in collaboration with Elite Paper Recycling, a local Qatari recycling company that produces quality craft paper and carton packaging.

#### World Health Day

QNB celebrated the World Health Day in 2018 by organizing several activities for QNB staff. This involved aspects such as staff examining their Body mass index (BMI Test) and professional tips for maintaining a healthy lifestyle.

### B. Cultural and Educational Events

#### Camel Race

QNB was the main sponsor for H.H. The Emir Sword and H.H. The Father Emir Sword, as part of supporting the local cultural sport of Camel (Hijin) Racing.

#### CCQ First International Business Conference

QNB was the platinum sponsor for the first CCQ International Business Conference. The theme for the 2018 conference was “Competitive knowledge-based economy in Qatar: Challenges and Opportunities”. The purpose of the conference is to explore and examine the various difficulties and possibilities for Qatar’s knowledge-based economy through presentations within the fields of accounting, business ethics, finance, economics, etc.

#### CMU Quick Startup 2018

Carnegie Mellon University (CMU) in Qatar organized the ‘Quick Startup 2018’ event, which was sponsored by QNB. This event is positioned as a training program for entrepreneurs mentored by business professionals. Students begin the program with a concept and end with a business plan and investor pitch. A panel of judges evaluates the pitches and award prizes or certificates to the top three ideas. The competition was open to college students and recent graduates in Qatar.

#### Education City Summer Camp

QNB sponsored the ‘Education City Summer Camp’ to offer various programs and activities for children. The aim was to foster in children and young adults a love for learning through fun and stimulating educational activities. The camp recognized physical education as an essential component of a child’s development and wellbeing, and used character building to encourage teamwork and cooperation.

#### Garangao Night

Embracing its Qatari culture, QNB celebrates the Garangao night every year on the fifteenth night of the holy month of Ramadan. In 2018, QNB organized diverse events to celebrate the event and distributed gifts to children in Qatar.

#### Kawader

QNB sponsored Kawader program that featured 31 newly graduated Qatari students and talented young professionals who undergo a three-month intensive training course designed to develop their skills, boost their experience, and develop their personalities and professional capacities. Kawader was launched by Qatar Finance and Business Academy (QFBA), in cooperation with the Qatar Financial Centre (QFC) Authority.

#### TEDEX

QNB was the Platinum sponsor of TEDEX, an educational conference and social exhibition for developing, sharing, and empowering young leaders’ to share ideas.

## 2.21 Governance of Strategic Planning Decisions

### Focus on Innovation: Establishment of an ‘Innovation Committee’

QNB lays emphasis on strategic innovation measures to compete in today’s dynamic market environment and continuously encourages its employees across the Group to come up with innovative ideas and solutions that align with the goals and vision of the Bank. To aid innovation measures within the Bank

a strategic ‘Innovation Committee’ was initiated during 2018, chaired by the GCEO and attended by the Executive Management Team. The Innovation Committee reviews and selects innovation proposals from across the QNB divisions for implementation.

### A Dedicated ‘Sustainability Team’

A new ‘Sustainability Team’ has been established within Group Strategy at QNB, to define the strategy, drive the culture, manage initiatives, measure the Environmental, Social and Governance (ESG) impacts across the Group and report accordingly to stakeholders. The Sustainability Team have the mandate to maintain oversight of sustainability risks and opportunities and advise management teams accordingly.

### Reporting to Head Office

Management teams at subsidiaries currently report directly into their respective Board of Directors. Critical control functions, such as Finance, Internal Audit, Compliance and Risk maintain strong functional links with all majority-owned subsidiaries and collect regular information on day-to-day operations. As part of an initiative undertaken in 2018 to further strengthen the management and governance of the Group, the functional links are being expanded to the rest of the organization, such that it includes business and other support functions.

### Planning and Evaluation of Strategic Initiatives

QNB maintains a portfolio of the various strategic initiatives – and exercise governance of project execution with regular updates provided to the Senior Management Committee, and key projects and topics discussed. Planning and performance management has been improved with the introduction of a dedicated tool (PMS) allowing for improved independence and objectivity in the development, monitoring and assessment of performance.

### Adopting Sustainable Practices

QNB has undertaken implementation of sustainable practices into its Credit Analysis processes. As part of this, QNB in 2018, in line with the Bank’s sustainability strategy, have integrated the Equator Principles within our Wholesale Credit policy, providing a risk management framework to determine, assess and manage environmental and social risks in project finance loans that (i) exceed \$10 million and (ii) have a tenor greater than two years. This will strengthen QNB’s due diligence measures and support responsible risk decision-making. QNB is committed to adopting the Equator Principles and plan to become a formal signatory early in 2019.

### 3. Key Corporate Governance Participants: The Board of Directors (Board / BOD)

Effective corporate governance requires a clear establishment and understanding of the respective roles of the Board, management and shareholders, their relationships with each other and their relationships with other corporate stakeholders. In addition to the core guiding principles of corporate governance described above, this report describes the roles of the key corporate participants in the following sections, with particular focus on the Board of Directors and the Executive Management.

#### 3.1 Roles and Responsibilities of the Board of Directors

The Board of Directors are responsible for the leadership, oversight, control, development and long-term success of the Group. They are also responsible for instilling the appropriate culture, values and behavior throughout the organization. The BOD is entrusted by the shareholders with the authority to govern QNB Group and to discharge the following responsibilities:

- Governing QNB Group and overseeing its operations
- Setting the Group's vision, mission, and objectives
- Providing effective governance over the Bank's key affairs
- Setting the overall strategic direction and oversight through the reviews and approvals of Board level policies and various group policies to ensure the adherence to specific standards
- Minimize the Group's Risk exposure, including the appointment and the oversight of the Executive Management
- Establishing compensation, performance evaluation and ensuring succession planning
- Ensuring the accuracy of the Group's financial statements including the timely reporting and disclosure of financial information to regulators and shareholders
- Providing a system by which information on unlawful or unethical behaviors can be reported to the Board and;
- Ensuring compliance with new laws and regulations as well as QNB Group Articles of Association.

The Board of Directors have the vital role of overseeing the Bank's management and business strategies to achieve long-term value creation. Selecting a well-qualified Group Chief Executive Officer (GCEO) to lead the bank, monitoring and evaluating the GCEO's performance, and overseeing

the GCEO succession planning process are some of the most important functions of the Board.

The Board delegates to the GCEO and through the GCEO to other Executive Management the authority and responsibility for operating the Bank's daily business. BOD members exercise vigorous and diligent oversight of the Bank's affairs, including key areas such as strategy and risk, but they do not manage or micromanage the Bank's business by performing or duplicating the tasks of the GCEO and Executive Management team.

The Board has also adopted the Board Charter that is reviewed annually, which provides a framework on how the Board operates as well as the type of decisions to be taken by the Board and which decision should be delegated to management with periodic reports submitted to the Board on the exercise of the delegated powers. The Board Charter can be found on QNB Group website and is also available in print to any shareholder upon request.

#### 3.2 Board of Directors Structure and Composition

According to the Articles of Association, ten (10) members of the BOD are elected or nominated for three years renewable for the same period. The major shareholder in QNB which is the Government of Qatar, through the Qatar Investment Authority (QIA) (holding 50% equity stake) is entitled to appoint five (5) of these members while the other shareholders have the right to elect the remaining five (5) members. The BOD members shall elect its Chairman and Vice Chairman among its members by a majority secret vote of the Board. The Board of Directors have the widest authority to manage the Bank and has also the right to appoint several managers or authorised persons and to vest in them the right to sign jointly or separately on behalf of the Bank.

On the 7<sup>th</sup> of July 2013, QIA appointed H.E. Mr. Ali Shareef Al-Emadi, the Minister of Finance, as Chairman of the BOD. H.E. Ali Shareef Al Emadi was the former Group Chief Executive Officer of QNB Group and has predominant experience in financial sector spanning over 26 years. He started his career with Qatar Central Bank at the Banking Supervision and Control Department and progressively held higher posts, culminating in being the GCEO of QNB from 2005 to 2013. H.E. has Bachelor of Science, Finance from the University of Arizona. Besides the above mentioned positions, H.E. is also Member and Secretary General of the Supreme Council of Economic Affairs and Investment, the President of the Executive

Board of Qatar Airways and member of the Supreme Committee for Delivery and Legacy. H.E. is also member of the Board of Directors of Qatar Investment Authority (QIA) and Qatar Petroleum (QP).

#### 3.3 Board Term and Renewal

During the General Assembly held on 31<sup>th</sup> of January 2016, (5) Members of the BOD from the private sector were elected and Qatar Investment Authority (QIA) appointed the other (5) Members. The term of the current Board expires in January 2019. There were no new appointments made to the Board of Directors during 2018. For the next BOD elections will take place early 2019.

The Group Board Nomination, Remuneration Governance and Policies Committee (GBNRGPC) is responsible to adopt the highest transparency standards in the nomination process for Board membership. This Committee is in charge of recommending Board Members' for election in the General Assembly Meeting based on the applicable QCB and QFMA requirements as well as initiating the annual performance self-assessment of the Board and Board Committees, the candidate for Board membership shall provide a written acknowledgment stating that he is not undertaking any legally prohibited job position to combine it with the QNB Board membership.

In coordination with The Group Board Nomination, Remuneration Governance and Policies Committee, Group Compliance ensures the preparation and the submission of the induction file to the new Board members to ensure proper awareness of all the responsibilities and assigned tasks.

Nominations and appointments are made in accordance with an approved mechanism to accept candidates in line with QCB and QFMA requirements. Moreover, for this specific purpose, the BOD has adopted a clear policy in light of international professional and technical standards to measure the eligibility of individuals to apply for Board Membership. QNB Group is required to send a list of names and data of Board membership candidates along with candidate's curriculum vitae and original copies of candidacy requirements to QFMA at least two weeks prior to the Board election date.

#### 3.4 Board Qualifications

Members of the BOD have the requisite expertise and management skills that qualify them to conduct their duties towards the Bank's best interests. Board members are selected according to the criterion of "the right person in the right place", taking into account the efficiency and competence of the Members. They are also committed to investing the required amount of time and attention towards the accomplishment of their duties for the duration of their term.

#### 3.5 Independent and Non-Executive Board Members

During 2018, all of QNB Group's BOD members are non-executive Members and none of them assumes executive responsibilities, moreover, at least one third of the BOD members are independent and no member holds a full-time or part-time job within the Group.

BOD members challenge management proposals constructively; they also examine and review management performance in meetings against agreed objectives and targets. In addition, they draw on their experience and knowledge in respect of any challenges facing the Group and in relation to the development of proposals on strategy.

QNB considers the current size and composition of the Board to be within an appropriate range. Moreover, the current size of the Board is sufficient to enable its Committees operating while being dynamic and responsive to the needs of the Group. The Board has the appropriate blend of skills, knowledge and experience, from a wide range of industries and backgrounds, necessary to lead the Group.

#### 3.6 Prohibition of Combining Positions

In 2018, none of the Board members is a Board Chairman or a vice-chairman for more than two Companies that have their headquarters located in the State of Qatar. Also, none is a BOD member for more than three shareholding companies' which have their headquarters located in the State of Qatar, and not a Managing Director in more than one Company which is headquartered in the State of Qatar, and do not combine two memberships of two Companies exercising a homogenous activity.

Since 2017, the Chairman and the members of the Board provide an annual acknowledgment that none of them combines the prohibited positions according to the regulatory requirements. The Board Secretary maintains such acknowledgments in the file prepared for this purpose.

### 3.7 Board Members Duties

All Board Members comply with the following duties:

- Attending meetings of the Board and committees regularly, and not withdrawing from the Board;
- Giving priority to the interest of QNB Group, shareholders and all stakeholders over their own interests;
- Providing opinion on the Bank's strategic matters, policy of projects implementation, staff accountability systems, resources, key appointments and operation standards;
- Monitoring the Bank's performance in realizing its agreed objectives and goals and reviewing its performance reports including the Company's annual, half yearly and quarterly reports;
- Supervising the development of the procedural rules for the Group's governance to ensure their implementation in an optimal manner in accordance with QFMA and QCB requirements.
- Using their diversified skills and experience along with diversified specialties and qualifications for effective and productive management of the Group, and working to achieve the interests of the Bank, partners, shareholders and other stakeholders.
- Effective participation in the general assemblies, and achieving its members' demands in a balanced and fair manner.
- No one make any statements, share data or information without prior written permission from the Board of Directors, and an official spokesperson will be appointed for the Group for this purpose.
- Disclosure of financial and trade relations, and litigants, including the judicial, recourses that may affect negatively on carrying out the tasks and functions assigned to them.

The Board members, at the Bank's expense, may request an opinion of an independent external consultant in issues relating to any of the bank's affairs.

Each Board Member owes the Bank the fiduciary duties of care, loyalty and compliance with the rules set out in related laws and regulations, including QCB Corporate Governance Instructions, QFMA Corporate Governance Code and the Board Charter, Board Policy, Terms of Reference and Code of Ethics and Conduct.

Board Members act at all times on an informed basis, judiciously, in good faith, with due diligence and in the best interests of the Group and all shareholders, exercise independent judgement and observe confidentiality and act effectively to fulfil their responsibilities towards QNB Group.

### 3.8 Board and Committees Evaluations

The Board have an effective mechanism for evaluating its performance on a continuing basis. Meaningful board evaluation requires an assessment of the effectiveness of the full Board, the operations of Board committees and the contributions of individual Directors on an annual basis. The results of these evaluations are reported to the full Board, and there will be a follow-up on any issues and concerns that emerge from the evaluations. The Board, under the leadership of the Group Board Nomination Remuneration Governance and Policies Committee (GBNRGPC), periodically considers what best approach will result in a meaningful assessment of the Board and its committees.

Accordingly, the Group Board Nomination Remuneration Governance and Policies Committee (GBNRGPC) initiate the annual assessment exercise of the BOD committees and the BOD members. The BOD undertook the process of an annual assessment according to the BOD performance methodology. The assessment allows the BOD to demonstrate that it is accountable for its decisions and the overall operations of QNB Group: Full-Board Assessment.

Moreover, all BOD members completed a self-evaluation exercise indicating to what extent they are comfortable with their individual performance as members of the BOD: Board Members Self-Assessment.

The BOD performance assessment task related to 2018 was launched at the end the year and the results of the assessment will be reflected to the shareholders in the General Assembly Meeting scheduled early 2019.

### 3.9 Board Secretary

The BOD is supported by a Secretary who under the direction of the Chairman ensures that communication and information flows between Board members. The Board secretary is also responsible, in coordination with Group Compliance Division, for assisting the Chairman in all matters relating to corporate governance, and provides assistance for the Chairman and all members in conducting their duties.

The BOD has appointed a Secretary of the Board that can be removed only by Board resolution. The BOD secretary is entrusted to record, coordinate and register all the Board's meetings, in addition to keeping custody of records, books and reports sent and received by the Board. The Secretary's functions also include the distribution of information and coordination among Members of the Board and between the Board and stakeholders within the Group, including shareholders, Executive Management and employees, and to ensure the timely access of Members of the Board to all minutes of meetings, information, documents and records related to the Group. The Secretary may, upon the Chairman's approval, require the assistance of any employee of the Bank to perform his duties.

Mr. Mohamed Mahmoud Muslim Arar - Secretariat Management Diploma- is the Secretary of the Board of Directors since 1990. He has previous experience in banking and secretarial work, as he has been a member of the Bank since 1974 in the Current Accounts Department then moving to Credit Facility Management in 1980. He was appointed as Office Manager of the Group CEO in 1988.

Mr. Faisal Mubarak Al-Hitmi - Diploma in Business Administration, Accounting – is a Senior Officer at the Board Office since June 2016. He has previously worked in the Tenders and Vendors Management section in the Legal Department under Group Risk since June 2014.

### 3.10 Board Meetings

According to QNB Group's Articles of Association, the Board should hold at least six meetings during the year. The meetings are held regularly or when called for by the Chairman or by two Board Members. The invitation for the Board meeting should be communicated to all members at least one week prior to the meeting. In this regard, any member can add a subject to the meeting's agenda.

The Group's Articles of Association also provide detailed information on the attendance, quorum, voting and meeting requirements.

In line with QFMA requirements, QNB Articles of Association, (article 28) state that the absent member may, by written request to the Chairman, delegate any other Board member to represent him in attendance and voting. A Board member cannot represent more than one member.

The Board meets periodically in order to ensure that it is adequately fulfilling its roles and responsibilities. In 2018, the BOD held **six** meetings.

### 3.11 Board Members Resignation

Following the commercial companies law No. 11 for the year 2015, the provisions of the article (105) have been considered in QNB Articles of Association article (27), stating that in the event that a Board Member is absent in three consecutive (or four non-consecutive) Board meetings, with no acceptable excuse by the Board, the member shall be legally considered as having resigned, to be in line with QFMA requirements.

In line with QCB requirements, QNB BOD policy has been amended to include a new provision regarding the resignation of BOD members stating that a Board member may resign by delivering written notice, signed by the Board member, to the Chairman and transmitted to the Board. In case of resignation for reasons of irregularities observed by the member, the written letter should be addressed with a statement explaining all related details and must be documented in the Board of Directors minutes of meeting.

### 3.12 Board Decisions

In line with QFMA requirements, QNB Articles of Association (article 29), state that the resolutions of the Board of Directors shall be passed by majority of votes of the members who are present. If the votes are equal, the vote of the Chairman or his substitute shall prevail. The Board, in case of urgency, may pass its resolutions by circulation provided the consent of all members is procured in writing and the resolutions are discussed in the next meeting and recorded in the minutes of meeting.

### 3.13 The Committees of the Board

As per Corporate Governance practices, regulatory (QCB and QFMA) requirements, QNB Group BOD established several committees to assist in carrying out its supervisory responsibilities composed of Members of the Board who report directly to the BOD. In application of article (19) of QFMA Corporate Governance Code, the Chairman of the Board of Directors is not a member of any of these committees, but one of the Board members chairs more than one committee, QNB will consider remedying this situation as soon as practical.

Each Board Committee is assigned to handle one or more of the tasks of the Board. The responsibilities of the Board Committees are duly documented in the terms of reference, which are approved by the BOD. The ultimate responsibility for QNB Group rests with the Board even if it sets up committees. During the year 2018, the Board of Directors has not delegated any of its power to a third party and does not issue a general or an open-ended delegation.

QNB Group BOD committees are the following:

- a. Group Board Executive Committee (GBEC).
- b. Group Board Audit and Compliance Committee (GBACC)
- c. Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC).
- d. Group Board Risk Committee (GBRC).

QNB Board of Directors conducts periodic evaluations of its committees' achievements and believes and maintains that the BOD Committees have clear roles, well understood and supported by all Board members. BOD Committees serve as a valuable resource to the Board Chairman and the GCEO in guiding the organization and improving the overall Board performance.

The following is a summary on the composition, duties and the working mechanism of these committees:

#### Group Board Executive Committee (GBEC)

The Group Board Executive Committee is composed of three Board Members; one of them is selected by the BOD as Chairman. The Group Chief Executive Officer attends all meetings, without voting rights.

GBEC main responsibilities are the following:

- Review and endorse for the Board approval the long term strategy of QNB Group based on economic and market conditions and Board of Directors' directives.

- Review and endorse for the Board approval annual business plans and budgets across QNB Group in line with the long term strategy and changes in economical, market, and regulatory environments.
- Review and approve budgetary reallocations against budget approved items as per the quarterly management reports.
- Monitor QNB Group quarterly performance against strategy, business plan and budgets.
- Review and approve QNB brand vision and defined values with all associated brands across the Group.
- Review and approve QNB corporate social responsibility strategy in light of QNB brand values across the group.
- Review and consolidate marketing and communication plans and resource distribution plans to efficiently and effectively align it to support QNB business development and growth.
- Facilitate the effective supervision and overall control of the Group's business by reviewing overall customer credit and investment exposures.
- Review and consolidate business development, products alignment, and resources distribution across QNB Group.
- Authorize those individual transactions and sectorial limits that fall within the authority delegated to the Group Board Executive Committee by the Board of Directors.
- Review credit proposals as per the QNB Group approved authority matrix.
- Review and recommend the action to be taken on impaired loans in line with the delegated limits and authorities as approved by the Board of Directors and in line with Qatar Central Bank regulations.
- Review and recommend the action to be taken on impaired loans in line with the delegated limits and authorities as approved by the BOD and in line with QCB regulations.

- Report the committee's activity to the BOD on a periodic and annual basis, including the identified and key issues / approved decisions and recommended actions to be taken by the Board of Directors when required.

The Committee held **five** meetings during the year 2018.

#### Group Board Audit and Compliance Committee (GBACC)

The Group Board Audit and Compliance Committee is composed of three Board Members, majority are independent members. The Chairman of the Group Board Audit and Compliance Committee must be a financial expert and the other board members must have financial reporting background and knowledge. Members of the GBACC cannot be a member of any other Board Committee, and the Chairman of the GBACC cannot be a member of any other Board committee.

The committee has the following responsibilities pertaining to **Financial Statements**:

- Review significant accounting and reporting issues, including complex or unusual transactions, in the light of regulatory directives and professional pronouncements and correlate their impact on the financial statements of the Group.
- Review judgments by executive management in relation to responsibilities pertaining to financial statements.
- Review and endorse the annual financial statements, and consider whether they are complete, consistent and reflect appropriate accounting standards and principles before submission to the BOD for final approval.
- Review the Group's financial statement, notes thereto, related regulatory filings, and consider the accuracy and completeness of the information before release.
- Review with management and the external auditors all matters required to be communicated or disclosed under generally accepted auditing standards, or regulatory requirements.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

- Review interim financial reports with management and the external auditors and consider whether they are complete and consistent before filing with regulators.
- Consider with internal and external auditors any fraud, illegal acts or deficiencies in internal control or other similar areas.
- Review any legal matters that could significantly impact the financial statements of the Group.
- Review with Group Compliance and external auditors any fines imposed by the regulators and/or other bodies.

The committee has the following responsibilities pertaining to **Internal Control**:

- Understand the scope of internal and external auditors' review of internal controls over financial reports and obtain reports on significant findings and recommendations, together with management's responses.
- Obtain explanation from management and internal and external auditors on whether the Group's financial and operating controls are functioning adequately and effectively.
- In coordination with Group Board Risk Committee, consider the effectiveness of the group's management of risks and internal controls over annual and interim financial reporting, regulatory and other reporting, including information technology security and controls.
- Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

The committee has following responsibilities pertaining to **Internal Audit**:

- Appoint/remove the Group Chief Audit Executive.
- Review and approve the charter, plans, activities, staffing and organizational structure of Group Internal Audit Division.

- Ensure that there are no unjustified restrictions or limitations on the functioning of Group Internal Audit, as well as on internal audit's access to the Group's records, documents, personnel as and when required in performance of their functions.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing and other applicable standards and best practices.
- On a regular basis, review the results of Internal Audit and meet separately with the Group Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence and report the results of the committee review to the BOD on regular basis.
- Ensure that management responds to recommendations by the internal auditors and that all information, records...etc. sought for and required by internal auditors in the performance of their formal duties is/are made available to them by management in an unhindered manner.

The committee has following responsibilities pertaining to **Compliance**:

- The Committee will be responsible to appoint / remove the Group Chief Compliance Officer.
- Review and approve the charter, plans, activities, staffing and organizational structure of Group Compliance Division.
- Ensure the efficiency of the compliance function in detecting the deviations and breaches within the group, and ensure the non-existence of any factors that would impact its independence and objectivity as well as proper reporting of the compliance function with appropriate consideration to Basel Committee requirements and FATF (Financial Action Task Force on Money Laundering) recommendations.

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of investigation and follow-up (including disciplinary action) of any instances of non-compliance within the Group.
- Review the findings of any inspection by QCB and any other regulatory body and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence.
- Review the communication and enforcement of the code of conduct to group personnel and monitoring compliance therewith.
- Ensure there is an effective mechanism for control, monitoring and reporting on the anti-money laundering and combating terrorism financing as well as international sanctions programs and related issues.
- Reviews the effectiveness of the Whistle-Blowing policy and recommends related actions/ amendments to the BOD.
- Review and recommend the Corporate Governance annual report, prepared by Group Compliance, in accordance with regulatory requirements.
- On a regular basis, review the results of the compliance reviews and meet separately with the Group Chief Compliance Officer to discuss any matters that the committee or Group Compliance believes they should be discussed privately and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence.

The committee has the following responsibilities pertaining to **External Audit**

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit to ensure their compliance with the implementation of the best International Standards on Auditing and preparing the financial reports in accordance with International Financial Reporting Standards (IFRS / IAS) and (ISA) and their requirements
- Ensure timely reply by the Board to the queries and matters contained in the external auditor's letters and reports.

- Review the performance of the external auditors.
- Make recommendations to the Board of Directors regarding the appointment / reappointment / removal of the external auditors and their fees.
- On a regular basis, review the results of the external auditors and meet separately with them to discuss any matters that the committee or external auditors believe they should be discussed privately, including management responses to their reports and follow up on the corrective action to any identified issues and ensure proper implementation of measures to prevent recurrence.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Group, including non-audit services.

The committee has the following responsibilities pertaining to **Reporting Responsibilities**:

- Evaluate the critical issues reports, submitted by Group Chief Compliance Officer and Group Chief Audit Executive, including those critical issues related to QNB Group subsidiaries.
- Regularly report to the Board of Directors about the committee activities and result of the committee review of issues identified by regulators, external auditors, internal audit and Compliance and related recommendations.
- Subject to applicable regulatory requirements, report annually to the shareholders, describing the committee's composition, role and responsibilities and how they were discharged, and any other information required by regulations.
- Review any other reports the group issues that relates to Group Board Audit and Compliance Committee's area of responsibility.
- The Committee is required to meet Minimum **four** times per year in addition to immediately prior to publication of the annual, half yearly and quarterly results. During 2018, The Committee met a total of **eight** times which is above the minimum number of meetings required by article (19) of QFMA Corporate Governance Code.

#### **Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC)**

The Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC) is composed of three Board Members who are in majority non-executive and independent members.

GBNRGPC main responsibilities are the following:

- Identify eligible and qualified candidates for Board and Senior Executive Management positions according to the fit-and-proper criteria set by the Committee in addition to the Independency/Non-Executives requirements.
- Assess all candidates as per QCB, QFMA, and Commercial Companies law conditions and minimum requirements where applicable.
- Ensure that a list of all accepted/rejected candidates along with their supporting documents are sent to QCB for prior approval before election and detailing the reasons/justifications for acceptance/rejection.
- Ensure that all new Directors receive proper induction program upon joining the Board by issuing a formal appointment letter and providing all Directors with induction Handbook containing all important information and documents that are relevant to the Director.
- Monitor the induction, training and continuous professional development of directors pertaining to Corporate Governance matters.
- Assess and review annually the independency/ Non-Executive criteria of each Board member.
- Submitting the list of BOD membership candidates to the Board including its recommendations, and sending a copy to QFMA.
- Ensure the remuneration framework and principles in place is in line with the remuneration policy and the Board's guidelines taking into consideration the balancing between achieved and realized profits and risk associated with the business activities.
- Approve and review the Group's remuneration and incentives guidelines and ensure that the remunerations of the Board of Directors and Executive Management are in line with the criteria and limits set forth by QCB/QFMA and Commercial Companies law.

- Arrange the annual evaluation of performance of the Board, its Committees and individual Directors consistent with BOD Policy and provide related information at the Annual General Assembly Meeting.
- Direct and oversee the preparation and update of the Corporate Governance Manual in collaboration with the Executive Management and Group Board Audit and Compliance Committee.
- Prepare required recommendations and proposals to the Board of Directors for approval pertaining to the scope of work of related management committees dealing with the GBNRGPC as well as other recommendations raised by Executive Management through appropriate channels.
- Review on regular basis the BOD structure and composition and consider/assess the need to appoint independent BOD members
- Oversee the overall Human Capital Policies and ensure the BOD and Senior/Executive Management succession planning.

Oversee the Annual review of all major policies across the Group.

The Committee held **five** meetings during the year 2018.

#### Group Board Risk Committee (GBRC)

The Group Board Risk Committee is intended to meet BOD oversight responsibility over the Risk Management and QCB and other related regulatory requirements. The committee is composed of three members one of them is selected by the BOD as Chairman.

GBRC main responsibilities are the following:

- Review and endorse for the Board approval of the risk management strategy of the Group as well as Group Risk Appetite and Portfolio Strategies recommended by Group Management Risk Committee (GMRC) and review any changes in risk strategy/risk appetite arising.
- Review and compare the Group portfolio risk profile with the approved Group Risk Appetite and endorse GMRC recommended portfolio strategies for approval by the Board.
- Approve risk frameworks, and Group Risk

Policies and control structures in accordance with the approved strategy by the Board and oversee implementation of policies pertaining to the bank's internal control system.

- Ensure the effectiveness of the risk control framework and oversee the evaluation outcomes of the GMRC.
- Approve and oversee stress testing scenarios and results, as well as management action plans.
- Approve the Group's capital management framework and any further enhancement proposed by GMRC.
- Oversee the monitoring processes performed by GMRC and control framework for the risk management and the defined related roles and responsibilities across the Group.
- Evaluate the monitoring process made by GMRC on Group entities in the identification of Operational, Credit, Market, Strategic, Legal and Reputational risks, and action plans implemented to monitor and manage these risks.
- Evaluate and approve Contingency Funding Planning (CFP) document and ensure if any material conditions occur that will invoke the CFP.
- Oversee the monitoring process of legal issues including major litigation cases and compliance with laws, policies and procedures.
- Review Executive Management action planes to resolve substantial Audit, Compliance observations and/or QCB or other regulatory reports.
- Carry out any other function that may arise from time to time as a result of Board Directions, QCB, QFMA, QFCRA regulation, and applicable foreign regulation or market developments.
- Ensure that no material impact/risk identified by GMRC related to Anti Money Laundering and Terrorist Financing as well as the 'know your customer' (KYC) requirements.
- Review any breaches of risk limits or internal control failures (if any) and review investigation results performed by GMRC.

The committee held **six** meetings during 2018.

#### 4. Segregation of the Chairman and Chief Executive Officer Roles

The role of the Chairman of the BOD and Group Chief Executive Officer (GCEO), at QNB, are distinct and separate in accordance with leading practices, such as the QFMA Corporate Governance Code, article (7) and the Corporate Governance instructions issued by QCB.

The Chairman of the Board is responsible for heading the Board of Directors meetings and ensuring the proper functioning of the Board in an appropriate and effective manner, including timely receipt by the Board Members of complete and accurate information. He also has to approve the agenda of every meeting of the Board of Directors taking into consideration any matter proposed by any other Board Member. This may be delegated by the Chairman to a Board Member, but the Chairman remains responsible for the proper discharge of this duty by the said Board Member. The duties of the Chairman, in addition to the provisions of the Board Charter, also endeavour to encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board of Directors for ensuring that the Board of Directors is working in the best interest of the company in addition to ensuring effective communication with shareholders and the communication of their opinions to the Board of Directors. The Chairman is also responsible for inspiring effective participation of all the Board Members and promoting constructive relations between them.

#### 5. Remuneration of the Board of Directors and Executive Management Members

The remuneration system within the Group forms a key component of the governance and incentive structure through which the Board and Executive Management promote good performance, convey acceptable risk-taking behaviour and reinforce the Bank's operating and risk culture.

The Board through its Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC) (by delegation) is responsible for the overall oversight of management's implementation of the remuneration system for the entire bank. In addition, the GBNRGPC regularly monitors and reviews outcomes to assess whether the Bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity. The Board reviews the remuneration plans, processes and outcomes on an annual basis.

In accordance with applicable laws and regulations, such as the Commercial Companies Law provisions, as well as the QCB circular related to the remuneration of the Board of Directors' Chairman and members and QFMA requirements, QNB Group adopted a special remuneration policy for the BOD in line with the said regulations, whereby the Group's Articles of Association have established a framework for the Board Members' remuneration which is far below the limits referred to in the Commercial Companies Law.

The remuneration policy of the BOD Members is duly acknowledged to be in line with QCB instructions and QFMA requirements; whereas the remuneration of the BOD Members is presented on an annual basis to the General Assembly for approval. The GBNRGPC defines a specific policy for remuneration of the Executive Management before presenting it to the BOD for approval.

The policy defines a mechanism whereby the remuneration is directly linked to the effort and performance at both department and employee levels, through the achievement of assigned goals and objectives in accordance with the profitability, risk assessment and the overall performance of the Group.

## 6. Key Corporate Governance Participants: Executive Management

### 6.1 Governance and Structure

The Board of Directors of QNB Group appointed in November 2018, Mr. Abdulla Mubarak Al-Khalifa as the new Acting Group Chief Executive Officer. Mr. Abdulla Al-Khalifa took over the post of the Acting GCEO from Mr. Ali Ahmed Al-Kuwari who served as the GCEO of QNB Group from 2013 to 2018. Mr. Ali Ahmed Al-Kuwari now assumes the position of Minister of Commerce and Industry in Qatar.

Prior to being appointed as the Acting GCEO of QNB Group, Mr. Abdulla Mubarak Al-Khalifa was serving as the Executive General Manager and Chief Business Officer at Qatar National Bank Group. Mr. Al-Khalifa joined QNB in 1996 and has more than 22 years of banking experience. He is the Vice Chairman of the Housing Bank for Trade and Finance in Jordan, Board Member of QNB Al-Ahli in Egypt, QNB Finansbank in Turkey, Ecobank in Togo and QNB Capital in Qatar. Mr. Al-Khalifa holds a Bachelor's degree in Business Administration from Eastern Washington University in the United States.

The GCEO is assisted in his duties by a specialised, seasoned and highly qualified Executive Management team. Six (6) Chiefs, report directly to the GCEO. Our Executive Management team has 29% female representation, one of the highest for any major bank in the region and demonstrating our commitment to enhancing gender diversity at senior positions:

- Executive General Manager – Group Chief Business Officer;
- Executive General Manager – Group Chief Operating Officer;
- General Manager – Group Chief Risk Officer;
- General Manager – Group Chief Financial Officer;
- General Manager – Group Chief Credit Officer
- General Manager – Group Chief Strategy Officer

There are two (2) independent Chiefs appointed by the 'Group Board Audit and Compliance Committee', who are responsible for generating reports and reporting on violations and concerns to the GBACC Committee and GCEO i.e. the Group Chief Compliance Officer and the Group Chief Audit Executive.

QNB's Executive Management team is fully aware of their role in terms of Corporate Governance through their commitment to implementing the

legislative requirements and the BOD's instructions in a way that strengthens the control environment in the various processes and banking activities; this includes determining the deviations from the objectives, ensuring the convergence of operations to achieve the desired goals and implementing corrective actions when required.

Executive Management is also committed to assessing the behaviour of individuals and organisational units through the development of effective internal controls which enhance the monitoring of business performance and risk measurement. In addition, soft controls have been implemented, such as incremental audit checks, segregation of duties, and restriction of powers, in addition to the implementation of ceilings on all banking operations through the adoption and monitoring of an authority matrix.

### 6.2 Executive and Management Committees

The Executive Management at QNB Group have formed a number of executive and management committees in order to effectively and efficiently handle their responsibilities and run the day-to-day activities of the Bank.

The committees are suitably endowed with full executive powers to take into force decisions and actions related to their field, scope, and structured hierarchy.

Currently, the executive and management committees established at the Head Office are structured as follows:

- Tier 1 "Executive Committees"; the "**decision making**" Committees which include (Central Purchasing, Risk, Credit, ALCO, Strategy and Cyber Security) and who report to the Board via the appropriate Board of Director related Committee.
- Tier 2 "Management Committees"; the "**working committees**" which include (Business Development, IT, HR and Operations and Services) and who report to the appropriate parent Committee in Tier 1.
- "**Senior Management Committee**"; chaired by the GCEO and represented by the five chiefs (Executive GM- Group Chief Business Officer, Executive GM- Group Chief Operating Officer, Group Chief Financial Officer, Group Chief Risk Officer and Group Chief Credit Officer).

QNB Group **subsidiaries** form their respective management committees according to their own needs, size and nature taking into consideration the corporate governance framework of QNB Group. For supervision and coordination purposes, those committees report and coordinate directly with the corresponding General Manager at QNB Group Head Office level.

The **overseas branches** form one or more committees to strengthen the control environment in the various processes and banking activities. Such committees depend on the volume of business and the country risk where QNB Group operates and are decided by QNB management. The overseas branch committees report the critical issues handled by them to the relevant QNB Head Office division.

A summary of the key tasks of the various committees are highlighted in the following section.

#### 6.2.1 Group Management Risk Committee

The Group Management Risk Committee (GMRC) is headed by the GCEO, with the General Manager – Group Chief Risk Officer as the Vice Chairman. The Committee also includes the Executive General Manager – Group Chief Business Officer, Executive General Manager – Group Chief Operating Officer, General Manager – Group Chief Financial Officer, General Manager - Group Chief Credit Officer and General Manager – Group Chief Strategy Officer. The Group Chief Audit Executive and Group Chief Compliance Officer attend the meetings as required observers. The AGM Group Strategic Risk Management acts as Secretary for this Committee. The Committee holds quarterly meetings at minimum, provided that the majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority of the attendees, with the Chairman's vote deciding in case of a tie.

The Group Management Risk Committee establishes, reviews and recommends QNB Group's risk management strategy and defines the risk appetite and risk policies. It reviews the processes and control framework for the management of risks and defines related roles and responsibilities across the QNB Group. The Committee also reviews the Group portfolio risk profile and recommends portfolio risk management strategies to Group Board Risk Committee for endorsement in order to obtain BOD approval, reviews the effectiveness of the operation of the risk control framework and submits to the

Group Board Risk Committee the annual evaluation for approval by the Board, monitors risk management activities from several perspectives: operational, credit, market, strategic, IT risk, legal and reputational and ensures implementation of action plans to monitor and manage these risks. The review of the Committee's policies and supervision of its activities falls under the responsibilities of the Board. The Committee reviews compliance with policies and procedures, audit recommendations, regulatory requirements, including combating Money Laundering and Counter Terrorist Financing requirements.

The Committee also implements and manages the Crisis Management Plan and framework and provides strategic directions during a crisis, including the management of external communications, liaising with media, regulatory authorities, emergency services and government agencies. It also provides the Group Risk report and dashboards to the Group Board Risk Committee as and when required. It reviews the approach of the Group Risk Department regarding effective monitoring and coordination at Overseas Branches and reviews the formation of risk committees at the Subsidiary level in line with the Corporate Governance structure/framework adopted by QNB Group.

The committee held **four** meetings during 2018.

#### 6.2.2 Group Credit Committee

The Group Credit Committee is headed by the GCEO, with the General Manager – Group Chief Credit Officer as the Vice Chairman. The Committee also includes the Executive General Manager – Group Chief Business Officer, General Manager – Group Chief Risk Officer, General Manager of Group Corporate and Institution Banking, General Manager – Group Asset and Wealth Management, General Manager – Group International Banking and Assistant General Manager – Group Credit. The Senior Credit Officer – Group Credit acts as Secretary for this committee. The Committee is supposed to hold monthly meetings at a minimum, provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decision consensus is unanimous. Any proposal not supported by all members present is rejected.

The Group Credit Committee reviews, recommends and implements approved credit policies, guidelines and procedures related to corporate, financial institution and retail assets across the Group. The

Committee also reviews and recommends the investment strategy, policies and procedures to the Group Board Executive Committee and BOD. The Committee reviews the delegated authorities related to credit and investments and recommends amendments to the BOD where appropriate. The Committee also assumes the responsibility to review and approve the range of credit and investment products across the Group and approves acceptable brokers/ dealers and custodians for the Group. It also monitors and reviews the performance of all the investment portfolio activities. The Committee also ensures Group entity compliance with investment limits and ratios approved by the Board of Directors, QCB, foreign regulators and senior management. In addition, the Committee monitors and reviews country risk exposures for compliance with the approved investment limits and ratios. The Committee also provides investment and credit risk reports to the Board as and when required.

The Committee held **thirty-four** meetings during 2018.

### 6.2.3 Senior Management Committee

The Senior Management Committee is headed by the GCEO, and includes the Executive General Manager- Group Chief Business Officer, Executive General Manager- Group Chief Operating Officer, the General Manager – Group Chief Risk Officer, the General Manager – Group Chief Financial Officer and the General Manager – Group Chief Credit Officer. The General Manager – Group Chief Strategy Officer acts as Secretary for this committee. The Committee meets at least every month, provided that a majority of the Committee Members attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority of the attendees, with the Chairman's vote deciding in case of a tie.

The Committee is the parent committee of Group Information Technology Committee, Group Operation and Services Committee and Group Human Capital Committee and submits memos to all the BOD Committees as well as the BOD as and when required.

The main functions of this Committee are to assist the Board of Directors in overseeing the activities of the related management committees, discuss critical topics and strategic matters related to QNB Group activities, for safeguarding an information flow which provides the Board at any time an adequate basis for steering the Bank as a whole and for meaningful and up-to-date information on its

risk positions, and responsible for aligning all IT and operational activities across the Group with QNB's vision, mission and business plan and to review Group wide IT standards.

The Committee held **twelve** meetings during 2018.

### 6.2.4 Group Asset and Liability Committee

The Group Asset and Liability Committee (ALCO) is headed by the GCEO, with the General Manager – Chief Financial Officer as the Vice Chairman. Other members of this Committee include the Executive General Manager – Group Chief Business Officer, Executive General Manager – Group Chief Operating Officer, General Manager – Group Chief Risk Officer, General Manager – Group Chief Credit Officer, General Manager – Group Chief Strategy Officer and General Managers of Treasury and Corporate. Other members of senior management may be invited to attend if needed. The Assistant General Manager - Trading (group Treasury) acts as the Secretary for this Committee. The Committee meets every month, provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions are taken by majority, with the Chairman's vote deciding in case of a tie.

The Committee monitors, manages and devises the strategy to manage the assets and liabilities of the Group against various risks. It reviews and recommends the strategies, policies and procedures related to Asset Liability Management across the Group to the Group Board Executive Committee. It also monitors and reviews performance of all Treasury activities and products across the Group, including banking and trading book portfolios; interest rate risk; liquidity risk and foreign exchange risk. The Committee also ensures compliance with Treasury's limits and ratios. The Committee oversees inter-group transfer pricing policy. It also monitors monthly financial performance and budget targets and market share targets against performance.

The Committee held **twelve** meetings during the year 2018.

### 6.2.5 Group Strategy Committee

The Group Strategy Committee is headed by the GCEO, with the Executive General Manager – Group Chief Business Officer as the Vice Chairman. The Committee also includes the Executive General Manager – Group Chief Operating Officer, General Manager – Group Chief Risk Officer, General Manager – Group Chief Financial Officer, General Manager – Group Chief Credit Officer, and General Manager – Group Chief Strategy Officer. The Assistant General Manager – Strategy and Business Development acts as Secretary for this Committee. The Committee is scheduled to meet at a minimum on a quarterly basis, provided that a majority of the Committee Members attend including the Chairman of the Committee or his deputy. The decisions are taken by majority, with the Chairman's vote deciding in case of a tie.

The main function of this Committee is to develop the vision and business strategy for QNB Group, which is submitted to the BOD for review and approval. The Committee monitors and analyses market developments and the competitive positioning against peers, particularly in the Middle East, Africa and Southeast Asia Regions. The committee also reviews and consolidates business development, products alignment, and resources distribution across the QNB Group. The Group's strategic plan was approved by the BOD and communicated to the Group.

The Committee held **six** meetings during 2018, in addition to two Strategy Conferences, which served to update all senior managers and country GMs on the QNB Group 2020 strategy and other key topics.

### 6.2.6 Centralised Purchasing Committee

The Centralised Purchasing Committee is headed by the GCEO, with the General Manager – Group Chief Financial Officer as Vice Chairman. The Committee includes the Executive General Manager – Group Chief Business Officer, Executive General Manager – Group Chief Operating Officer, the General Manager – Group Chief Risk Officer and the General Manager – Group Chief Credit Officer. Required observers in this Committee include the Group Chief Audit Executive, Group Chief Compliance Officer, Head of Legal and a representative from the concerned department. The Head of Tenders and Contracts Admin acts as a Secretary for this committee. The Committee meets as and when required, and the decisions are taken by majority, with the Chairman's vote deciding in case of a tie.

The Centralised Purchasing Committee ensures the compliance of the Group with the Tenders and Auction Policy directives, manages relevant contractual relations, and is committed to disclose any situation of conflicts of interest emanating from members. It reviews and approves the procedures for purchases and auctions, along with the formation of auction working groups to oversee bid openings, selection and evaluation. The Committee also reviews and approves vendor lists and associated products and services, and the awarding of tenders and auctions. It has the authority to form sub-committees in other jurisdictions where required.

### 6.2.7 Group Information Technology Committee

The Group Information Technology Committee is headed by the Executive General Manager – Group Chief Operating Officer, with the General Manager of Group Information Technology as Vice Chairman. The Committee includes, the General Manager – Group Chief Strategy Officer, General Manager of Group Operations, General Manager – Group Administration and General Services, General Manager – Group Retail, General Manager – International Banking and the AGM of Group Operational Risk, and Heads of Infrastructure and Development and User services. The Executive Manager- IT Strategy and Governance acts as a Secretary for this committee. The Committee meets quarterly at minimum provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions are taken by majority, with the Chairman's vote deciding in case of tie.

The Group Information Technology Committee is responsible for establishing IT standards and aligning all IT activities across the Group to meet business plans and objectives. The Committee also formulates and monitors the implementation of the annual IT strategy throughout the Group, including capital and operating expenditure budgets assigned to IT projects and services. It is also the responsibility of the Committee to prioritise the management of IT projects across the Group and to monitor the progress towards their implementation. In addition, this Committee sets, monitors and reports on the aspects related to technology key performance indicators (KPIs) and key risk indicators (KRIs). The Committee also makes relevant recommendations for enhancing the value and contribution of the Group's information systems, as appropriate.

The Committee held **four** meetings during 2018.

### 6.2.8 Group Business Development Committee

The Group Business Development Committee is headed by the Executive General Manager – Group Chief Business Officer, with the General Manager of Corporate Banking as Vice Chairman. The Committee includes the General Manager – of Asset and Wealth Management, General Manager – Group Retail, General Manager – International Banking, General Manager – Group Treasury, General Manager – Group Chief Strategy Officer, General Manager – Group Communications and the CEO of QNB Capital. The Head of Global Cash Management acts as a Secretary for this committee. The Committee meets on a monthly basis, provided that a majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority, with the Chairman's vote deciding in case of a tie.

The Group Business Development Committee formulates the implementation framework for realising expansion plans and aligns the required regulatory, business, support and marketing resources. The Committee develops the international expansion plan in line with QNB Group's strategy and business plans. It also reviews mergers and acquisitions to implement appropriate integration standards across QNB Group's business. The Committee reviews the new business and product initiatives, as well as market share and competitor information and recommends business plan amendments as needed. It also reviews regulatory developments and their impact on business strategy and products. The Committee develops and monitors the implementation of operational standards across the Group and reviews the performance of Business Departments. It maintains inter-group working priorities in areas of business and operations, at the same time it reviews support units' delivery against business objectives. It is also the Committee's responsibility to review and recommend marketing plans and branding opportunities, as well as the participation in events and to ensure maximum benefit from staff and management engagement.

The Committee held **twelve** meetings during the year 2018.

### 6.2.9 Group Operations and Services Committee

The Group Operations and Services Committee is headed by the Executive General Manager – Group Chief Operating Officer, with the General Manager - Group Operations as Vice Chairman. The Committee includes the General Managers of Group Administration and General Services, Group

IT, Group Retail, Group International Banking, Group Corporate and Institution Banking and the Assistant General Manager of Operations Control and Excellence. The Assistant General Managers of Group Operational Risk, Central Operations, Treasury and Assets Operations and International Operations Affairs are observers. The Assistant General Manager of Operations Control and Excellence also acts as Secretary for this Committee. The Committee meets quarterly at minimum, provided that the majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority, with the Chairman's vote deciding in case of a tie.

The Group Operations and Services Committee ensures follow-up and conducts regular reviews of the Bank's operational activities, transaction monitoring, procedure execution and improvements, operational efficiencies, oversight of premises and facilities, and insurance and back-office centralisation initiatives. It creates and reviews the operations strategy across the Group. The Committee aligns all operation activities with QNB Group's vision, mission and business plans. It conducts a regular reengineering program to support continuous process and service improvement. The Committee prioritises the management of relevant projects and manages QNB Group's real estate interests. It reviews and monitors branch, office and ATM expansions across the Group. It also defines and monitors the implementation of security and safety standards across the Group. The Committee also monitors the implementation of internal and external signage and branding standards, and monitors capital and operating expenditure budget utilisation and reassignments reports. It reviews outsourcing activities to ensure sufficient quality assurance and monitoring.

The Committee held **four** meetings during 2018.

### 6.2.10 Group Human Capital Committee

The Group Human Capital Committee is headed by the Executive General Manager – Group Chief Operating Officer, with the General Manager of Group Human Capital as Vice Chairman. The Committee includes the General Manager – Group Chief Strategy Officer, General Managers of Group Retail and International Business, the Assistant General Managers of 'Human Resources Strategy and Integration' and 'Human Resources Services' and the Executive Manager of International Human Resources Integration who also acts as Secretary for this Committee as well. The Committee holds quarterly meetings at minimum, provided that the

majority of the Committee Members at least attend, including the Chairman of the Committee or his deputy. The decisions taken are by majority, with the Chairman vote deciding in case of a tie.

The Group Human Capital Committee handles all human capital matters across the Group, including work force planning, recruitment, job evaluations, promotions, disciplinary actions, and compensations and benefits review. The Committee also handles the integrated performance management and development, learning and development initiatives, staff rewards and recognition, and the implementation of staff suggestion schemes. The Committee regularly reviews the Human Resources policies and recommends changes as needed, and deals with the fulfilment of the nationalisation program objectives.

The Committee held **four** meetings during 2018.

### 6.2.11 Group Cyber Security Committee

In 2018, QNB Group formalized the creation of a new 'Group Cyber Security Committee' (GCSC) structure with the objective to enhance management of cyber related and information security risks across the Group. The formation of this committee is in line with QCB's requirements and recommendations advocating measures to enhance information security and management of cyber risks and QNB's goal to adopt leading measures. This committee is classified as a 'Tier 1' Committee.

The Group Cyber Security Committee is headed by the GCEO, with the Executive General Manager – Group Chief Operating Officer as the Vice Chairman. The Committee also includes the Executive General Manager – Group Chief Business Officer, General Manager – Group Chief Risk Officer, General Manager of Information Technology and Group Chief Information Security Officer. The Group Chief Audit Executive attends the meetings as a required observer. The Group Chief Information Security Officer acts as Secretary for this Committee. The Committee is scheduled to meet at a minimum on a quarterly basis, provided that a majority of the Committee Members attend including the Chairman of the Committee or his deputy. The decisions are taken by majority, with the Chairman's vote deciding in case of a tie.

The main function of this Committee is to develop and implement the Group's cyber security strategy in line with the threat landscape and expectations of the Board. The key objectives of this committee

are to develop and monitor the implementation of the IT Security and Cyber Security governance and framework, including strategy, plans, policies, controls, capabilities, skills and roles and responsibilities across the Group. The committee will monitor the implementation of the cyber security strategy, initiatives and plans across the Group.

## 7. Risk Management

QNB Group's reputation and continued profitability depends on our ability to identify, assess and manage risk at all levels. As a result, we have a robust Risk Management Framework and Governance Structure that ensures a crucial balance between risk and reward. Risk management within QNB Group is a key focus across all levels of the bank. QNB Group adopts a centralized approach to risk management, complemented by local expertise and knowledge. This ensures proactive risk governance and management at the consolidated and the local level.

QNB risk exposures are mitigated through various specific mechanisms for risk assessment and control. The success of risk management in QNB Group is generated from the ability to focus on the roles and responsibilities defined for the BOD, various committees, Executive Management, officers and staff. Risk management is considered an important element for QNB Group to ensure continued profitability, and every employee in the Group is responsible for dealing with potential risks when carrying out his/her duties. The BOD assumes the ultimate responsibilities for monitoring QNB Group's risks by assuming the responsibility of risk assessment and supervision in coordination with the GCEO, the Board Group Risk Committee, the Group Management Risk Committee, the Group Board Credit Committee, and the Group Assets and Liabilities Committee.

The BOD also performs complete supervision over credit, market and operational risks affecting the Group. The BOD has determined the objectives and framework of the Group's risk management policy and is committed to monitoring the various risks on a daily basis through the various committees that are responsible for the establishment of the risk management policy based on the objectives and mechanisms identified by the Board. The Group Risk Management Division, headed by the General Manager – Group Chief Risk Officer, undertakes the implementation of the policy. Risk management policies and procedures are established in order to identify, assess and monitor the risks at Group level. The process of independent risk oversight is a part of the strategic planning for QNB Group, and includes business risks such as variables that may arise in the

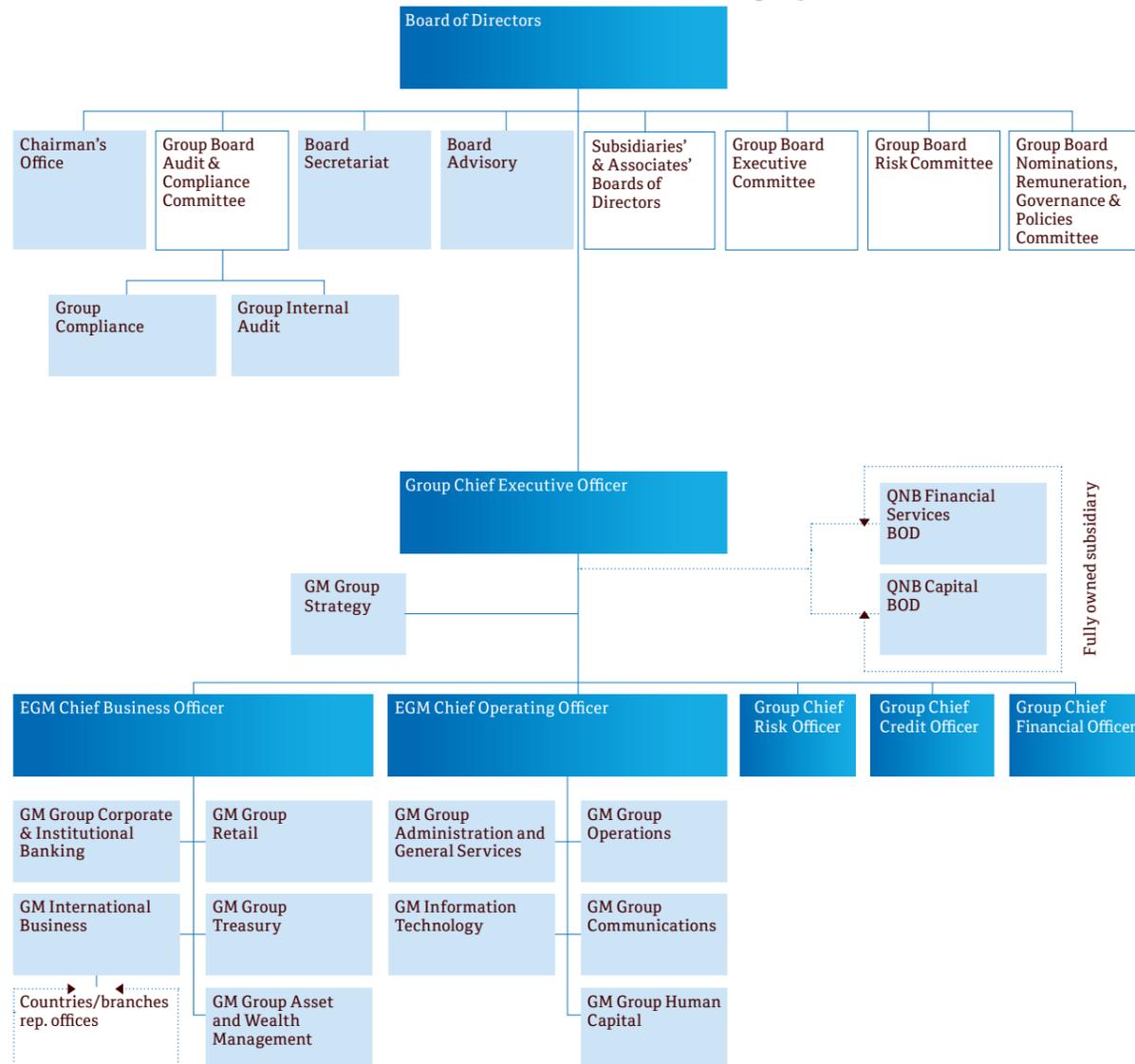
environment, technology and business. The BOD assumes full responsibility for the development of strategic risks and the application of the relevant principles, frameworks and policies. This includes the implementation of appropriate restrictions with respect to products, issuer, geographic location, and maturity. However, separate and independent entities responsible for the management and control of certain risks are nominated and pre-defined. Accordingly, QNB Group's Treasury, Risk Management and Internal Audit Divisions are responsible for the monitoring of the Group's commitment to trading restrictions imposed by the BOD. In this regards, detailed monthly reports are submitted to the Group Assets and Liabilities Committee.

The Group Risk Division is considered the ultimate administrative authority vested to deal with the various risk aspects at Group level. The Department undertakes the formulation and review of the risk management strategy, defines the risk management policies, evaluates the activities of risk management and control mechanisms, and assesses and determines the Group's operational, credit, market, strategic, legal, and reputational risks.

Group Risk also ensures the implementation of operational plans to monitor and manage these risks, reviews and monitors cases of fraud and operating losses, and oversees the legal disputes at all levels of QNB Group

## 8. QNB Group Organisation Structure and Succession Plan

### 8.1 QNB Group Organisation Structure



### 8.2 Leadership Continuity Planning and Organisation Structure

As part of on-going Corporate Governance initiatives, the BOD is keen to ensure that the organisation structure of the Bank is updated, efficient, effective and in line with international best practices to support the application of Corporate Governance principles and to enhance the internal control of various management levels. The updates also fulfil the regulatory requirements and cover future plans of internal and external growth as well as the development of financial and banking services locally and abroad. Changes and enhancements to the organizational structures both in Business and Support areas are implemented to keep pace with international business expansion plans and to ensure alignment of entities with Qatar base.

QNB Group also continues to drive Leadership Continuity Planning as one of the strategic initiatives to ensure that a comprehensive business continuity framework is in place and to develop a capable leadership pipeline. This exercise is reviewed periodically to help identify leadership talent and further grooms the talent to assume higher and complex responsibilities that can support current business growth.

### 8.3 Training and Development of Future Leadership

QNB Group continues to deliver the Leadership Development Program (LDP) and Management Development Program (MDP) for the middle management, supervisors and team leaders in Qatar and Group's international locations in collaboration with renowned global institutions to assist in fulfilling career aspirations.

### 8.4 Innovation workshops

QNB's Innovation Department has been established to take new ideas and build them up for assessment, selection, and execution. As QNB GCEO stated: "Our vision is to become a leading bank in the Middle East, Africa and Southeast Asia (MEASEA) by 2020", innovation is key to achieving this vision and maintaining competitive edge and QNB and its employees are continuously innovating. We now have a dedicated department to become the driving force towards change.

The Innovation Department has started running ideation workshops across QNB divisions. Lean trainings and Innovation workshops are held, which considers teams of colleagues getting together to

work through challenges and opportunities and build out ideas that will advance and improve QNB business. Workshops can be "Blue-Sky", with no fixed agenda, or focused on a specific area or discussion topic. Participants brainstorm in an open forum and, through productive and focused discussions, agree on clear directions and next steps.

## 9. Internal Control System

The BOD assumes full responsibility for the QNB Group System of Internal Controls, whereby specific policies, guidelines and controls covering the entire Group's transactions have been devised. Moreover, the determinations of responsibility limits, performance monitoring, privileges and authorisations on all banking operations have been implemented in addition to a clear policy for segregation of duties and dual control. QNB Group's Executive Management is considered responsible for the overall control of these systems in coordination with the concerned General Managers, Divisional Managers and domestic and overseas Branch Managers. The responsibility of implementing efficient internal control systems at the Group level is the direct responsibility of every employee at the Group.

The Group Board Audit and Compliance Committee, on behalf of the BOD, performs on a regular basis a review of the framework of internal controls and assesses the internal systems through the evaluation of processes carried out by the Group Internal Audit Division and Group Compliance Division in addition to the reviews that the external auditors conduct. The BOD is notified on a quarterly basis of control issues (including risk management); it confirms the adequacy of the existence of effective internal controls at Group level based on the recommendations and advice presented by the Group Board Audit and Compliance Committee as supported by the Group Internal Audit and Group Compliance divisions.

As per QFMA Corporate Governance Code Article (4), the Corporate Governance report should include disclosure of the Internal Controls failures, wholly or partly, or weaknesses in its implementation, contingencies that have affected or may affect the Company's financial performance, and the procedures followed by the Company in addressing Internal Controls failures.

Based on that, QNB Management assessed the appropriateness of QNB's internal control over financial reporting as of December 31, 2018. Management's assessment included an evaluation of the design effectiveness and implementation of QNB's internal control over financial reporting. Management reviewed the results of its assessment and shared with the Group Board Audit and Compliance Committee. Based on this assessment,

management determined that, as of December 31, 2018, QNB maintained effective internal control over financial reporting.

In addition, QFMA Corporate Governance Code Article (24) requires that the external auditors report must include whatever informs shareholders with the control works and performance assessment in the company, especially related to the appropriateness and effectiveness of the Internal Control System implemented in the Company.

KPMG, an independent registered public accounting firm, who audited and reported on the consolidated financial statements of QNB, has audited the design effectiveness and implementation of QNB's internal control over financial reporting as of December 31, 2018, as stated in their report.

### 9.1 Group Internal Audit Division

The Group Internal Audit (GIAD) is an independent function within QNB Group that intends to add value to the Group's operations and improve their performance. It is the responsibility of the Group Internal Audit Division to determine and report on the failures or weaknesses in the systems and operations of the Group in order to control its activities and adequately manage its risks. The department also reviews the systems and internal controls for the activities of the Group by assessing the efficiency and effectiveness of the systems and the implemented procedures and by ensuring compliance with the control mechanisms implemented by management. The department also ensures compliance with all rules, regulations and internal procedures, and reviews the validity and reliability of the information that is provided to management. Group Internal Audit submits its reports directly to the BOD or through the Group Board Audit and Compliance Committee.

The remuneration of the department is determined by the Group Board Audit and Compliance Committee, which enhances its objectivity and independency. The Group Chief Audit Executive is nominated by the Group Board Audit and Compliance Committee and submits periodic reports directly to the Committee and the GCEO.

GIAD has adopted the International Professional Practice Framework (IPPF) of the Institute of Internal Auditors (IIA) as well as Basel Committee recommendations and other leading standards. The GIAD team is composed of individuals with experience from leading financial institutions and audit firms across the globe. More than 60% of

GIAD are professionally qualified and hold globally recognized professional certifications. Team members undergo continuous professional development, awareness and training. GIAD maintains a quality assurance and improvement program that covers all aspects of the internal audit activity to increase the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. GIAD continues to develop its data analytics capability and extrapolation techniques to be able to identify systemic issues and execute efficient audits.

GIAD helps the BOD and GBACC in effective discharge of their responsibilities to serve the best interests of shareholders. GIAD is headed by the Group Chief Audit Executive (GCAE) who reports to the Group Board Audit and Compliance Committee (GBACC) of the BOD. For the purpose of fulfilling its role in its professional capacity, GIAD is authorized to have full and unrestricted access to any of the Group's records, documentation, systems, properties and personnel, including Executive Management and the BOD. The GIAD charter and policy have been enhanced to align with the Basel Committee on Banking Supervision's recommended standards, to keep pace with the business expansion of the Group, and to provide adequate oversight of the Group's subsidiaries.

### 9.2 Group Compliance Division

Compliance within QNB Group is an independent function whose primary responsibilities are to assist the Board as well as the Executive Management to effectively mitigate the compliance risks faced by the bank. It is characterised by an official status within the Group through a formal charter and policies approved by the GBACC and carried out by the Group Compliance Division, which undertakes its endeavours through appropriate mechanisms enabling the Group Chief Compliance Officer to perform his responsibilities in an effective manner.

The QNB Compliance strategy focuses on effective management of the Compliance Function at the Group in order to consolidate the Group competitive position and building trust relationships with all investors and stakeholders. Moreover, a robust Compliance Function helps QNB Group to protect its reputation, lower the cost of capital, reduce costs and minimise the risk of investigation, prosecution and penalties in addition to building a culture that is in line with QNB Group values. On a proactive basis, the division identifies, evaluates, monitors, documents and reports on compliance risks associated with the bank's business

activities, including the risk of legal sanctions, legislative and financial losses, or damage to the reputation of the Group as a result of failure to abide by laws and regulations, the charter of professional conduct and the standards of good practices.

Group Compliance is also considering ways to measure compliance risk by implementing a Key Risk Indicators (KRIs) and use such measurements to enhance the compliance risk assessment that is relevant to the second line of defence. The Compliance function assesses the appropriateness of the Group's Compliance procedures and guidelines, promptly follows up any identified deficiencies, and, where necessary, formulates proposals for amendments. Group Compliance monitors and tests compliance by performing sufficient and representative compliance testing in line with internationally recognised frameworks. The Group Chief Compliance Officer reports on a regular basis to the Group Board Audit and Compliance committee and the Executive Management on compliance matters.

Group Compliance adopts a professional and comprehensive approach when carrying out tasks to key stakeholders, extra attention is paid to due diligence as the culture amongst the compliance staff is one of professionalism and integrity. To maintain high technical standards amongst the compliance staff, scheduled specialist training are assigned to all staff that including ACAMS and CISI – QFMA certification. These courses are deemed to add a further layer of specialism to the employees and is reflected in the quality of work carried out. Compliance staff frequently hold brainstorming and sharing best practice sessions, this breeds a culture of continuous development and value add to stakeholders. Further, Group Compliance has continued the 'Train the Trainer' program to align knowledge to divisional staff.

In order to enable Group Compliance to efficiently perform its functions and responsibilities, it has been granted authority to deal with compliance matters within the Group's activities and has been given unrestricted access to all information, employee records and Group operations in Qatar and abroad. Group Compliance is also empowered to conduct investigations relevant to any possible irregularity. Group Compliance's responsibilities are carried out through the implementation of a compliance program that specifies its activities.

The Group Board Audit and Compliance Committee approve the annual compliance plans, which are executed in accordance with the Group Compliance Charter and its policies and procedures. Group Compliance submits periodic reports to the Group Board Audit and Compliance Committee and the GCEO concerning compliance issues, irregularities, and the corrective actions hence implemented.

Group Compliance ensures the proper reporting to all regulatory authorities as appropriate and reports any suspicious activities to the Financial Information Unit "FIU" on timely basis; In addition, it has established arrangements for timely interactions with the Regulators for proper clarification on regulatory requirements and as appropriate.

Group Compliance actively participates in the deliberations of the Group Management Risk Committee as an Observer and updates Risk Analysis of Business as appropriate and fit for purpose.

Group Compliance is continually working to develop and enhance the Compliance Function with a vision to maintain a healthy environment and practices. No penalty of whatever nature was imposed on QNB Group by any regulatory authority during the year 2018.

## 10. External Audit

According to the Commercial Companies Law number (11) of 2015, Article (141) provisions, and QCB instructions; QNB Group's General Assembly appoints an external auditor for one fiscal year based on recommendations made by the Group Board Audit and Compliance Committee to the BOD, where the General Assembly assesses the evaluation of his remuneration.

In 2018, KPMG was appointed as the External Auditor for QNB Group in accordance with the applicable QCB regulations and QFMA corporate governance requirements. QNB Group issues a public tender in order to select a suitable external auditor for the financial year. Based on the technical evaluation and commercial proposal, the Centralized Purchasing Committee (CPC) makes its recommendation to the Group Board Audit and Compliance Committee for the appointment of the new External Auditor subject to approvals by Qatar Central Bank and the General Assembly.

The external auditors inform the Board, in writing, about any risk to which the Bank is exposed to or expected to be exposed to, and about all of the violations immediately upon identification, as well as sending a copy of that notice to QFMA. In this case, the External Auditor shall have the right to invite the General Assembly to convene pursuant to the Law provisions in this regard, provided they inform QFMA thereof.

The external auditors attend the General Assembly meetings to present their report and answer shareholders' questions. Based on QCB's instructions, and in line with International Standards, the External Auditor conducts the review and the audit of the financial statements quarterly and annually according to the relevant International Standards on Auditing. The External Auditor presents his reports to the BOD and the General Assembly as well as sending a copy to QFMA in line with QFMA requirements.

## 11. QNB Global Ratings

During 2018, Standard and Poor, Capital Intelligence and Moody's affirmed QNB's strong rating and outlook. The QNB Group credit rating is considered amongst the highest in the region. The following table highlights the rating of QNB Group's by some of the key important rating agencies worldwide:

| QNB Group         | Fitch | Capital Intelligence | SandP | Moody's |
|-------------------|-------|----------------------|-------|---------|
| Long-Term Rating  | A+    | AA-                  | A     | Aa3     |
| Short-Term Rating | F1    | A1+                  | A-1   | P-1     |

## 12. Capital and Shares

The authorised, issued and fully paid up share capital of the Bank totalling **QR 9,236,428,570** consists of **923,642,857** ordinary shares of QR 10 each. The ownership structure of QNB Group has been stable since its establishment in 1964. Qatar Investment Authority holds 50% of the ordinary shares of the Bank with the remaining 50% held by members of the public whereby any natural or legal person, except QIA and the General Retirement and Social Insurance Authority, cannot, at any time, possess more than (5%) of the shares other than by way of inheritance or testament. All shares issued are of the same class and carry equal rights.

This is considered as an important aspect designed to reduce the dominance of the majority shareholders on minority shareholders. Consequently, the BOD composition reflects the ownership structure whereby five members of the ten BOD Members, including the Chairman, are representatives of QIA, while the remaining five members are from the private sector and are elected by shareholders at the General Assembly meeting.

## 13. Shareholders' Rights

The Corporate Governance practices within QNB protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority shareholders. QNB Group maintains open and transparent channels of communication with its shareholders and has published all the information for investors and stakeholders on a regular basis through its website, as well as other media. The QNB Group has also developed a modern version on its website [www.qnb.com](http://www.qnb.com) that provides detailed reports to shareholders on Corporate Governance, financial data and other important information on the disclosure of financial and non-financial information.

A dedicated work team, led by the General Manager – Group Chief Financial Officer and the Assistant General Manager – Economic Financial Analysis and Research, are entrusted to provide analysts and shareholders with the latest updates on QNB Group's activities. The Bank's Articles of Association also confirm that all capital shares hold equal rights, without discrimination, in terms of ownership in the Bank's assets, profits, attendance to the General Assembly meetings and voting, in application of the principle of "one vote per share".

In accordance with the Commercial Companies Law, the Articles of Association states that the General Assembly shall hold one ordinary meeting within four months following the end of each financial year. The Board of Directors may call for a meeting of the General Assembly at its own discretion or whenever requested to do so for a certain purpose by the External Auditor or by shareholders holding at least one tenth of the capital.

In case of an extraordinary meeting, an application in writing shall be addressed to the Chairman by shareholders holding at least (25%) of the company share capital. Notification of the General Assembly meeting as well as the meeting agenda are published prior to its date as per the Commercial Companies Law and the Bank's Articles of Association, and is published on the Bank's website. Copies of the Annual Report and financial statements are also published at least 15 days prior to the annual General Assembly meeting, to give the shareholders reasonable time to obtain and to discuss the Bank's performance with the Chairman of the BOD and other Members of the Board.

The General Assembly may hear any proposal included in the agenda by the Board of Directors, and such proposal may be presented by a number of shareholders owning not less than a tenth of the total number of shares. Shareholders have the right to vote during the General Assembly in person or be replaced by another shareholder as a proxy. The BOD presents its suggestions on the dividends distribution to the shareholders in the General Assembly based on QNB Group's performance and results, along with the Group strategy.

The shareholders have the sole authority to approve and decide about the profit allocation, together with the modalities.

## 14. Transparency and Disclosure

The Corporate Governance framework within QNB ensures timely and accurate disclosure is made on all material matters regarding the Group, including the financial situation, performance, ownership, and governance of the Bank. It abides by all disclosure requirements and furnishes all financial information and audit reports accurately and transparently to remain in line with international best practices as well as local regulatory requirements including financial data, Qatar Central Bank's reports and the disclosures made to the Qatar Stock Exchange.

QNB is considered among the first companies to publish its financial statements in the Middle East and North Africa region. The Bank is also committed to a clear policy of transparency and disclosure, in fact the Corporate Governance Report intended for QFMA and QCB includes information on the Board of Directors along with brief summaries of their roles and qualifications, as well as their membership in other companies' Boards of Directors (Appendix). Since there are no major shareholders other than Qatar Investment Authority, which owns 50% of the Bank's Capital, no further details require disclosure regarding the major shareholders, For this purpose and in line with QCB instructions issued regarding the ownership limits and restrictions in the Financial Institutions,

a dedicated Policy has been issued to detect the excess of ownership in QNB's capital and to monitor the process of a shareholders vote in the General Assembly meetings.

QNB Group affirms that all statements supplied in this regard are true, accurate and not misleading, to the best of its knowledge and belief. Moreover, all of the QNB Group annual financial reports comply with the International Financial Reporting Standards (IFRS) and the applicable provisions of Qatar Central Bank regulations. The External Auditors' report includes affirmations that they have received all required information and that the audit was conducted in accordance with the International Standards on Auditing (ISA).

Regarding Article (28) of the QFMA code relevant to conflict of interest that requires the Board Members to disclose their trading activities in company's stocks and other financial securities, Qatar Stock Exchange discloses on daily basis the "Intraday Insiders Trades Report" that specify the traded volume (buy/sell) in QNB's Capital.

## 15. Conflicts of Interest and Insider Trading

QNB Group has established its own internal policy applicable to related parties, personal account dealing, tenders, auctions and outsourcing based on the Commercial Companies Law and Qatar Central Bank instructions in this regard. According to this policy, all the QNB Group employees are required to periodically disclose any personal interests and dealing in the Bank's shares, including third parties that have relations with the Bank.

In 2018, the Board confirmed that it was not aware of any conflict of interest situation that exists or is likely to exist in relation to the QNB Group.

With reference to article (4.10) of QFMA corporate governance code, all the disputes, lawsuits in which the Bank is a party are properly handled and tracked by the Legal division of the Bank. These cases together with the latest updates are regularly reported to the Group Management Risk Committee and the Group Board Risk Committee for information and proper decision. As part of the regulatory scope, the External Auditor also reviews all the disputes and lawsuits cases for proper assessment.

In application of article (25) of QFMA corporate governance code, QNB Group has a clear policy on dealing with rumors disclosed by third parties and more generally anything that may damage the reputation of the Bank.

This policy provides for a specific treatment and escalation of the rumors incidents on case by case basis considering their origin, sources, expected impact and whether any case was filed before the courts.

## 16. Handling Customers' Complaints

Customers' complaints are a crucial source of information in order to enhance and develop the Group's activities, whereby customers are considered key to success and prosperity. Organisations consider the customer as the backbone for their survival, continuity and success; therefore, the establishment of a Customer Satisfaction Unit that addresses their complaints has become a major and crucial objective for the Bank Executive Management in developed institutions. In light of progress in legislation, laws and regulations that govern the relationship with the customers, and for the purpose of promoting and developing the transparency with stakeholders, QNB Group has established the framework and the appropriate mechanism for an independent unit specialised in managing customers' complaints (Complaint Management).

## 17. Sustainability and Corporate Social Responsibility

QNB Group is continuously seeking to enable economic and social development across the network, particularly in developing and emerging economies. Through our services, we help individuals and companies achieve their aspirations. But underpinning the substantial value we create in doing so, it is our aim to also raise living standards and help communities more broadly.

With more than 80 different nationalities working together in more than 31 countries, QNB Group is proud of and deeply respects its diversity. We work in an atmosphere of mutual respect and support and share the same values that define our bank and our approach to business. It is perhaps because of this that we have such a strong sense of belonging and a consistently high engagement score.

QNB Group has continued achieving its lofty goals with regard to its social responsibilities towards the local and the international communities for this year through the support of many initiatives that are intended to contribute to support the development within the countries where it operates. Moreover, the many events hosted by the Group reflect its orientation and highlight its activities in the various areas that underpin the Group's corporate social responsibility, especially the activities carried out by the Group in foreign countries through its branches and representative offices located abroad.

The Group also considers spreading its social responsibility policy as a top priority, as the culture of promoting social awareness among individuals fosters interconnection between all and reflects the Group's

commitment to the local and international communities in which it operates.

QNB vision in the many domains of intervention in terms of CSR is detailed below:

**Culture and Arts:** Culture and arts are the medium through which a nation manifests its heritage. They also help embed past traditions in future generations.

**Economic and International Affairs:** Hosting and participating in conferences and knowledge-sharing activities in economic and international affairs helps diversify national revenue sources, in Qatar and in emerging economies – a key aspiration.

**Health and Environment:** Health infrastructure and services are fundamental to human well-being – as is a respect for the environment.

**Social and Humanitarian Affairs:** By promoting a spirit of volunteering, QNB Group helps creating more harmonious, united communities.

**Supporting Local and International Sports Events:** Sporting participation and events are a hallmark of progress and a means to achieve healthy, vibrant people and communities.

**Youth and Education:** Education and how communities engage and give opportunities to their young people is a cornerstone of social and economic development.

Details of the key initiatives and events sponsored/ conducted by QNB in the above mentioned fields are presented in **Section 2** of this report.

## 18. Spotlight on Specific Corporate Governance Practices at QNB Group

This section of the Corporate Governance report highlights specific practices and tools being applied at QNB Group as part of the Corporate Governance Framework. The purpose is to allow all the users of this report to gain further knowledge and better information of QNB best practices as part of its commitment to enhancing and strengthening the Bank's Corporate Governance practices.

### Implementation of Corporate Governance Guidelines at Overseas Branches

2017 and 2018 have been years of enhanced focus on Corporate Governance activities across QNB Group, with increasing scrutiny from governments, regulators, businesses and the wider public over financial institutions. In line with regulatory requirements and leading practices QNB maintains a consolidated supervision approach in order to strengthen the governance, oversight and monitoring over QNB Group entities, i.e. overseas branches and subsidiaries. During 2017, QNB had issued comprehensive guidelines to enhance Corporate Governance practices across its overseas branches as an integral part of the consolidated supervision approach. This method intends to assist QNB overseas branches in benchmarking their governance practices against the QNB Group Governance Framework and with specific focus on functioning, operating and reporting structures of the management committees at QNB Overseas Branches.

In 2018, QNB Group built on this foundation and initiated a comprehensive project to review and analyze the implementation of corporate governance guidelines at the overseas branches.

### Putting into Practice Enhanced Governance Standards at Overseas Branches

Group Compliance established the "Corporate Governance Guidelines" for overseas branches to outline the mechanisms for effective consolidated supervision and monitoring of the relationship between QNB Head Office (HO) units and the overseas branches. Accordingly, overseas branches were meant to use the guidelines to assess the quality of their governance framework, taking into account the nature of risks and challenges they face, and their underlying corporate structure. Where Corporate Governance related gaps between principles and actual business practices and needs are identified, overseas branches in coordination with the appropriate QNB HO division should align their business practices with the principles of the guidelines. The purpose of the guidelines and related assessments undertaken were to extend sound Corporate Governance practices and policies downstream

to Overseas Branches and to address/reinforce the appropriate governance structures and reporting mechanisms, which would best contribute to an effective chain of oversight of the Bank.

**Framework and Methodology for Assessment: Growing Demand for Business Wide Synchronous Responsibilities** QNB's proprietary framework employed for assessment of overseas branches assessed key areas, some of which included: the overall governance framework, laws and regulatory guidelines, executive management roles and responsibilities, compliance function governance, management committees, policies and procedures, management information systems, reporting and interaction with Head Office and training programs. The methodology assessment comprised the following core components including:

- **Process:** A "survey-based questionnaire approach" was employed to assess the implementation of Corporate Governance guidelines across the overseas branches. The evaluation process was based on criteria defined in the questionnaires. Each overseas branch and Head Office Division conducted independent evaluations and self-assessments.
- **Questionnaires:** The assessment included two questionnaires. The first questionnaire was directed towards the Overseas Branches to assess their contribution toward Corporate Governance responsibilities. The second questionnaire was directed towards the Head Office Divisions to assess their contribution toward Corporate Governance related responsibilities over Overseas Branches.
- **Conduct and Distribution:** The questionnaires were distributed to Overseas Branches and Head Office Divisions simultaneously. Group Compliance then performed comprehensive evaluations, analysis and studies subsequently to synthesize the results and develop action plans.

### Trust: A Key Reason Why Global Investors Commit Their Capital to QNB Group

Furthermore, the methodology adopted focused on enhancing the existing governance structures and compliance elements at overseas branches. Accordingly, amendments would be proposed and shared with relevant teams at the overseas branch and the recommendations were considered and implemented.

### A Proportionate, Principles-based Framework for Governance Helps Achieve Accountability

QNB Group is pleased to highlight that overseas branches utilized guidelines provided to assess the quality of their

governance framework, taking into account the nature of risks and challenges they are facing, and their underlying corporate structure. Where gaps between principle and actual business practice needs were identified, overseas branches in collaboration with Group Compliance have initiated programs to align their business practices with the principles of the Guide along with their required local jurisdiction requirements.

**Transparency Continues to Rise**

The adoption of QNB Group standards is an evolving dynamic process that needs to be maintained in accordance with the context of the Group’s practices. It is vital that the Group’s governance, relationship and interaction with its overseas branches must be clearly laid out and documented.

Adequate communication is paramount to ensuring transparency and, therefore, public disclosure of required Group policies is fundamental. As a result, QNB Group’s Board has a focused oversight on continually enhancing the Group’s policies and guidelines for the management of all overseas branches as well as the general supervision of the development of these guidelines and decisions on strategic issues at the Group level.

**Key Success Factors in the Framework Employed**

|   |   |
|---|---|
|   | <p>QNB's survey-based questionnaire approach helped understand and evaluate governance processes of the Overseas Branches and how QNB Group manages Corporate Governance activities across Overseas Branches</p>  |
|  | <p>The survey questionnaire addressed certain specific aspects of Overseas Branches governance such as reporting lines with compliance division, escalation mechanism and interaction with QNB HO and adoption of the QNB Group's Corporate Governance guidelines</p>                             |
|  | <p>The analysis resulted in key recommendations and also provided insights into some of the important aspects of Overseas Branches governance</p>   |
|  | <p>The recommendations served as useful pointers and a guide to the governance framework of Overseas Branches. It also presented essential conclusions and potential actions to be undertaken and ultimately to determine areas of strength and areas of improvement for each overseas branch</p> |

**Conclusion**

In line with the increasing challenges and risks facing the banking sector at both the regional and the global levels, QNB Group, represented by the Board of Directors and the Executive Management is keen to continuously raise and enhance its corporate governance practices and gains by adopting a long term strategic vision that supports its position as one of the leading banking institutions in the MENA and South East Asia region. The adoption of the highest standards of good governance and honouring the principles of transparency and integrity is considered one of the most important principles of this strategy, particularly the standards and the principles developed by Qatar Central Bank and Qatar Financial Markets Authority.

QNB Group recognizes the importance of continuous development of the governance system and adopts increasing standards of transparency and disclosure of information immediately and accurately in order to increase the trust of shareholders, stakeholders and all related parties. This contributes efficiently to raising work efficiency and is a driver of the performance of the Group as a whole. The periodic review and evaluation of the governance system and consolidation of all governance requirements in all the fields and activities of the bank evidence this.

As highlighted within this report, QNB Group has undertaken many new measures during 2018 to strengthen its governance system, including establishing a framework to protect stakeholders and; by committing to the development of the society and the protection of environment proactively. The management of the Group also worked on achieving gains during the past year, by continuous evaluation of its performance and through the development and permanent update of the internal policies and procedures while ensuring the Group’s commitment to follow up and apply the requirements of governance in the daily business activities.

At the level of the activities of the overseas branches and subsidiaries, the Group sought to strengthen the supervision methodology by establishing and developing communication channels, reporting, setting new mechanisms to evaluate the performance of members of the Board of Directors of the subsidiaries and of the works of Executive Committees at the overseas branches. This is in addition to working upon integration of the work policies in a manner, which does not contradict the laws of the countries in which they are present.

In conclusion, QNB affirms its commitment to the regulatory governance requirements issued by Qatar Central Bank and Qatar Financial Markets Authority as well as the international best practices, in order to maintain the stability and growth of the institution and to enhance the confidence of shareholders, investors and other stakeholders. In addition, QNB’s external auditor (KPMG) positively assessed and verified the compatibility of the framework and system of governance adopted by the bank, with the regulatory requirements issued by Qatar Central Bank and Qatar Financial Markets Authority during their audit.

We would like finally to confirm on our continuous adherence to the Corporate Governance regulatory requirements issued by QCB and QFMA. Our External Auditor in the due course of their audit process assessed the conformity of the bank Corporate Governance Framework and Arrangements with the regulatory requirement of QCB and QFMA.

**Mansoor Ibrahim Al-Mahmoud**

Member of the BOD  
Chairman of the GBACC

**Ali Shareef Al-Emadi**

Chairman of the Board of Directors

Appendix (1) The Board of Directors - Biographies

| Name of the Director  | Brief Biography Summary  |
|---|--|
| <b>H.E. Mr. Ali Shareef Al Emadi</b><br>The Chairman                        | H.E. was appointed as Chairman of QNB Group since 2013. He currently serves as the Minister of Finance, Member and Secretary General of the Supreme Council of Economic Affairs and Investment, The President of the Executive Board of Qatar Airways, and Member of the Supreme Committee for Delivery and Legacy. H.E. is also member of the Board of Directors of Qatar Investment Authority (QIA) and Qatar Petroleum (QP). His Excellency has an extensive experience in the financial sector spanning more than 26 years, with progressively higher posts culminating in being the GCEO of QNB from 2005 to 2013. Under his leadership, QNB Group became the largest and most profitable bank in the Middle East and North Africa, securing one of the highest credit ratings and brand value. Earlier, H.E. started his career at the Banking Control Department at Qatar Central Bank.   |
| <b>H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani</b><br>Vice Chairman | H.E. was appointed as a Board member since 2015 and he was elected Vice Chairman in 2016. H.E. is currently the Minister of State, Member of the Supreme Council for Economic Affairs and Investment, and Chairman of Ooredoo. H.E. is also member of the Advisory Board of the World Economic Forum's Gender Parity Program, and a Commissioner to the United Nations ITU Broadband Commission for Digital Development.   |
| <b>H.E. Sheikh Abdurahman Bin Soud Bin Fahad Al-Thani</b>                   | H.E. is a Board member since 2016 and a member of the Group Board Nomination, Remuneration, Governance and Policies Committee. H.E. is currently the Minister of State, member of the Arab Thought Forum in Amman and the Advisory Council at the Centre for Contemporary Arab Studies at Georgetown University in Washington. H.E. is also chairman of Qatar Sports Federation of special needs, Board member of Invest Group, Qatar Insurance Company and Qatar Navigation Company.  |
| <b>H.E. Sheikh Hamad Bin Jabor Bin Jassim Al Thani</b>                      | H.E. has been appointed as a Board member since 2004. He is the Chairman of the Group Board Risk Committee and the Group Board Executive Committee, and a member of the Group Board Nomination, Remuneration, Governance and Policies Committee. H.E. is also currently a member of the Board of Directors of Qatar Electricity and Water (QEW), Qatar Chemical Company (Q-Chem), Qatar 2022 Supreme Council, and Board Member of Trustees of Qatar University. H.E. is also the Chairman of Business Advisory Council for the College of Business and Economics of Qatar University, Member of the Strategic Advisory Panel - Qatar Financial Centre, and Chairman of the National Legacy Committee 2022. H.E. is also Chairman of the National Advisory Statistics Committee, Vice-Chairman - Governing Board of UNESCO Institute for Statistics (UIS) and member of the Board of Statistical Centre for the Gulf Cooperation Council (GCC). |

Appendix (1) The Board of Directors - Biographies

| Name of the Director                         | Brief Biography Summary  |
|--|--|
| <b>Mr. Ali Hussain Ali Al-Sada</b>           | Mr. Ali Hussain Ali Al-Sada is a member of the Board since 1998 and a member of the Group Board Risk Committee and the Group Board Executive Committee. He also serves as Board member of Qatar Shipping Company and Board Member and General Manager of Al Rouayes Real-estate and Investment. He is also Chairman of Qatar Syrian Company for Investment and Development, Vice Chairman of Tharawat Investment House, as well as being a member of the Board of Safwah Financial Services and Dlala Holding. |
| <b>Mr. Bader Abdullah Darwish Fakhroo</b>    | Mr. Bader Abdullah Darwish Fakhroo is a member of the Board since 2001. He is a member of the Group Board Risk Committee and the Group Board Executive Committee. He is also Chairman and CEO of Darwish Holding, Board Member of the Supreme Education Council and Qatar Chamber of Commerce and Industry, and also Chairman of the Commercial Arbitration Center for the Gulf Cooperation Council and Chairman of the Internal and External Affairs Committee in Qatar Chamber of Commerce and Industry.     |
| <b>H.E. Mr. Fahad Mohammed Fahad Buzwair</b> | H.E. Mr. Fahad Mohammed Fahad Buzwair is a member of the Board since 2001. H.E. is Chairman of the Group Board Nomination, Remuneration, Governance and Policies Committee and also Chairman of Buzwair Group Holding.   |
| <b>Mr. Mansoor Ebrahim Al-Mahmoud</b>        | Mr. Mansoor Ebrahim Al-Mahmoud has been appointed as a Board member since 2004. He is Chairman of the Group Board Audit and Compliance Committee since 2016. In September 2018, he was appointed as the CEO of Qatar Investment Authority (QIA); in addition, he serves as a member of the Board of Directors of Qatari Diar and Doha Film Institute. He is also the Special Advisor to H.E. chairperson of Qatar Museums.   |
| <b>Mr. Ahmad Yousuf H.A. Kamal</b>           | Mr. Ahmad Yousuf H.A. Kamal has been appointed as a Board member in 2016. He is currently a member of the Group Board Audit and Compliance Committee and a member of the Board of Directors of Qatar Industrial Manufacturing Co.  |
| <b>Mr. Khaled Hamad Al-Hajri</b>             | Mr. Khaled Hamad Al-Hajri has been appointed as Board member in 2016 and is currently member of the Group Board Audit and Compliance Committee. He is also the Director of Financial Control Department at the Ministry of Finance and Member of the Board of Directors of Qatar Media Services W.L.L (ELAN) and Qatar Satellite Company (Es'hailSat) and the Chairman of their Audit Committees.  |

## Appendix (2) Executive Management – Biographies

| Name and Position   | Brief Biography Summary   |
|---|---|
| <b>Mr. Abdulla Mubarak Al-Khalifa</b><br>Acting Group Chief Executive Officer | Mr. Abdulla Al-Khalifa was appointed as the Acting GCEO in November 2018. Prior to that, he was the Executive General Manager and Chief Business Officer at Qatar National Bank Group. Mr. Al-Khalifa joined QNB in 1996 and has more than 22 years of banking experience. He is the Vice Chairman of the Housing Bank for Trade and Finance in Jordan. He is also the Board Member of QNB Al-Ahli in Egypt, QNB Finansbank in Turkey, Ecobank in Togo and QNB Capital in Qatar. Mr. Al-Khalifa holds a Bachelor's degree in Business Administration from Eastern Washington University in the United States.   |
| <b>Mr. Ali Rashid Al- Mohannadi</b><br>Executive GM - Chief Operating Officer | Mr. Ali Rashid Al-Mohannadi joined QNB in 1996 and currently serves as the Executive General Manager and Group Chief Operating Officer. He was previously General Manager, Retail Banking and General Manager, Information Technology. Mr. Al-Mohannadi is the Chairman of QNB Tunis, Board member of QNB Al-Ahli in Egypt and QNB Finansbank in Turkey; he is also a member of the board of directors of QNB Capital in Qatar and CBI in the U.A.E. Mr. Al-Mohannadi has more than 22 years of experience in the financial sector and has a Bachelor's degree in Computer Science from Qatar University.   |
| <b>Mr. Ramzi Mari</b><br>Group Chief Financial Officer                        | Mr. Ramzi Mari joined QNB in 1997 from the Bank of Jordan and currently serves as the General Manager, Chief Financial Officer. Mr. Mari has more than 26 years of experience in the banking sector and passed the certified public accountant exam in the State of California in 1989. Mr. Mari holds a Master's degree in Accounting from California State University in the USA. He is a member of the Board of the Housing Bank for Trade and Finance in Jordan, QNB Al-Ahli in Egypt, QNB Finansbank in Turkey and QNB Capital in Qatar.   |
| <b>Mrs. Fatma A Al-Suwaidi</b><br>Group Chief Risk Officer                    | Ms. Fatma Al Suwaidi joined QNB in 2000 and currently serves as Group Chief Risk Officer having previously held the role of Assistant General Manager of Credit Risk Management. Ms. Al Suwaidi has almost 18 years of experience in banking and is a member of the Board of QNB Finansbank in Turkey and QNB Tunisia. As well as a BSc in Accounting, she has a Master's in Business Administration from Qatar University and an MSc in Risk Management from the University of New York. Ms. Al Suwaidi holds a particular interest in banking innovation and is also currently in the advanced stages of completing a Doctorate in Business Administration from Grenoble University, France on the subject of 'Innovation in Banking and Financial Markets', focusing on crypto currencies and is a Juris Doctor candidate in Hamad Bin Khalifa University. |

## Appendix (2) Executive Management – Biographies

| Name and Position  | Brief Biography Summary   |
|--|---|
| <b>Mrs. Fareeda Ali Abulfath</b><br>Group Chief Credit Officer | Mrs. Fareeda Abulfath joined QNB in April 1996 and currently serves as the Group Chief Credit Officer. Mrs. Fareeda has more than 25 years of experience in the banking sector. She holds a Bachelor Degree from Qatar University and a Master's Degree from Manchester School of Business. Mrs. Fareeda is member of the Senior Management Committee since February 2017 and Vice Chairman of the Credit Committee in QNB since 2010, She is also Board Member of the CBI - Commercial Bank International- Dubai since 2012, Board Member and Vice Chairman of QNB Financial Services since 2012, Board Member of QNBAA since 2017 and Member of Board of Commissioners of QNB Indonesia since 2018.   |
| <b>Mr. Christian Eichner</b><br>Group Chief Strategy Officer   | Mr. Christian Eichner joined QNB in 2009 and serves in his role as the Group Chief Strategy Officer. Prior to joining QNB, Mr. Eichner worked in the strategy consulting arena, focused on financial services. He first served clients in Germany and the German speaking countries in Europe before transferring to the Middle East in 2006 where he served clients in the GCC and MENA region. Mr. Eichner has more than 19 years of work experience and holds a Master's degree in Business Administration from the University in Cologne, Germany.  |
| <b>Mr. Khaled Gamal Eldin</b><br>Group Chief Audit Executive   | Mr. Khaled Gamal Eldin joined QNB in March 2014 as the Group Chief Audit Executive with 30 years of banking experience in leading banks in the region. Prior to joining QNB, Mr. Gamal Eldin worked as GM – Chief Internal auditor for Al Rajhi Bank in Saudi Arabia and as GM – Chief Internal Auditor for Gulf Bank in Kuwait. In addition, Mr. Gamaleldin was previously working with QNB for 11 years in different roles in Internal Audit and as the Head of the Compliance Department. In addition, he worked as an Examiner in the Banking Control Department in the Central Bank of Egypt. Mr. Gamal Eldin is a Certified Public Accountant (CPA) from the State of Colorado, a Certified Fraud Examiner (CFE), and Certified Anti-Money Laundering Specialist (CAMS) and has an MBA in International Finance and a Diploma in Risk Management. |
| <b>Mr. Saleh Nofal</b><br>Group Chief Compliance Officer       | Mr. Saleh Nofal joined QNB in June 2003 and currently serves as the Group Chief Compliance Officer. Prior to joining QNB, Mr. Nofal was with Arab Bank, Jordan, National Bank, the Arab World Auditing Bureau and a Jordanian public accountancy firm. Mr. Nofal has more than 30 years of experience in the banking sector and the Internal Audit field. Mr. Saleh holds a Bachelor's degree in commerce; he is a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Compliance Officer and has a professional Diploma in Audit and Accounting and is a professional member of CAMS, IIA and ACFE.   |

Appendix (3) QCB Corporate Governance Disclosure Requirement

| Clause | Description  | Disclosure   | Clause   |  |                              |
|--------|--|--|--|--|------------------------------|
| 1      | Shareholding                                       | 1.1  | Shareholding breakdown by Nationality            | Qatar 90.05%-Others 9.95% (as 31/10/2018)  |                              |
|        |  | 1.2  | Shareholding breakdown by Number of Shareholders | Total number of shareholders 2,671 and total number of shares is 923,642,857 (as 31/10/2018) |                              |
|        |  | 1.3  | Governments Shareholding                         | 50%  |                              |
|        |  | 1.4  | Principal Shareholders (Above 10%)               | Only QIA own more than 10%   |                              |
|        |  | 1.5  | Significant Shareholders (Above 5%)              | Only QIA own more than 5%  |                              |
| 2      | Board of Directors and Executive Management        | 2.1  | Board Detailed Functions                         | Please refer to Section 3  |                              |
|        |  | 2.2  | Types of Transactions requiring Board Approval   | Please refer to Section 15   |                              |
|        |  | 2.3  | Board Members                                    | Please refer to the BOD Biographies Appendix (1)   |                              |
|        |  | 2.4  | Independent Members                              | Please refer to Section 3.5  |                              |
|        |  | 2.5  | Executive/ non-executive Members                 | Please refer to Section 3.5  |                              |
|        |  | 2.6  | BOD Shareholding                                 |  |                              |
|        |  |  | Mr. Ali Hussain Ali Al-Sada                      | 40,000   |                              |
|        |  |  | Mr. Bader Abdullah Darwish Fakhroo               | 1,545,046  |                              |
|        |  |  | Mr. Fahad Mohammed Fahad Buzwair                 | 1,339,800  |                              |
|        |  | 2.7  | New Board Members Induction measures             | Please refer to Section 3.3  |                              |
|        |  | 2.8  | Board Election Process                           | Please refer to Section 3.2 and 3.5  |                              |
|        |  | 2.9  | Insider Trades                                   | Qatar Exchange Website, "Intraday Insiders Trades Report"                                    |                              |
|        |  | 2.10   | Membership Termination Arrangements              | Please refer to Section 3.11 and 3.12  |                              |
|        |  | 2.11   | Number of Board Meetings and dates               |  | Please refer to Section 3.10 |
|        |  |  |  |  | 1st Meeting: 16 January 2018 |
|        |  |  |  |  | 2nd Meeting: 19 March 2018   |
|        | 3rd Meeting: 08 May 2018                           |  |  |  |                              |
|        | 4th Meeting: 11 June 2018                          |  |  |  |                              |
|        | 5th Meeting: 17 September 2018                     |  |  |  |                              |
|        | 6th Meeting: 26 November 2018                      |  |  |  |                              |
| 2.12   | Attendance record                                  | Please refer to QNB Annual Report                              |  |  |                              |
| 2.13   | Board and Executive Management Remuneration Policy | Please refer to Section 5                                      |  |  |                              |
| 2.14   | Key Senior Management                              | Executive Management Biographies Section Appendix (2)          |  |  |                              |
| 2.15   | Executive Management Shareholding                  | Key Executive Managers do not hold any QNB shares              |  |  |                              |
| 2.16   | Business Ethics Charter                            | Please refer to QNB Policy, BOD Charter and QNB Code of Ethics |  |  |                              |

| Clause | Description          | Disclosure | Clause  |  |
|--------|----------------------|------------|---|--|
| 3      | Board Committees     | 3.1        | Board Committee Names and Responsibilities  | Please refer to Section 3.13   |
|        |                      | 3.2        | Committee Members Attendance  | Please refer to QNB Annual Report  |
|        |                      | 3.3        | Total Committee Members Remuneration  | Please refer to Section 5  |
|        |                      | 3.4        | Committees Scope and Major Issues/ Outcomes   | Please refer to Sections 3, 4 and 5. Major Issues Disclosed to Qatar Exchange                            |
| 4      | Corporate Governance | 4.1        | Separate Section within the Annual Report   | Please refer to QNB Annual Report  |
|        |                      | 4.2        | Reference to the Corporate Governance Manual  | Please refer to Section 1  |
| 5      | External Auditors    | 5.1        | Audit Scope Related Fees  | QR 2,865,900 for the year 2018   |
|        |                      | 5.2        | Reasons for replacing/reappointing the External Auditor                                       | This is subject to the General Assembly Meeting decision based on the recommendation of GBACC to the BOD |
| 6      | Other Disclosures    | 6.1        | Related Party Transactions  | Please refer to Section 15   |
|        |                      | 6.2        | Communication with Shareholders and Investors   | Please refer to Section 13   |
|        |                      | 6.3        | Risk Management   | Please refer to Section 2.13 and 7   |
|        |                      | 6.4        | Review of Internal Audit procedures   | Please refer to Section 2.18 and 9   |
|        |                      | 6.5        | Financial Statement   | Please refer to QNB Annual Report and Website  |
|        |                      | 6.6        | Balance Sheet   | Please refer to QNB Annual Report and Website  |
|        |                      | 6.7        | Income Statement  | Please refer to QNB Annual Report and Website  |
|        |                      | 6.8        | Cash flow statement   | Please refer to QNB Annual Report and Website  |
|        |                      | 6.9        | Statement of Changes in Equity  | Please refer to QNB Annual Report and Website  |
|        |                      | 6.10       | External auditor certificate  | Please refer to QNB Annual Report and Website  |
|        |                      | 6.11       | Statement of responsibility by the Board of Directors   | Please refer to Section 3 and BOD Charter  |
|        |                      | 6.12       | Detailed Steps to ensure independent decision making on related-party Transactions/Agreements | Please refer to Section 15   |
|        |                      | 6.13       | Evaluating the Performance of the Board and Directors   | Please refer to Section 3.8  |

# **Corporate Governance Report - 2018**