



مجموعة إستثمار القابضة ش.م.ع.ق.

INVESTMENT HOLDING GROUP Q.P.S.C.

Governance Report 2018





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Commitment to the Application of Governance

Governance is one of the most important management and control systems for companies in general, and for shareholding companies in particular. Such importance is due to the fact that governance entrenches the principles of good governance; determines the functions and responsibilities of the Board of Directors, Senior Executive Management and employees of the Group; promotes the principles of justice and equality among stakeholders; ensures productive control and risk management; enhances transparency and disclosure; regulates stakeholder's rights; and promotes community advancement. This can improve the Group's performance in general, and inevitably ends in achieving the true meaning of the principle of upholding the interests of the public, the Group and stakeholders, placing them before any other interest.

From that standpoint and based on the commitment of Investment Holding Group Q.P.S.C. to the principles of corporate governance for companies listed on financial markets, particularly those promulgated under the QFMA Board of Directors' decision No. 5 of 2016 issuing the Corporate Governance Code for Companies and Legal Entities Listed on the Main Stock Market, published in the Official Gazette on 15/05/2017, and out of the keenness of the Board to implement the rules of governance, the Group adopts the best management practices with a view to achieving a good governance level. By doing so, the Group aims to: promote the confidence of current and prospective investors; spread the Group's governance culture; consolidate the values of justice and equality among stakeholders and nondiscrimination on the basis of race, gender and religion; promote transparency and disclosure and provision of information to the Authority and stakeholders at the right time and in the manner that enables them to make decisions and undertake their duties properly; uphold the values of the Group's corporate social responsibility; giving the public interest of the Group and stakeholders a priority over the personal interest; and undertake duties, tasks and functions in good faith, integrity, honor and sincerity and take the responsibility arising therefrom before both stakeholders and society. All that can be achieved by establishing the following principles:

1. Transparency:

This principle is based on good faith, honesty and openness; upholding of the values of self-censorship and integrity; exercising of great caution, diligence and honesty in performing the tasks and functions assigned to each and every employee and official in the Group, including the Chairman, Board members, Senior Executive Management, all employees and other parties related to the Group. This principle determines the framework of disclosure and provision of the information required by the Authority,



other regulatory bodies or stakeholders at the right time and in the manner that enables the requester of information to take the proper decision. It also regulates insiders' way of dealing in the securities issued by the Group or any of its subsidiaries as well as serves to avoid and reduce conflicts of interest and achieve public interest under the concept of fair investment in the market.

2. Responsibility Taking and Acknowledgement:

This principle aims to determine the rights, duties and responsibilities in the Group; develop an appropriate control mechanism to hold each official/employee accountable for his work and assess his performance; and assess the Group's overall performance in accordance with best international standards whether the control process is carried out internally by the Board and its committees or by the internal audit, each within its scope of competence, or externally by an auditor. It also aims to make each official acknowledge his responsibility even when delegating some of his functions or powers to others since such delegation is only related to tasks not responsibilities. In addition, this principle aims to outline the social responsibility of the Group and its role towards the development and prosperity of society and preservation of the environment.

3. Justice and Equality:

Stakeholders, first and foremost shareholders, have equal rights and shall be treated without any discrimination whatsoever on the basis of race, gender or religion, and they shall have all the same rights arising from their share ownership or capacity in the Group. This principle also covers stakeholders' rights in the Group, whether shareholders or others that have a position or an interest in the Group, such as employees, creditors, clients and suppliers. This is aimed to enable them to exercise and enjoy their rights, particularly the rights related to the General Assembly and accessible participation therein, including the rights to vote, candidacy and election of Board members, dividends, access information, and adopt the bonus and incentives policy in the Group, including bonuses of the Chairman and members of the Board and Senior Executive Management.

4. Commitment:

The Group takes into account the protection of the rights of investors and stakeholders in general, enabling them to exercise such rights, as well as upholding of values of protecting the rights of minority shareholders and employees of the Group by adopting preferential treatment for small investors and minority shareholders. The pillars of such treatment involve: not allowing the majority to control the minority; not allowing one



or more Board members to dominate the decision-making process; and adopting cumulative voting method in the election of Board members. This method of voting gives each shareholder voting rights equivalent to the number of shares owned by them and allows them to cast the said votes for a single candidate or divide them among selected candidates without any duplication of votes. The said method could increase the opportunities of minority shareholders to enjoy fair representation in the Board, and provide an appropriate mechanism that enable all shareholders and other stakeholders to access information to the extent that protects the interests and rights of the Group and others, as well as a mechanism for submitting appeals and complaints and reporting any violations or risks that might threaten the Group.

Disclosures in the Annual Report

The Board is committed to submitting an annual governance report in accordance with the applicable regulations. In its annual report, the Group shall disclose its commitment to apply the principles and provisions of the Governance Code. In case of non-compliance with any principle or provision of the Code for reasons accepted by the Authority, taking into account the public interest, the market interest or the protection of investors, the Group shall specify in the Governance Report the article or articles that it has not complied with and express the justifications for non-compliance or the reasons for violation, as the case may be, provided that the Governance Report is part of the annual report of the Group, including the following:

First: Procedures followed by the Group in implementing the provisions of this Code

In fact, the Group has adopted the Governance Code No. 5/2016 since the Constituent General Assembly of the Group held on May 8, 2017, which approved the Group's Articles of Association and finally announced the establishment of the Group.

In 2018, the Group worked on completing the application of governance systems. To explain, during 2018, the Group held nine (9) meetings for the Audit and Risk Management Committee, five (5) meetings for the Nominations and Remuneration Committee, eleven (11) Board meetings, and four (4) ordinary and extraordinary meetings for the General Assembly.

During Financial Year 2018, the Audit and Risk Management Committee meetings addressed the preparation and approval of the Audit and Risk Management Committee Charter, as well as the review and discussion of internal audit reports of the Group and its subsidiaries. The Internal Auditor presented during the meetings the results of their detailed



reports regarding the review of risk levels in the subsidiaries. The Committee listened to the notes and responses of the general managers and took the necessary steps in this regard. It also discussed the periodic financial statements of the Group and its subsidiaries with the Executive Management of the Group and its subsidiaries, and they were amended, approved and presented to the Board of Directors. In addition, the Committee discussed the risk of purchasing the remaining shares in Consolidated Engineering Systems Company W.L.L. and the rest of the shares in Consolidated Supplies Company W.L.L. in detail and took the necessary steps.

At the level of the Board of Directors, eleven (11) meetings were held. The most important topics discussed were the approval of the tax distribution policy and bonus distribution policy in subsidiaries, as well as the determination of the criteria for granting allowances and incentives to employees. The Board approved the internal audit plan of the Group and its subsidiaries, and the rules and requirements for nomination to the Board. A general assembly meeting was invited to elect three independent members and amend the Articles of Association in accordance with the law. During its 2018 meetings, the Board discussed the reports of the Audit and Risk Management Committee and approved the organizational structure, the authority matrix, the policy of dealing with the related parties, and the salary scale in the Group. It also discussed and approved all the periodic financial statements at the specified times in accordance with the law and regulations.

As the related parties policy is one of the most important policies stipulated in the Governance Code, the Group developed it and had it approved by the Board at its meeting on 13 June 2018. The related parties policy was based on the principles of the Governance Code. It presented a detailed definition of the 'related parties' in accordance with Article 1 of the above mentioned Governance Code, and provided for the procedures for dealing with the related parties so that the Audit and Risk Management Committee would be given prior notice of any dealings with related parties. The Committee shall examine each case separately in terms of the extent of its compliance with the laws, regulations and procedures in force, ensuring that all transactions are conducted on the basis of no conflict of interest and according to market prices. Moreover, the related parties policy detailed the reporting and disclosure procedures related to dealings with related parties.

Furthermore, the Group set up the authority matrix at the Group and organizational structure level, had it approved by the Board, and disclosed and published the same.

The Group invited and held four (4) General Assembly meetings. In accordance with Article 6 of the Governance Code, the Group followed the necessary procedures for the election of three independent members of the Board on 28 May 2018. On 3 June 2018, the Group amended the Memorandum of Association in accordance with the Governance Code. The qualifications required for the members of the Board were amended in terms of their



knowledge of the administrative matters and the appropriate experience to perform their functions effectively. Their obligations were also amended in terms of regular attendance at the meetings of the Board; upholding of the interest of the Group, partners, shareholders and stakeholders; monitoring of the Group's performance in achieving its objectives; review of financial reports; utilization of their various skills and experience; effective participation in general assembly meetings; and not making any statement without the written permission of the Chairman of the Board, disclosing financial and trade relations and legal actions that may negatively affect the performance of their duties. The shareholders' rights were also amended in terms of cumulative voting as they were given voting power based on the number of shares they held multiplied by the number of vacant seats in the Board. This way shareholders shall have the right to cast all their votes for a single candidate or to divide them among the candidates of their choice without duplication of votes. In addition, the Group amended the requirement stating that at least one third of the Board members must be independent and the majority must be non-executive, and ensured that no single or more members may control the decision-making process. The powers of the Board were also amended in terms of determining the powers vested in the Executive Management, setting the procedures necessary to familiarize the new members of the Board with the work of the Group, and ensuring that the Group provides sufficient information about its business to all members. Amendments also included the Board's inability to conclude loan contracts with terms exceeding three years, sell or pledge the Group's property, or discharge the Group's debtors from their liabilities without the approval of the General Assembly, unless such acts are included into the Group internal purposes. Additionally, the articles relating to the formation and powers of committees were amended so that the final responsibility rests with the Board, and the manner of inviting the Board to convene was also amended.

The Group also amended the shareholders' rights by giving shareholders the right to dispose of their shares and to receive the dividends associated therewith, as well as the right to obtain the information enabling them to exercise their rights in full without prejudice to the rights of other shareholders or the interests of the Group. In this regard, the Group is committed to regularly review and update information and provide all information of interest to shareholders to enable them to exercise their rights fully. Further the above mentioned amendments, the shareholders owning at least 10% of the Group's capital shall be entitled to request inviting the General Assembly to convene. As for shareholders representing at least 25% of the Group's capital, they shall be entitled to invite the General Assembly to an extraordinary meeting. Shareholders shall also have the right to request including certain issues in the General Assembly's agenda for discussion and to attend the meetings of the General Assembly and to have the opportunity to effectively participate in



deliberations and discuss matters listed on the agenda, and be informed of the date and place of the General Assembly meeting and of the issues listed on the agenda as well as the rules governing discussions. In addition, they shall have the right to vote on, and object to, the General Assembly's decisions, and be informed of all information about the rules and procedures governing the voting process. The amendment also stipulated that the Group shall choose the most appropriate place and time for holding the General Assembly's meetings. In this regard, the Group shall use new and modern technologies in communicating with shareholders in order to facilitate the effective participation of the greatest number of them in the General Assembly's meetings. Moreover, the Group shall enable shareholders to know the matters listed on the agenda and any new matters accompanied by sufficient information allowing them to make their decisions. It shall also enable them to review the General Assembly's minutes, and shall disclose the results of the General Assembly's meetings immediately upon its meeting completion and lodging a copy of such minutes with the Depository Authority. The amendment stated that shareholders shall have the right to receive the dividends approved by the General Assembly for distribution, whether in cash or bonus shares, to shareholders listed on the register kept with the Depository at the end of the trading session on the same day on which the General Assembly is convened.

Moreover, the amendment included the prohibition of discrimination between shareholders for any reason whatsoever. The Group shall treat small and minority shareholders on an equal footing with major shareholders in all cases, especially when the Group intends to enter into major transactions that may harm their interests or prejudice the ownership of the Group's capital. That is, it is not permitted to enter into major transactions that involve owning, selling, leasing, exchanging or otherwise disposing of (except for the establishment of collaterals) the assets of the Group or assets to be acquired by the Group, or those transactions that would change the essential nature of the Group's business, or those whose gross value exceeds 10% of the lesser value of either the market value of the Group or the net asset value of the Group's assets according to the latest announced financial statements, except through the following actions:

1. A decision to this effect shall be taken by the General Assembly.
2. Such transactions shall be preceded by the disclosure of the agreement to be entered into.
3. Approvals shall be obtained from the regulatory authorities on major transactions and the instructions of the official bodies to protect the rights of the minority shall be followed.

The amendments to the Memorandum of Association were published in the Official Gazette, in its issue No. 17 dated 18 November 2018, page 327.



In addition to the above, the Group made effective disclosures in a way ensuring justice and transparency, preventing conflicts of interest and exploitation of information not available to the public, and clarifying the rules to be followed when dealing in securities by insiders. The Board meetings, resolutions and recommendations, periodic financial statements, and the place and time of holding the General Assembly meetings were disclosed. A new Chief Executive Officer has been appointed for the Group. The basic statements of the listed company were disclosed according to the applicable laws and regulations. The contracts signed by the subsidiaries were also disclosed. In addition, the Group disclosed the list of names and data of independent candidates for Board membership, and the list of informed persons, as well as committees and recommendations, committee members and court lawsuits. The Group also disclosed its ownership of the remaining stake in Consolidated Engineering Systems Company, which became wholly owned by the Group. Moreover, the Group disclosed all periodic and immediate information and notifications regarding material issues.

During the Financial Year 2018, the Group carried out all disclosure procedures stipulated in the applicable laws and regulations, particularly to QFMA, Qatar Stock Exchange and Qatar Central Securities Depository. The Group's website was updated to keep the shareholders updated of all the news and disclosures issued by the Group.

Second: Disclosure of any violations committed during the year, including violations and penalties imposed for non-compliance with the implementation of any of the principles or provisions of this Code, their reasons, the remedial measures taken and ways to avoid the same in the future

During the period until the end of the financial year 2018, the Group did not commit any violations, and no penalties were imposed on it due to its commitment to implementing the principles of governance.

Third: Disclosure of information relating to Board Members and Committees and Senior Executive Management in the Group and their responsibilities, powers and work during the year, as well as their remunerations

1. BoD Members:

The Board shall consist of eleven (11) members to be elected by the Ordinary General Assembly by secret ballot. As an exception, the Founders appointed the first Board, which shall remain in office for five years in accordance with the Group's Articles of Association.



On April 28, 2018, the Board accepted the resignation of three non-independent Board members. The General Assembly was invited to elect three independent members. The Nominations and Remuneration Committee accepted the nomination of seven candidates, and on May 28, 2018 the Ordinary General Assembly elected three independent members from among the seven candidates, so that the Board was formed of the following members:

S.N.	Data, Brief CV and Qualifications of Board Member
1	HE Ghanim Sultan Al Hodaifi Al Kuwari Chairman Minister of State Former Director of State Security Service Former Undersecretary of Ministry of Interior
2	Khalid Ghanim Sultan Al Hodaifi Al Kuwari Vice Chairman BA in Police Science from Durham Military College Businessman
3	Sheikh Nasser bin Ali bin Saud Al Thani Board Member (Independent, Non-Executive) Deputy Chairman of Ahli Bank Chairman of Qatar General Insurance & Reinsurance Company Q.P.S.C.
4	Wafa Issam Soufan Board Member (Non-Independent, Non-Executive) Diploma in Electrical Engineering from Bournemouth University, UK Businessman
5	Hamad Abdulla Shareef Al Emadi Board Member (Independent, Non-Executive) Business Management Diploma from Arizona University MBA from Plymouth University CEO of Alijarah Holding Q.P.S.C.
6	Omar Abdulaziz Al-Marwani Board Member (Independent, Non-Executive) CPA from California Board of Accountancy, USA Board member in a number of major companies, such as Ooredoo & Katara Hospitality Former CFO of Qatar Investment Authority
7	Abdul-Rahman Ghanim Sultan Al Hodaifi Al Kuwari Board Member (Non-Independent, Non-Executive) BA in Police Science from Durham Military College Businessman
8	Mohammed Ghanim Sultan Al Hodaifi Al Kuwari



	Board Member (Non-Independent, Executive) BSc in Technological and Information Business Administration, Accounting Department, Higher Technological Institute, Egypt Deputy CEO of Investment Holding Group Q.P.S.C. Businessman
9	Sultan Ghanim Sultan Al Hodaifi Al Kuwari Board Member (Non-Independent, Non-Executive) Business Administration Diploma, Qatar University, 1996 MA in Diplomatic Studies, University of Westminster, UK, 2001 Emiri Diwan, Head of His Highness Emir Office for Personal Affairs
10	Hamad Ghanim Sultan Al Hodaifi Al Kuwari Board Member (Non-Independent, Non-Executive) Military Science Diploma, Royal Military Academy Sandhurst, London, 2000 An officer in the Qatari Police Amiri Diwan
11	Abdul-Aziz Ghanim Sultan Al Hodaifi Al Kuwari Board Member (Non-Independent, Non-Executive) BSc in Business Administration, Plymouth University, UK, 2011 International Bank of Qatar - Corporate Relations Manager (20/11/2011 - 31/05/2013) Training courses and experience at the National Bank of Kuwait in New York and the UK Amiri Diwan - Amiri Protocols

2. Board Committees

The Board appointed two formed Board Committees: The Audit and Risk Management Committee and the Nominations and Remuneration Committee.

It prepared and approved the charters of these committees under the minutes of meeting No. 6 of 2017, dated 12 November 2017.

2.1. Audit & Risk Management Committee

The Committee shall consist of three members appointed by the Board with financial and accounting expertise. Committee meetings shall be held in the State of Qatar and can be held using any modern means of technology communication. Meetings shall be held at intervals not exceeding two months. The Committee shall send its report to the Board. As defined in its charter, the Audit and Risk Management Committee shall have several powers, particularly those related to financial reporting, internal control system, internal audit system, compliance control system, oversight over external auditors, direction of attention to key issues, and handling of risk management and compliance matters.



The Committee shall submit its reports to the Board, document its minutes in writing by a Secretary, and take its decisions by simple majority. Meetings of the Committee shall be convened by the Chairman or two members of the Committee, and quorum shall be constituted by the presence of two members.

In 2018, the Board held nine (9) meetings for the Audit and Risk Management Committee at the Group. The members of the were changed by the Board on 13 June 2018 to be in compliance with the provisions of Article 18 of the Governance Code, stipulating that the Committee is chaired by one of the independent members of the Board.

Members of the Audit and Risk Management Committee are:

Member	Title
Omar Abdul-Aziz Al-Marwani	Chairman of the Audit & Risk Management Committee - Independent Board Member
Wafa Issam Yousef Soufan	Member of the Audit and Risk Management Committee - Non-independent Board Member
Walid Ahmed Al-Saadi	Member of the Audit and Risk Management Committee - Advisor to the Board
Abdul-Aziz Ghanim Sultan Al Hodaifi Al Kuwari	Member of the Audit and Risk Management Committee - Non-independent Board Member

2.2. Nominations and Remuneration Committee

The Committee shall consist of three members and shall hold its meetings in the State of Qatar at least twice a year. The Committee shall report to the Board. It shall carry out the following tasks:

- Develop the rules and criteria adopted by the General Assembly for the election of the best candidates for membership of the Board;
- Nominate those whom it deems appropriate for the membership of the Board in the event of vacancy of any of its seats;
- Develop the succession plan of the management of the Group to ensure quick appointment of replacements;
- Nominate those it deems appropriate to fill any of the Executive Management posts;
- Receive candidature applications to the Board and submit the same to the Board along with recommendations;
- Prepare and submit an annual report to the Board containing a comprehensive analysis of the Board's performance; and



- Determine the role of the annual bonus policy in the Group, as well as the bases for granting allowances and incentives across the Group.

The Committee shall submit its reports to the Board, keep minutes for its meetings, and take its decisions by simple majority. Meetings of the Committee shall be convened by the Chairman or two members of the Committee at least one week prior to its meeting. Quorum shall be constituted by the presence of two of its members.

In 2018, five (5) meetings of the Nominations and Remuneration Committee were held. The Committee reviewed its Charter, and determined the criteria for granting allowances and incentives in the Group and recommended them by studying the files of employees and their performance assessments by business unit managers. At its meeting on 15 February 2018, the Committee examined files for the nomination of a new CEO for the Group and recommended the appointment of Mr. Samer Mohammed Wahbeh as CEO of Investment Holding Group Q.P.S.C. On 19 April 2018, the Committee set the criteria and requirements for nomination to the Board membership. On May 21, 2018, the Committee received the applications of independent candidates for the membership of the Board. Each candidate's CV was examined and recommendations were presented to the Board to accept the candidates who met the requirements. On 7 June 2018, the Committee set the criteria for the granting of allowances and incentives in the Group. It also set the salary scale and discussed the reasonable and fair salary limit in the market and made its recommendations on the salary scale to be presented to the Board at its meeting on 13 June 2018.

The current members of the Committee are:

Member	Title
Sheikh Nasser bin Ali bin Saud Al Thani	Chairman of the Nominations and Remuneration Committee
Khalid Ghanim Sultan Al Hodaifi Al Kuwari	Member of the Nominations and Remuneration Committee
Hamad Abdulla Shareef Al Emadi	Member of the Nominations and Remuneration Committee
Hamad Ghanim Sultan Al Hodaifi Al Kuwari	Member of the Nominations and Remuneration Committee

3. Senior Executive Management in the Group and their responsibilities, powers and work during the year, as well as their remunerations

The Organizational Structure consists of:



- **Samer Mohammed Wahbeh:** Group CEO
- **Mohammed Ghanim Sultan Al Hodaifi Al Kuwari:** Group Deputy CEO
- **Mohammad Abdullah:** Group CFO
- **Marcel Bou Dehn:** Group Legal Advisor, Secretary of the Board and Committees
- **Asmaa Belal:** Investor Relations Officer

The directors of the Executive Management have performed all the tasks assigned to them to the fullest, and each of them has fulfilled the responsibilities assigned thereto throughout the year.

4. Remunerations

Article 38 of the Group's Articles of Association states that the General Assembly shall be entitled to determine the bonuses of the members of the Board, provided that the percentage of such bonuses shall not exceed 5% of the Group's net profit after deduction of statutory reserves and deductions and distribution of dividends to shareholders by not less than 5% of the paid up capital.

The bonuses of the Senior Executive Management shall be based on the same criteria adopted for the Group's employees, provided that the evaluation is conducted by the Nominations and Remuneration Committee based on the Executive Management Performance Appraisal System approved by it. Accordingly, the entitlement to bonus depends mainly on the overall assessment of employee performance, which varies in terms of focus and objectives from time to time in light of the circumstances and challenges faced by the Group—all is based on the recommendation of the Nominations and Remuneration Committee and approval by the Board.

Fourth: Disclosure of the procedures of risk management and internal control of the Group, including the supervision of financial affairs, investments, and any relevant information

The Group appointed the members of the Audit and Risk Management Committee as indicated previously, and appointed an internal auditor for the Group to prepare internal audit reports on each of the Group's companies during 2018. The Internal Auditor prepared the internal audit reports, and the general managers were invited to discuss the reports in the Audit and Risk Management Committee and the necessary recommendations were taken for each company apart. The Group works on studying its investments in all sectors and cooperates with its subsidiaries to reduce risk level by studying the contracts of supply, import, contracting and other contracts in the Group in terms of legal, financial, administrative and operational aspects. The Group also started to develop accounting



systems that link all subsidiaries to the Holding Company for effective and productive communication. In addition, it began to link the subsidiaries together to reduce the cost of work undertaken by them, including the unified systems of financial and legal affairs, personnel and supply, as well as to standardize the way of dealing with banks to ensure the most successful distribution of the Group's resources and financial and technical capabilities.

Fifth: Disclosure of Committees' work, including number of meetings and their recommendations

As explained above.

Sixth: Disclosure of the procedures followed by the Group in identifying, assessing and managing risks; comparative analysis of the Group's risk factors; and discussion of the systems in place to address drastic or unexpected market changes

The risk management policy aims to identify potential weaknesses and risks, and procedures to avoid them, as well as actions to address and reduce their effects upon occurrence thereof. The risk management policy also studies the status of subsidiaries and identifies the high, medium and low risk points in order to contain them and not allow their adverse effects to exacerbate. This includes the study of external auditors' reservations, profitability ratios, liquidity rates, financial management policy, procurement management policy, and other operational, technological and environmental risks, as well as crises management procedures.

The Group shall assess the operational risks at the Group level. The internal auditor shall also study the risks in cooperation with the Executive Management and the managers of subsidiaries in order to identify the weaknesses and their seriousness, and make the necessary recommendations. These risks shall be addressed and followed up by the Executive Management, committees and the Board, each according to their functions and in coordination with the executive management in each subsidiary apart.

The Board has overall responsibility for the development and supervision of the Group's risk management framework, which includes the Group's main financial liabilities, such as loans, trade payables and other payables. The main purpose of these financial liabilities is to finance the Group's operations and provide guarantees to support its operations. The Group has trade and other payables, cash and short-term deposits that come directly from its operations.

In this regard, the Group is exposed to the following risks as a result of its utilization of financial instruments:



- 1.Credit Risk
- 2.Liquidity Risk
- 3.Market Risk
- 4.Operational Risk

1.Credit Risk

Credit risk is the risk of a financial loss to the Group as a result of a customer's or counterparty's failure to meet its contractual obligations.

These risks arise mainly from the Group's trade and other receivables.

The Group's exposure to credit risk is primarily affected by the individual characteristics of each customer. The population operations of the Group's customer base, including industry and country default risks, have a lower impact on credit risk, since there is no focus on credit risks attributable to a single customer. Receivables are recorded based on the original invoice amount less any provision for collectible amounts. An estimate is made for doubtful debts if it is not probable that the full amount will be collected. Doubtful debts are written off when they are unlikely to be recovered.

2.Liquidity Risk

Liquidity risk is the risk that arises from the Group's inability to meet its obligations as they become mature. The Group's approach to liquidity management is to ensure, to the extent possible, that sufficient liquidity is always available to meet liabilities when due under both normal and difficult circumstances without incurring unacceptable losses or damage to the Group's reputation.

The Group uses an activity-based cost method to determine the cost of its products and services, which helps to monitor cash flow requirements and optimally invest cash proceeds. Moreover, the Group typically ensures that it has sufficient cash available on demand to meet expected operating expenses, including servicing the financial liabilities but excluding the potential impact of extremely difficult conditions that are not reasonably foreseeable, such as natural disasters.

3.Market Risk

Market risk is the risk arising from changes in market prices, such as foreign exchange rates and interest rates that affect the Group's income or the value of its financial instruments.



4.Currency Risk

The Group's exposure to currency risk arises from sales, purchases and loans in currencies other than the functional currencies used by the concerned companies of the Group. Most of the Group's transactions are effected in currencies used by the Group's companies or in currencies with a fixed exchange rate with the currency used.

5.Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market interest rate risk arises mainly from interest bearing loans and facilities. The Group adopts a policy ensuring that the interest rate risk is reviewed on a regular basis.

6.Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide range of causes associated with the Group's operations, employees, technology and infrastructure, or from external events other than credit, market or liquidity, such as those arising from legal and regulatory requirements and generally accepted standards of corporate conduct. Operational risks arise from all operations of the Group.

The objective of the Group is to manage operational risks in order to avoid financial losses and damage to the reputation of the Group, and ensure overall cost effectiveness as well as avoid control restriction measures that limit the spirit of initiative and creativity.

The main responsibility for developing and implementing controls to address operational risks is assigned to the senior management in each business unit. This responsibility is supported by the development of Group-wide operational risk management standards in the following areas:

- Requirements for proper segregation of duties including independent authorization of transactions;
- Requirements for transaction settlement and monitoring;
- Adherence to regulatory and legal requirements;
- Documentation of controls and procedures;
- Requirements for periodic assessment of operational risks faced by the Group and adequacy of controls and procedures to address identified risks;
- Requirements for reporting operational losses and proposed procedures to address them;
- Development of an emergency plan;
- Training and professional development;
- Ethical and business standards, and



- Risk mitigation, including insurance when this is effective.

Compliance with the Group's standards is supported by a periodic review program carried out by the Internal Audit Department. The findings reached by the Internal Audit Department are discussed with the business unit management concerned, and reports are submitted to the Audit Committee, the Board and Senior Management of the Group.

Seventh: Disclosure of the Board's performance assessment, Board members' commitment to achieving the Group's interest, performing Committees' work, and attending the meetings of the Board and its Committees; and disclosure of the Senior Executive Management's performance assessment regarding the implementation of the internal control system and risk management including identification of the number of appeals, complaints, proposals, notifications and the way followed by the Board to address regulatory issues

The Nominations and Remuneration Committee shall be responsible for assessing the performance of the Board and the extent to which Board members are committed to achieving the Group's interests and fulfilling their obligations stipulated in the Corporate Governance Code, the Commercial Companies Law, the Group's Memorandum of Association, and the relevant laws and regulations. The Board held eleven (11) meetings during 2018. Members of the Board attended most meetings, which were held at intervals not exceeding two months.

The Board approved the financial statements for the fiscal year ended 2017, as well as the financial statements for the first quarter, the first half and the third quarter of the financial year 2018. The auditors' reports were reviewed and discussed. In addition, the Board discussed the governance systems extensively and defined the scope of its work under the charters of the Board and Committees. Those decisions were issued after a thorough discussion and consensus, and no reservation was made on any of the Board's decisions.

During 2018, the Group disclosed the recommendations of the Board and the work of the Committees in accordance with the approved regulations. The Audit and Risk Management Committee studied the risks in the subsidiaries through the internal auditor and discussed them with the Executive Management of the Group and with the general managers of the subsidiaries. Steps were taken to reduce risk levels and followed up at successive meetings of the Audit and Risk Management Committee, as well as in the regular meetings of the Executive Management in the Group with the general managers of subsidiaries where the minutes of the meetings were recorded. These steps were followed up closely and periodically.



Eighth: Disclosure of failures in the internal control system, wholly or partly, or weaknesses in the implementation thereof; and disclosure of contingencies that have affected or may affect the Group's financial performance, and the procedures followed by the Group in addressing internal control failures (particularly the problems disclosed in the Group's annual reports and financial statements)

Internal control aims to verify the extent of the Group's compliance with the financial and legal procedures and systems. The internal units of the Group carry out internal control operations according to their financial or legal powers. The Group assigned an independent consultant to prepare the internal audit charter; assess the risks associated with the Group's activities, accounting operations, main business risks, internal audit plan of the Group and its subsidiaries, and comprehensive financial audit; and review the performance of the Group and its subsidiaries in a precise manner. Recommendations shall then be presented to the Board to reduce risks and improve the performance of the Group and its subsidiaries.

Ninth: Disclosure of the Group's compliance with applicable market listing and disclosure rules and requirements

The Group complied with all the applicable market listing and disclosure rules and requirements. All periodic and immediate reports were disclosed and material information was immediately disclosed. The Group established a compliance department to take care of its Legal Affairs in coordination with the Investor Relations Division so as to keep the Group updated with and the laws and regulations adopted in this regard.

Tenth: Disclosure of any conflict or dispute to which the Group is party, including arbitration and lawsuits

The following are the disputes and conflicts in which Investment Holding Group is either a plaintiff or defendant:

Investment Holding Group Q.P.S.C:

1. Plaintiff: Against Qatari Diar and Six Construct/Midmac JV

In February 2011, a subsidiary of the Group, Debbas Contracting Qatar WLL, entered into a sub-contract for executing the electromechanical works of Doha Convention Center Project within 22 months (by the joint venture of Debbas Contracting and ETA Star Engineering & Contracting WLL (under liquidation)), with the "Main Contractor" (Six Construct/Midmac JV) with a total contractual value of QR 430,000,000.

Over several years, the Subcontractor received several instructions from the Engineer (Executing Orders from the Site) outside the scope of the main contract, amounting to



QR163,820,000 (The Group's share was QR81,910,000), which contributed to the extension of the project until June 2015. A number of minor works remained and the Subcontractor had to complete them during the maintenance period. The total amounts due from the Main Contractor as at 31 December 2018 amounted to QR194,717,264 (the Group's share was QR97,358,632). The retention receivables amounted to QR19,788,405 (the Group's share was QR9,894,202).

On April 16, 2016, the Subcontractor received the Completion Certificate of the project, dated retroactively to June 11, 2015, and accordingly the Subcontractor submitted the final invoice on May 15, 2016. On January 21, 2017, the Main Contractor submitted its final account valuation with net outstanding liabilities of QR23,419,531.

The failure to resolve the dispute in an amicable manner resulted in the Subcontractor filing lawsuit No. 568/2016 in January 2018 against both Qatari Diar (the "Employer") and the Main Contractor, demanding the payment of QR625,861,657 for the remaining contractual fees from the base price of the project and the additional site orders according to the Main Contractor's instructions, as well as extension of time costs, and compensation for loss of opportunity.

2. Defendant: Ahli Bank

In 2011, the Subcontractor received credit facilities from a local bank to finance the project, bringing the total outstanding amount plus interest as at 31 December 2018 to QR141,522,179, of which the Group's share was QR70,761,089. The Group and related parties provided the following commercial and personal guarantees to Ahli Bank for the credit facilities of the project:

- Personal guarantee from the Chairman of the Board of Investment Holding Group in the amount of QR43,000,000;
- Commercial guarantee from Debbas Contracting Qatar WLL in the amount of QR276,000,000; and
- Commercial guarantee from ETA Star Engineering & Contracting WLL (under liquidation) in the amount of QR233,000,000.

Moreover, the founders of the Group personally pledged the accrued income as at 31 December 2016 regarding the unapproved change orders amounting to QR77,775,000, in addition to a written pledge from Debbas Holding Lebanon for its share of the Bank's claim.

In October 2018, QNB Al Ahli filed the lawsuit No. 2926/2018 against the Subcontractor, the Group and others, requesting the payment of the total outstanding amount of the loan (QR178,529,133).



In January 2019, the competent section in the court decided to refer the lawsuit No. 568/2018 to the competent court examining the lawsuit No. 2926/2018, so that the two cases would be considered concurrently in parallel.

In addition, based on the examination of project documents, reports and evaluations by two independent external experts and the evaluation carried out by the Executive Management, the Group's external legal counsel, based on the information available to it, believes that the Subcontractor's lawsuit against the client, Main Contractor and others has a reasonable success chance and the claims of the adverse parties are more likely to be rebutted. However, the final decision in the case is subject to the opinion of the court considering the case. Accordingly, the Group does not anticipate any material liabilities arising from the above-mentioned claims and which should be disclosed in the consolidated financial statements as at 31 December 2018.

Eleventh: Disclosure of operations and transactions entered into by the Group with any "Related Party"

Without prejudice to the provisions of the law in this regard, the Board shall comply with the principles of governance and with the disclosure of the transactions and dealings entered into by the Group with any "Related Party". The auditor shall review all transactions and dealings entered into by the Group with any Related Party and they shall be disclosed in the periodic financial statements.

On 13 June 2018, the Board approved the Related Party Policy of the Group.

The Board shall constantly and regularly review and update governance applications, apply the best principles of governance and uphold fair-trading principle among shareholders. The Board shall also update professional conduct rules embodying the Group's values, and constantly and regularly review its policies, charters, and internal procedures which shall be binding upon the Group's Board members, Senior Executive Management, advisors, and employees. The most important of which are the charters of the Board and its committees, the policy of the Group's dealings with Related Parties, and the Insiders' trading rules.

The Board consists of eleven (11) members appointed under the Articles of Association of the Investment Holding Group Q.P.S.C. notarized under number 61866 dated 07/12/2016, and its amendments, particularly amendment No. 44891/2018 dated 11/09/2018.

Group is committed to the competence and effectiveness of Board members. It shall ensure that Board members are qualified with sufficient knowledge of administrative matters and relevant experience to perform their duties effectively, and that they devote enough time to do their job with integrity and transparency in order to achieve the Group's interest, goals and objectives. Board members shall meet the applicable requirements, namely: None is



under twenty-one years of age; none has been sentenced to a criminal penalty, or an offence against honor or integrity, or any of the crimes referred to in Article 40) of Law No. 8 of 2012 on Qatar Financial Markets Authority, and Articles (334) and (335) of Law No. 11 of 2015 promulgating the Commercial Companies Law; none is banned from practicing any work in the entities subject to the Authority's oversight under Article (35 (paragraph 12)) of Law No. 8 of 2012 referred to; and none has been declared bankrupt, unless they have been rehabilitated. Moreover, a Board member shall be a shareholder owning 10,000 shares of the Group's shares determined by its Article of Association. Such shares shall be deposited with the Depository Authority with restriction of trading, mortgage or seizure until the end of membership period and approval of the Financial Statements of the last fiscal year in which the member performed his duties. Such shares shall also be allocated to guarantee the rights of the Group, shareholders, creditors and third parties for the liability against Board members.

The members of the Board also acknowledged not occupying any position prohibited by law to be combined with the membership of the Board, based on the minutes of the Board meeting No. 12/2018 dated 13 June 2018.

The Group invited the General Assembly to convene and it elected three independent members of the Board on May 28, 2018 by secret ballot and by adopting a cumulative voting system.

The Board shall ensure that no one or more members shall control the decision-making process in the Group by approving the Group's authority matrix in the minutes of the Board meeting No. 12 of 13 June 2018. The authority matrix detailed the powers of the Board, Executive Management, general managers, and senior employees in the Group and its subsidiaries in terms of decision making, including plans and budget, corporate governance, periodic reports and control, policies and procedures, salary scales, employee relations and affairs, banking and financial matters, payment and contractual obligation signing powers, stock inventory pricing, contract amendments, financial and legal settlements, disposal of assets and debt clearances, and public relations. It also included a detailed analysis of the control systems and risk policies of the Group and its subsidiaries.

In addition to the above, the Group shall ensure that no Board member may combine any of the prohibited positions at the same time. That is, no Board member, whether in person or in capacity, may serve as a board chairman or a vice-chairman for more than two companies headquartered in the State, nor serve as a board member for more than three shareholding companies headquartered in the State, nor serve as a delegated director in more than one shareholding company headquartered in the State, nor combine two board



memberships of two companies exercising a homogeneous activity. The Group shall not allow combining the position of the Board Chairman with any other executive position in the Group.

Board Charter

The Group committed to preparing the Charter of the Board in 2017 and published it on the Group's website www.ihgqatar.com. It shall amend the Charter according to the circumstances.

Board Responsibilities

The Board shall represent all shareholders and exert due diligence and care in managing the Group in an effective and productive manner so as to achieve the interest of the Group, partners, shareholders and stakeholders, and achieve public interest as well as promote investments in the State and enhance community development. The Board shall also bear the responsibility for protecting shareholders from illegal or arbitrary practices and business, or from any acts or decisions that may be harmful to them, cause discrimination among them, or let a group dominate another.

The responsibilities of the Board are clearly defined in the Group's Articles of Associations and in "the Board Charter" referred to above.

Without violating the provisions of the law, the Board shall carry out its functions and duties and bear its responsibility according to the following:

1. The Board shall carry out its duties responsibly, in good faith and with due diligence. Its decisions shall be based on sufficient information received from the Executive Management, or from any other reliable source.
2. A Board member shall represent all shareholders, and shall be committed to achieving whatever is in the interest of the Group, not the interest of the person he represents or the person that voted in favor of his appointment to the Board.
3. The Board shall determine the powers to be delegated to the Executive Management and the procedures for taking any decision and the validity of such delegation. It shall also determine matters reserved for decision by the Board. The Executive Management shall submit to the Board periodic reports on the exercise of delegated powers in order to consider the proposed recommendations and make administrative decisions thereon.
4. The Board shall ensure that procedures are laid down for familiarizing the new Board members with the Group's business and, in particular, the financial and legal aspects, and providing them with the necessary training.



5. The Board shall ensure that sufficient information about the Group is made available to all Board members in general, and to non-executive members in particular, to enable them to perform their duties and roles efficiently.
6. The Board didn't conclude any loan contracts with terms exceeding three years, and did not sell or mortgage the property of the Group, or discharge the Group's debtors from their obligations, unless it is authorized to do so under the Group's Articles of Association and according to the conditions stipulated therein. In case the Group's Articles of Association contains provisions in this regard, the Board did not act without the approval of the General Assembly, unless such acts fall within the normal scope of the Group's purposes.
7. The Board assumed all the powers and authorities necessary to manage the Group and delegated some functions to its committees, particularly the Audit and Risk Management Committee, the Nominations and Remuneration Committee, and the Executive Committee. However, the Board is not bound by the recommendations made in the minutes of the committees.

Chairman of the Board

The Chairman serves as the head of the Group, represents it before others and before the judiciary, is primarily responsible for ensuring the proper management of the Group in an effective and productive manner, and works to achieve the interest of the Group, partners, shareholders and stakeholders. The Board Charter defines the tasks and responsibilities of the Chairman as follows:

1. Ensuring that the Board discusses all the main issues in an efficient and timely manner;
2. Approving the agenda of the Board meeting, taking into consideration any matter proposed by any Board member;
3. Encouraging all Board members to collectively and effectively participate in the conduct of the Board's affairs to ensure that the Board is undertaking its duties to achieve the best interest of the Group;
4. Making available for the Board members all data, information, documents and records of the Group, and the Board and its committees;
5. Creating effective communication channels with shareholders and communicating their opinions to the Board;
6. Allowing effective participation by non-executive Board members in particular and promoting constructive relations between executive and non-executive Board members; and



7. Keeping Board members constantly informed about the implementation of the provisions of the Governance Code, allowing the Chairman to authorize the Audit and Risk Management Committee or others in this regard.

Board Members' Obligations

In inviting Board members to meet, the Board committed to inviting them to meet in person or through teleconference, videoconferencing or similar communication equipment. The Board ensured that everyone was able to listen and talk to each other throughout the meetings, bearing in mind that boards minutes of meeting require the signature of at least half the members to be valid.

Invitation for Meetings

The Board shall meet at the invitation of its Chairman in accordance with the Group's Articles of Associations or at the request of two of its members. The invitation, accompanied with the agenda, shall be sent to each member at least one week prior to the appointed date of the meeting. Any member may request the addition of one or more items to the agenda, and the Chairman shall confirm the addition of such new items to the agenda. During 2018, the Board held eleven (11) Board meetings, at intervals not exceeding three months. Those meetings were attended by the majority of members. All members participated in the meetings of the Board in person or by means of modern communication technology, so that all members heard and participated in the proceedings of the Board and the issuance of its decisions.

The decisions of the Board were always passed by a majority vote of those present or their representatives. All meetings were signed by the Chairman and the Secretary, as well as all members present. Some decisions were issued in a written and valid form that is enforceable for all purposes, with at least half of the members signing in accordance with Article 33 of the Group's Articles of Association.

All the minutes of meetings were signed by the Chairman and the Secretary. Accordingly, the Board complied with the provisions of Article 104 of the Companies Law, Article 14 of the Governance Code, and Article 33 of the Group's Articles of Association.



The schedule of Board meetings in 2018 is as follows:

Meeting No.	Date	Agenda	No. of Attendants
7/2018	18 January 2018	<ul style="list-style-type: none">- Approving the tax allocation policy and bonus distribution policy in subsidiaries- Discussing the appointment of the members of the Nominations and Remuneration Committee	10
8/2018	30 January 2018	Approving the recommendation of the Nominations and Remuneration Committee as regards setting the criteria for granting allowances and incentives to employees of the Group	6
9/2018	5 February 2018	Approving the internal audit plan of the Group and subsidiaries	8
10/2018	12 March 2018	<ul style="list-style-type: none">- Approving the Audit and Risk Management Committee's report on the financial statements of the Group's operations and financial position during the fiscal year ended 31 December 2017- Approving the Governance Report- Approving the financial statements for the year ended 31/12/2017, as compared to the fiscal year ended 31/12/2016, approved by the Group's auditors, as well as the Board' report on the Group's operations, financial position and future plans- Discussing auditor appointment offers and determining their fees- Discussing and recommending to the General Assembly on the distribution of dividends to shareholders- Hearing and discussing the report of the Nominations and Remuneration Committee regarding the appointment of a CEO for the Group- Inviting the annual General Assembly to convene and determining its agenda- Approving the non-granting of bonuses to the members of the Board for the fiscal year ended 2017	



11/2018	28 April 2018	<ul style="list-style-type: none">- Approving the Group's periodic financial report for the first quarter of the fiscal year 2018 ending on 31 March 2018- Approving the rules and requirements for nomination to Board membership- Discussing the rectification of the Group status according to the law and regulations- Inviting the ordinary General Assembly to elect three independent members- Inviting the extraordinary General Assembly to amend the Articles of Association- Modifying Board Committees- Changing the authorized signatories of Investment Holding Group Q.P.S.C.- Discussing the intention to start negotiating the acquisition of the shares of the partners in Consolidated Engineering Systems Company W.L.L.	8
12/2018	13 June 2018	<ul style="list-style-type: none">- Reviewing the Audit and Risk Management Committee's reports- Discussing and approving the organizational structure- Discussing and approving the authority matrix- Discussing and approving the policy of dealing with the related parties- Discussing and approving the salary scale in the Group- Signing a written declaration that no Board member combines any position that is legally prohibited with the membership of the Board- Proposing the dates of Board meetings- Changing the members of Board Committees- Discussing the acquisition of 39.6% of the shares of Consolidated Engineering Systems Company W.L.L.	7
13/2018	8 July 2018	Authorizing those required to sign assignments of rights and authorized banking signatories.	11



14/2018	6 September 2018	Reviewing and discussing the semi-annual audited financial statements for the period ended 30 June 2018	11
15/2018	28 October 2018	Reviewing and discussing the summarized consolidated financial statements for the nine months ended 30 September 2018	11
16/2018	19 November 2018	Studying the purchase of the remaining shares of Consolidated Supplies Company W.L.L.	10
17/2018	20 December 2018	Obtaining banking facilities for the Group	11

Secretary

In 2017, the Board appointed Mr. Marcel Bou Dehn as Secretary of the Board. He holds a university degree in law and has been working with Investment Holding Group since 2009 as legal advisor to the Group and its subsidiaries. The Secretary provided assistance for the Chairman and all members of the Board in conducting their duties and committed to the conduct of all work of the Board, including:

1. Recording the minutes of Board meetings, setting out the names of attending and absent members, indicating all that has taken place during meeting discussions, and recording members' objections to any decision issued by the Board.
2. Recording Board decisions in the register prepared for this purpose as per issuance date.
3. Recording the meetings held by the Board in a serial numbered register prepared for this purpose and arranged as per the holding date, setting out the names of attending and absent members, meeting discussions, and members' objections, if any.
4. Keeping Board meetings' minutes, decisions and reports, as well as all Board records and correspondence in paper and electronic records, as the case may be. Invitations were always sent electronically, and none of the Board members objected. The Secretary confirmed that invitations were delivered to all members.
5. Sending to Board members and participants - if any - the meeting invitations accompanied with the agenda at least one week prior to the appointed date of the meeting, and receiving members' requests to add one or more items to the agenda and indicating the submission date thereof.



6. Fully coordinating between the Chairman and members, and among members themselves, as well as between the Board, Related Parties and Stakeholders in the Group, including shareholders, management and employees.
7. Enabling the Chairman and members to have timely access to all information, documents and data of the Group.
8. Keeping Board members' acknowledgments of not combining prohibited positions according to the law and the provisions of this Code. In this regard, the Board's decision No. 12/2018, dated 13 June 2018, was issued to inform the Board of the positions prohibited to be combined by Board members. The Chairman and members of the Board acknowledged that they are fully aware of this requirement and declared that they do not occupy any of the positions prohibited to be combined.

Board Committees

The Board re-formed the Board Committees at its meeting No. 12/2018 dated 13 June 2018. A decision was issued to name the Chairman and the members of each committee, and the members were informed of the terms of reference, duties and work procedures of each committee under their charters.

The Audit and Risk Management Committee shall amend the proposed internal control system of the Group and conduct periodic reviews as required, including the approval of the annual audit plan and the annual internal audit table of subsidiaries. In addition, the Audit Committee shall undertake the following:

1. Setting the procedures of contracting with and nominating External Auditors, and ensuring their independence while performing their work.
2. Overseeing the Group's internal controls and following the External Auditor's work and coordinating between them, ensuring their compliance with the implementation of the best International Standards on Auditing and Financial Reporting in accordance with the International Financial Reporting Standards (IFRS/IAS) and (ISA) and their requirements; verifying that the External Auditor's report includes an explicit mention of whether it has obtained all the necessary information and the Group's compliance with international standards (IFRS/IAS), and whether the audit has been conducted based on International Standards on Auditing (ISA) or not.
3. Overseeing and reviewing the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports.
4. Studying, reviewing and following up the External Auditor's reports and notes on the Group's financial statements.



5. Ensuring the accuracy of and reviewing the numbers, data and financial statements and whatever items submitted by the Group to the General Assembly.
6. Coordinating among the Board, Senior Executive Management and the Internal Control of the Group.
7. Reviewing the systems of financial and internal control, and risk management.
8. Conducting investigations in financial control matters requested by the Board.
9. Coordinating between the Internal Audit Unit in the Group and the External Auditor.
10. Reviewing the financial and accounting policies and procedures of the Group and expressing opinions and making recommendation on the same to the Board.
11. Reviewing the Group's dealings with the Related Parties, and confirming whether such dealings are subject to and comply with the relevant controls.
12. Regularly developing and reviewing the Group's policies on risk management, taking into account the Group's business, market changes, investment trends and expansion plans of the Group.
13. Supervising the training programs on risk management prepared by the Group, and nominations to them.
14. Preparing and submitting periodic reports on the Group's risks and their management to the Board - at a time determined by the Board - including its recommendations, and preparing reports on certain risks at the behest of the Board or the Chairman.
15. Implementing the assignments of the Board regarding the Group's Internal Control.
16. Conducting discussions with the External Auditor and Senior Executive Management on audit-related risks, particularly the appropriateness of the accounting decisions and estimates, and submitting the same to the Board to be included in the annual report.

Meetings

The Audit and Risk Management Committee held nine (9) meetings at intervals not exceeding two months, a number exceeding the minimum number stipulated in Article 19 of the Governance Code.

The Board prohibited chairing more than one of the Board Committees mentioned in the governance regulations. The chairmanship of the Audit Committee was not combined with the membership of any other committee. The Nominations Committee and the Remuneration Committee were merged into one committee. None of the committees held a meeting except with the attendance of its chairman and at least one member. Minutes were prepared for each meeting, indicating meeting discussions, and signed by the committee's chairman and the members present.



Committees shall submit annual reports to the Board, including their work and recommendations. The Board approved the recommendations of the committees at its first meeting after the convening of these committees. In this regard, the Board shall include the work of the committees in the annual report.

Internal Control System

The Group shall adopt the policy and proposal submitted by the Audit and Risk Management Committee on the Group's internal control system. The said proposal shall include a control mechanism; the duties and functions of the Group's departments and divisions as well as the provisions and procedures of responsibility therein; and awareness and education programs for employees about the importance of self-control and internal controls. It shall also include the Group's risk management plan that identifies, at least, the major risks that the Group may face, particularly those related to new technology; determines the Group's ability to take risks; sets up mechanisms to identify, measure and monitor risks; and implements awareness programs and develops ways to mitigate them. The Internal Control System of the Group shall include establishing one or more efficient and independent units to assess and manage risks, carry out financial audit, and oversee the Group's compliance with the controls of financial transactions, especially those done with any Related Party. The said unit shall be managed by one or more internal auditors enjoying competence and experience in financial audit, performance assessment and risk management. The internal auditors enjoy access to all the Group's departments to follow up their work. A decision was issued by the Board regarding the appointment, functions and remuneration of internal auditors. They shall report to the Board.

The internal auditor shall submit to the Audit and Risk Management Committee a report every 45 days on the Group's internal control work. Based on the recommendation of the Audit and Risk Management Committee, the Board shall determine the data to be included in the report, including at least the following:

1. Procedures of control and supervision in respect of financial affairs, investments, and risk management.
2. Review of the development of risk factors in the Group and the suitability and effectiveness of the systems adopted by the Group to face the drastic or unexpected changes in the market.
3. Comprehensive assessment of the Group's performance regarding its implementation of the Internal Control System in compliance with provisions of this Code.



4. The Group's compliance with applicable market listing and disclosure rules and requirements
5. The Group's compliance with Internal Control Systems when determining and managing risks.
6. The risks faced the Group and their types, causes and the actions taken in relation thereto.
7. The proposals for addressing violations and eliminating the causes of risks.

External Control

The Audit and Risk Management Committee shall review and study the offers of External Auditors registered in the Authority's External Auditors List, and then submit to the Board a recommendation with reasons to choose one or more offers to appoint the Group's external auditor. Once the Board has approved the recommendation, it shall be included in the agenda of the Group's General Assembly meeting. The General Assembly shall appoint one or more external auditors for one-year renewable for a similar period or other similar periods up to a maximum of five consecutive years, provided that no external auditor may be reappointed before the passing of two consecutive years.

The Audit and Risk Management Committee examined the offers of appointment of an external auditor for the Group at its meeting No. 2/2018 dated 11 March 2018. This item was included on the agenda of the Board at its meeting No. 10/2018 on 12 March 2018. The recommendation made in this respect was presented to the General Assembly at its annual meeting on 3 April 2018.

Disclosure and Transparency Requirements

The Board shall comply with the disclosure requirements, including the financial reports, the number of shares owned by the Chairman, Board members, Senior Executive Management, and major shareholders or controlling shareholders. It shall also comply with the disclosure requirements regarding the information related to the Chairman, Board members and Board committees, as well as their academic and practical experiences as reflected in their CVs, and whether any of them is a member of the board, senior executive management or board committees of another company.

The Group made all immediate and periodic disclosures in accordance with the QFMA's regulations, notably the Offering and Listing of Securities Rulebook issued by QFMA by Decision No. 3 of 2010 as amended in its entirety, particularly Articles 48 et seq. It disclosed the financial statements for the fiscal year ended 2017 as well as the financial statements for the first quarter, first half and third quarter of the fiscal year 2018. The Board



disclosed the number of shares held by the Chairman, members of the Board and major shareholders, and the information related to the Chairman and members of the Board according to the law, especially on the Group's website www.ihgqatar.com. The Group also maintained updated copies of the Shareholders' Register at the end of each month since the establishment of the Group.

The shares held by the Chairman and members of the Board, the Senior Executive Management and major shareholders, and their percentage of the Group's capital until 31/12/2018, are as follows:

Name	Title	Number of Shares	Capital Share (%)
Ghanim Sultan Al Hodaifi Al Kuwari	Chairman of the Board	17,551,184	21,15%
Sheikh Nasser bin Ali bin Saud Al Thani	Board Member	1,000	-
Khalid Ghanim Sultan Al Hodaifi Al Kuwari	Vice Chairman of the Board	766,612	0.92%
Wafa Issam Soufan	Board Member	12,796,356	15,42%
Hamad Abdulla Shareef Al Emadi	Board Member	0	-
Omar Abdul-Aziz Al-Marwani	Board Member	0	-
Abdul-Rahman Ghanim Sultan Al Hodaifi Al Kuwari	Board Member	809,202	0.97%
Mohammed Ghanim Sultan Al Hodaifi Al Kuwari	Board Member	724,022	0.87%
Sultan Ghanim Sultan Al Hodaifi Al Kuwari	Board Member	809,202	0.97%
Hamad Ghanim Sultan Al Hodaifi Al Kuwari	Board Member	809,202	0.97%
Abdul-Aziz Ghanim Sultan Al Hodaifi Al Kuwari	Board Member	851,791	1.03%
Samer Mohammed Wahbeh	Group CEO	0	-
Mohammed Deeb Abdullah	Group CFO	0	-
Marcel Bou Dehn	Group's Legal Advisor and Secretary	0	-
Asmaa Belal	Investor Relations Officer	0	-



Major shareholders who own more than 5% of the Group's capital are:

Name	Number of Shares	Capital Share (%)
Ghanim Sultan Al Hodaifi Al Kuwari	17,551,184	21,15%
Wafa Issam Soufan	12,796,356	15,42%

The Group is committed to disclosing transactions and dealings with Related Parties as well as the transactions made by Board members, Senior Executive Management and insiders. The Group is also committed to determining its policy on dealing with rumors by denying or confirming, through the official spokesman of the Group mentioned above. Moreover, the Group is committed to making clear disclosures in writing and in a manner not inconsistent with the Authority's relevant legislation. The Board shall ensure the accuracy and validity of the Group's disclosures and its commitment to all disclosure rules.

Stakeholder Rights

The Group is committed to ensuring equal treatment of all shareholders. Its Articles of Association include the shareholders' rights to cumulative voting, dispose of shares, receive dividends, and attend General Assembly meetings and participate in deliberations and vote on their decisions. The Group is also committed to allowing shareholders to request any information but with no harm to the interests of the Group. In this respect, the Group has a website that enables all shareholders to view its documents and information, including but not limited to:

1. List of Board members, showing independent and non-independent members and executive and non-executive members, and determining the term of Board seat for each member separately and indicating whether the member occupies a seat in any of the boards of other companies.
2. The Secretary of the Board and the decision to appoint him, along with his academic qualifications or experience certificate in accordance with Article 16 of the Corporate Governance Code and the legal entities listed on the Main Stock Market.
3. List of the Group's authorized signatories.
4. List of Insiders.
5. Shareholding ratio of Board members in capital.
6. Capital structure and major shareholders' share in the Group's capital.
7. An explanatory statement detailing the Group's structure of ownership in any subsidiary, and determining ownership ratios.
8. The Group's organizational structure showing senior executives.
9. Articles of Association.
10. Commercial Register.



11. List of the Group's policies and procedures.
12. External Auditor.
13. Contact data.
14. Articles of Association and Memorandum of Association and the amendments thereof.
15. Governance Charter.
16. Financial Statements.

Shareholders' Rights Related to General Assembly

The Group's Articles of Associations include regulating the shareholders' rights related to the General Assembly Meeting, including:

1. Articles 45 and 58 of the Group's Articles of Association of the Group provide for the right of shareholder(s) owning at least 10% of the Group's capital, and for serious reasons, to invite the General Assembly to convene, and the right of shareholders representing at least 25% of the Group's capital to invite the Extraordinary General Assembly to convene pursuant to the procedures prescribed by the law and regulations in this regard.
2. Article 49 of the Articles of Association provides that if a number of shareholders representing at least 10% of the Group's capital require the inclusion of certain matters on the meeting agenda, the Board must include them. Otherwise, the General Assembly may decide to discuss these matters at the meeting.
3. Article 52 of the Group's Articles of Association provides for the right to attend meetings of the General Assembly; to have the opportunity to participate actively in these meetings and in deliberations taking place therein; to discuss the matters on the agenda; and to be informed about the date and place of the General Assembly meeting, the issues included in the agenda and the rules governing discussions and asking of questions. Moreover, shareholders are entitled to ask questions to Board members and receive answers from them to the extent that this does not jeopardize the interests of the Group. They are also entitled to appeal to the General Assembly if the answer to their questions is deemed insufficient, and the General Assembly's decision shall be binding in this respect.
4. Article 48 of the Group's Articles of Association provides for the right of a shareholder to appoint, by virtue of a written special and fixed proxy, another shareholder who is not a member of the Board to attend the meeting of the General Assembly on his behalf, provided that the number of shares held by the proxy shall not exceed 5% of the Group's capital shares. In addition, minor and interdicted shareholders are entitled



to attend the meetings of the General Assembly, and they are represented by their legal representatives. Shareholders are also entitled to vote on the General Assembly's resolutions and to receive all information on the rules and procedures governing the voting process.

5. Shareholders have the right to object to any decision that is deemed to be issued for the interest or harm of a certain group of shareholders, or that brings a special benefit to the members of the Board or others without regard to the Group's interests. They are also entitled to demonstrate this in the meeting minutes and to invalidate the decisions to which such shareholders objected in accordance with provisions of the law in this regard.

Facilitating Effective Participation in General Assembly & Voting

The Group enables shareholders to review the minutes and results of the General Assembly meetings by immediately disclosing them to the Qatar Financial Markets Authority, the Qatar Stock Exchange and the Ministry of Industry and Trade. It also places the minutes on the Group's website.

There is no impediment to any shareholder using his right to vote, especially since the voting process is cumulative and it is done through secret ballot.

Shareholders' Rights Regarding Dividends Distribution

The Group is committed to determining the minimum percentage of net profits to be distributed to shareholders. Article 72 of the Memorandum of Association stipulates that the Group shall distribute 5% of the net profits to the shareholders annually. Shareholders have the right to receive the dividends approved by the General Assembly, whether in the form of cash or bonus shares, if they are listed in the Shareholders Register at the Depository Authority at the end of the trading session on the day on which the General Assembly is convened.

Shareholders' Rights Regarding to Major Transactions

In accordance with Article 29 of its Articles of Association, the Group guarantees by virtue of cumulative voting the protection of shareholders' rights in general and minority shareholders in particular. Also, in Article 80 of its Articles of Association, the Group is committed to protecting shareholders' rights in general, as it complies with the laws, especially the Commercial Companies Law and the laws and regulations of Qatar Financial Markets Authority.



The Group's Articles of Association provide protection to shareholders in the event of concluding major transactions or actions that may prejudice the interests of shareholders, such that:

1. Neither the Chairman nor any member of the Board may engage in any business that would compete with the Group's business, or trade for their own account or for the account of others in one of the activities of the Group. Otherwise, the Group may claim compensation or consider the operations undertaken by them as if being carried out for their account.
2. Neither the Chairman of the Board, one of its members nor one of the directors may engage in any work similar to that of the Group's activity, or have a direct or indirect interest in contracts, projects and engagements made to the Group's account.
3. The Group shall not provide any monetary loan of any kind to any member of its Board or guarantee any loan made by one of them with third parties. Any act contrary to the provisions of this Article shall be considered null and void without prejudice to the right of the Group to claim compensation from the violator if necessary.
4. The Chairman and members of the Board or employees of the Group shall be prohibited from exploiting any information acquired by any of them, by virtue of their membership or position, to make a gain for himself, his spouse or children or for any of his relatives up to the fourth degree either directly or indirectly as a result of dealing in the Group's securities. Moreover, none of them shall have a direct or indirect interest with any entity that carries out operations intended to affect the prices of securities issued by the Group. Such prohibition shall remain valid for three years after the expiration of the member's term of office on the Board or the end of his employment in the Group.
5. The Board shall disclose the transactions and dealings concluded by the Group with any related party where the latter has an interest that may conflict with the interests of the Group.
6. Shareholders shall have the right to object to any decision that is deemed to be issued for the interest or harm of a certain group of shareholders, or that brings a special benefit to the members of the Board or others without regard to the Group's interests. They are also entitled to demonstrate this in the meeting minutes and to invalidate the decisions to which such shareholders objected in accordance with provisions of the law in this regard.
7. Each shareholder may individually file a case if the Group does not file the same, in the event that the fault that has occurred may cause damage thereto as a shareholder, provided that the shareholder shall notify the Group of his intention to file the lawsuit.



Any provision in the Group's Articles of Association contrary to this shall be considered null and void.

Further, under Article 48 of its Articles of Association, the Group shall prohibit any kind of discrimination among shareholders for any reason and shall treat small and minority shareholders on an equal footing with major shareholders in all cases, especially when the Group intends to enter into major transactions that may harm their interests or prejudice the ownership of the Group's capital. That is, it is not permitted to enter into major transactions that involve owning, selling, leasing, exchanging or otherwise disposing of (except for the establishment of collaterals) the assets of the Group or assets to be acquired by the Group, or those transactions that would change the essential nature of the Group's business, or those whose gross value exceeds 10% of the lesser value of either the market value of the Group or the net asset value of the Group's assets according to the latest announced financial statements, except through the following actions:

1. A decision to this effect shall be taken by the General Assembly.
2. Such transactions shall be preceded by the disclosure of the agreement to be entered into.
3. Approvals shall be obtained from the regulatory authorities on major transactions and the instructions of the official bodies to protect the rights of the minority shall be followed.

Stakeholders' Rights (Non-Shareholders)

The Board stated in the Corporate Governance Charter that it adopts an "early warning" policy to enable the Group's employees to report any suspicious, immoral or illegal behavior that harms the Group's reputation through the mechanism approved for this purpose. Moreover, the Board shall ensure the confidentiality and protection of reports made by employees against any negative reactions by their colleagues or by the employees responsible.

The Group's Corporate Social Responsibility

As a responsible national establishment, the Group believes in the principle of corporate social responsibility towards the community within which it operates. The Group is also committed to continuously promoting the values of development, protecting and preserving human life, health, natural resources and the environment, as well as adding value to the community in which it operates.