

# Corporate Governance Report

1<sup>st</sup> January – 31<sup>st</sup> December, 2019



**MANNAI CORPORATION QPSC**  
**CORPORATE GOVERNANCE REPORT**

1<sup>st</sup> January – 31<sup>st</sup> December, 2019

With reference to:

- The Governance Code for Companies & Legal Entities Listed on the Main Market, issued on 10 November, 2016 (hereinafter referred to as the “**Code**”) by Qatar Financial Markets Authority (hereinafter referred to as the “**Authority**”); and
- Provisions of Article (2) of the Code which provides for the application of the provisions of the Code to all companies and legal entities listed on the main market unless there is a special provision on this regard stipulated in any of the Authority’s Legislations; and
- Provisions of Article (4) of the Code, which requires preparation of a Corporate Governance report to be signed by the Chairman of the Board of Directors, that includes Company’s disclosure on its compliance with implementation of the provisions of the Code and all the information regarding the implementation of its principles and provisions referred to in the said Article, THEREFORE
- The Board of Directors of Mannai Corporation QPSC (hereinafter referred to as the “**Board of Directors**”) has prepared this Corporate Governance Report of Mannai Corporation QPSC (hereinafter referred to as the “**Company**”) for the period from 1<sup>st</sup> January to 31<sup>st</sup> December, 2019, guided by the provisions of the Code, the related laws and regulations, circulars issued by the Authority, Company’s Articles of Association, sound Corporate Governance practices, the Management’s sound applications, and Corporate Governance standards. Through this Corporate Governance Report, the Company will keep the shareholders, other stakeholders and the public at large abreast of all its policies and practices in order to enable them to assess abidance of the Company by the Code and Corporate Governance principles in general.

**1. PREAMBLE:**

The Board of Directors has complete and absolute belief that the sound application of Corporate Governance rules and procedures leads to achievement of high and continuous growth, quality and excellence in performance, and also results in increased trust in the Company and aims to protect the interests of minorities and small shareholders, in addition to generating profits and providing job opportunities, reducing risk, and increasing performance competency and accountability.

Hence, the Board of Directors, following listing of the Company in Qatar Stock Exchange in 2007, appreciated the importance of the principles of Corporate Governance and recognized the importance of their application - even before issuance of the first Corporate Governance Code in the State of Qatar- as it was mentioned in the Report of the Board of Directors for the year 2007, under the title- Summary of 2007, and the way ahead: “... *expansion of the Board of Directors and strengthening Corporate Governance in the Company.*”

The Board of Directors called for initiating the structuring of its corporate governance procedures in line with the principles of the Code. Believing in the importance of corporate governance, the Board of Directors formed an ad hoc committee assigned with overseeing matters related to Corporate Governance. On December 3, 2009, the Board of Directors assigned the Corporate Governance Committee with enabling the Board of Directors, through good Corporate Governance, to add value to the Company and its reputation among its

shareholders, related parties and stakeholders, and to always keep Directors abreast with the latest Corporate Governance developments and best practices to ensure the Directors' understanding of their roles in Corporate Governance process and to ensure that the Board of Directors complies with relevant laws, regulations and codes of practice. The Committee consults legal advisors of the Company from time to time regarding provisions of the Code.

In order to ensure Company's full commitment in performing its responsibility by ensuring its implementation to the letter and spirit of the Code, the Board of Directors called for an Extraordinary General Assembly meeting of the Company held on 27<sup>th</sup> March, 2019 to finalize the amendment of the Articles of Association, a process which the Company started in the Extraordinary General Assembly meeting held on 3<sup>rd</sup> December, 2017 to fall in line with the Code, whereby the Assembly approved all proposals of the Board of Directors in this respect.

## **2. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Corporate Governance means the following to the Board of Directors:

- 1) Method by which the Company practices its power to manage all its assets, and human and physical resources,
- 2) Management's appreciation of the shareholders' rights in their capacity as the owners of the Company,
- 3) Compliance with the rules, procedures, values, and moral and professional behaviour in practice of management and business, and taking sound decisions regarding the affairs of the Company,
- 4) Distribution of the rights and responsibilities between the different stakeholders and related parties in the Company.

In light of the above, the Board of Directors believes in the sound application of Corporate Governance and continuous development of Corporate Governance practices to suit the changing requirements and commitment to continuously review the Corporate Governance practices. The Board of Directors strongly believes in following the fundamental values of Corporate Governance in managing the Company, which are discipline, transparency, disclosure, independency, accountability, responsibility, fairness, social responsibility and accuracy in financial statements. The Board of Directors also tries to concentrate on the pillars of Corporate Governance, which are moral behaviour, strengthening roles of stakeholders and related parties and risk management.

Moreover, the Board of Directors fully realizes that implementation of Corporate Governance in the Company in a correct way does not mean mere respect of a set of rules and provisions, but it is also a culture and method in controlling the relationship between the shareholders, Board of Directors, Senior Executive Management, employees, and everyone dealing with the Company, so that the shareholders ensure that the Management makes right use of their property to optimize profitability and achieve effective control. All this is reflected in what is called "The Mannai Way."

Towards promotion of the highest Corporate Governance standards and consolidation of principles of the Code, the Board of Directors passed a number of resolutions represented in various regulations, charters, procedures, controls, policies, mechanisms and rules which are as follows:

1. Corporate Governance Code.
2. Board Charter.
3. Stakeholders' rights Policy.
4. Procedures Manual for Implementing Strategy and Objectives.
5. Disclosure System



6. Policies & Procedures of the Company's Compliance with the Laws and Regulations & the Company's Obligation to Disclose Information.
7. Procedures for Availing Financial Services, Financial Analysis, Credit Rating etc.
8. Procedures for Nominating & Engaging External Auditors.
9. Procedures for Orienting New Board Members.
10. Self-control and Risk Management Programs.
11. Foundations and Standards for Evaluating the Performance of the Board and Senior Executive Management.
12. Insider Trading and Conflict of Interests Policy
13. Related Party Policy
14. Dividend Policy.

In this respect, the Board of Directors confirms that the Company, going forward, will not spare any efforts towards implementing the letter and spirit of the Code provisions, guided by corporate governance culture and international standards.

### **3. BOARD CHARTER**

As required in the provisions of Article (8) of the Code, the Board of Directors has adopted a "Board Charter" which sets out the functions of the Board of Directors and the rights, duties and responsibilities of the Chairman and members of the Board of Directors in accordance with provisions of the Law and the Code.

### **4. BOARD OF DIRECTORS:**

The Board Charter has provided for functions and responsibilities of the Board of Directors as it is responsible for managing the company, setting its goals and strategies, and monitoring their implementation by the Senior Executive Management in accordance with the aforesaid functions, responsibilities, powers and duties of the Board of Directors, and each of the Chairman and Board members in the provisions of the Code, Board Charter and Articles of Association of the Company. The Board of Directors is assisted by a number of committees formed by resolutions passed by the Board of Directors in accordance with provisions of the Code, which resolutions have outlined terms of reference, duties, and work procedures of such committees. These committees comprise the Corporate Governance Committee, Audit Committee, Remuneration Committee and the Nomination Committee.

#### **(1) MISSION AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS:**

In compliance with the provisions of Article (9) of the Code, the provisions of Articles 30 and 31 of the Company's Articles of Association provide that the Board of Directors is assigned with the responsibility of managing and supervising the Company. It has the broadest scope of authorities for the same and shall be entitled to assume all activities required for such management in accordance with the law, the Company's Articles of Association, and resolutions of the General Assembly, in addition to appointing the senior executive management. Moreover, the Board of Directors may sometimes delegate some of its functions to undertake specific operations and constitute ad hoc committees, and in this event, the Board of Directors remains liable for the functions it has delegated.

#### **(2) DUTIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS:**

The Chairman of the Board of Directors is the head of the Company and shall represent it before third parties, and his signature shall be held as signature of the Board of Directors in the Company's relations with third parties, and he shall execute resolutions of the Board of Directors as provided for in Article 28 of the Company's Articles of Association. In light of Article III of the Board Charter, the Chairman is responsible for ensuring the proper functioning of the Board of

Directors, and has the right to call for Board meetings in accordance with provisions of Article 32 of the Company's Articles of Association ensuring the discussion of all important points, approving the agenda of every meeting of the Board of Directors, promoting constructive relations between all the Board members, encouraging Board members to effectively participate in dealing with the affairs of the Board of Directors, and facilitating timely receipt of complete and accurate information by Board members. The Chairman of the Board of Directors is not a member in any of the Committees of the Board of Directors and does not combine Chairmanship of the Board of Directors and any executive position in the company.

### **(3) BOARD OF DIRECTORS' OBLIGATIONS:**

In compliance with the provisions of Article (12) of the Code relating to obligations of Members of the Board, each Board Member shall observe all provisions of the said article. The Board of Directors constantly invite, in accordance with provisions of Article (36) of the Company's Articles of Association, some of the Company's senior executive managers, employees or other experts to attend the Board meetings in order to provide some information or explanations to enable the Board of Directors to act effectively to fulfill their responsibilities towards the Company on the basis of clear and sufficient information, in good faith, with due diligence and care, and in the best interests of the Company and all shareholders. In accordance with provisions of Article (12/8) of the Code, the Board of Directors has appointed Mr. Ewan Cameron, Chief Financial Officer, as an official spokesperson of the Company.

### **(4) BOARD COMPOSITION:**

In the presence of representatives of Ministry of Commerce & Industry, the Board of Directors is elected by the General Assembly of shareholders in accordance with the requirements and rules set forth in the Code, the Commercial Companies Law and provisions of the Company's Articles of Association, in particular provisions of Article (26) thereof. The current term of the Board of Directors expires by holding the annual General Assembly in 2022.

The Board Members have adequate expertise and knowledge to effectively perform their functions. The current Board of Directors composition includes executive and non-executive directors and the majority is non-executive, in addition to independent directors.

Below are names, capacities and titles of the Chairman and members of the Board of Directors:

S#	Name	Entity Represented	Title	Category
1	HE Sheikh Hamad Bin Abdulla Bin Khalifa Al Thani	Qatar International Real Estate Investment Co. WLL	Chairman	Non-executive
2	HE Sheikh Suhaim Bin Abdulla Bin Khalifa Al Thani	Qatar Investment and Projects Development Holding Company (QIPCO) WLL	Vice Chairman	Executive
3	HE Sheikh Khalifa Bin Abdulla Bin Khalifa Al Thani	Himself	Director	Independent
4	HE Sheikh Tamim Bin Abdulla Bin Khalifa Al Thani	Himself	Director	Independent
5	Mr. Mohammed Ali Al Kubaisi	Specialized Projects Co.	Director	Non-executive
6	Mr. Ali Yousuf Hussein Ali Kamal	Al Sakhama Trading & Contracting Co. WLL	Director	Non-executive
7	Mr Khalid Sultan Al Rabban	Qatar Investment Authority	Director	Non-executive
8	Mr. Mohammed Yousuf Hussein Ali Kamal	Himself	Director	Independent
9	Mr. Abdulla Mohammed Ali Mohammed Al Kubaisi	Grand Business Services Co. WLL		Non-executive
10	Mr. Alekh Singh Grewal	Qatar Investment and Projects Development Holding Company (QIPCO) WLL	Group CEO and Director	Executive



The present Board composition, however, ensures non-control by one or more Board members in issuing decisions, in accordance with Article (6) of the Code.

The Directors are qualified in various specializations. The Board efficiently shoulders its responsibilities and follows up the laws and regulations passed from time to time by the official regulatory and supervisory authorities to ensure Company's compliance with such laws and regulations.

According to the provisions of Article 32(1) of the Company's Articles of Association, the number of Board meetings shall not be less than six meetings in a fiscal year in compliance with the provisions of Article (14) of the Code. The Board of Directors held 7 meetings during 2019 on the following dates: 26<sup>th</sup> February, 2019, 27<sup>th</sup> March, 2019, 29<sup>th</sup> April, 2019, 16<sup>th</sup> June, 2019, 6<sup>th</sup> August, 2019, 28<sup>th</sup> October, 2019, and 5<sup>th</sup> December, 2019.

In accordance with the provisions of Article 32 of the Company's Articles of Association, and in compliance with provisions of Article (13) of the Code, the Board meets upon invitation by its Chairman or at least two Board Members. The invitation for the Board meeting and agenda are communicated to each Board Member at least a week ahead, noting that any Board Member may add any item to the agenda.

In compliance with the provisions of Article (17) of the Code and according to the provisions of Article 32(5) of Company's Articles of Association, a Secretary complying with all mandatory regulatory requirements for the position has been appointed for the Board of Directors, whose functions include recording and safekeeping the minutes of all the Board meetings, and ensuring that the Board members have access to all the meeting minutes, information, documents and records of the Company. The Secretary of the Board carries out all the tasks mentioned in the said Article.

#### **5. OTHER BOARD FUNCTIONS & DUTIES:**

In compliance with provisions of Article (9) of the Code, we would like to point out to the following:

- a. The Board carries out its duties in a responsible manner, in good faith and with due diligence towards realizing Company interests.
- b. Directors have absolute access to all necessary information and documents relating to the Company.
- c. Members of the various committees, the Internal Auditor, and External Auditor always attend General Assembly meetings.
- d. The Board decisions are based on sufficient Information from the executive management.
- e. A Board member represents all shareholders.
- f. The Board has set out procedures for orienting the new Board members of the Company's business.
- g. The Board of Directors from time to time provides training courses for Directors in order to enhance their skills and professional knowledge. The Company not only provides such courses to Directors, but also to members of the Senior Executive Management team.
- h. The Corporate Governance Committee at all times keeps Directors updated about the latest developments in the area of Corporate Governance.

- i. In accordance with provisions of Article (14) of the Code, Article (33) of the Articles of Association of the Company contains rules governing Directors' unauthorized absence from Board meetings.

**6. GROUP Chief EXECUTIVE OFFICER'S FUNCTIONS:**

Mr. Alekh Grewal, Group CEO, represents the link between the Board of Directors and the Executive Management and he is entrusted, among other tasks, with the following:

1. Ensuring that the resolutions of the Board of Directors are properly implemented.
2. Reviewing and discussing company strategies and plans submitted by the Executive Management.
3. Ensuring that work directives in general are in conformity with the goals set out by the Board of Directors.
4. Providing the Board of Directors with periodical reports on performance of the company.

**7. Senior Executive Management Responsibilities:**

The Senior Executive Management is entrusted with the responsibilities of carrying out the functions as directed by the Chief Executive Officer. Their responsibilities are clearly described in the job description with the company. They are empowered to do all such acts and deeds as may be deemed essential by them in discharging their responsibilities, subject to restrictions as specified in the operational manuals of the company such as the Authority Matrix, Employee Handbook, etc.

**8. CONFLICT OF INTERESTS AND INSIDER TRADING**

- a. The Board of Directors has adopted and announced the rules relating to the Company's entering into any commercial transaction with a related party, to ensure that all transactions that involve potential related parties or conflicts of interest are determined on a fair, reasonable and consistent basis. According to the provisions of Article 35(5) of the Company's Articles of Association, the Board of Directors shall provide to the shareholders, before holding the General Assembly, the operations in which the Chairman or a Board member or a manager may have interests in conflict with Company interests.

During the period from 1<sup>st</sup> January to end of December, 2019, Company sales to Related Parties amounted to QR101,238,000, while Company purchases from Related Parties amounted to QR2,843,000.

- b. The Board of Directors has adopted and announced the rules relating to transactions of insiders and to prevent leak of any internal information which were not published to all shareholders, and these rules cover Board of Directors, Senior Executive Management, managers and all employees of the Company, and the families of those persons. The purpose of this is to:
  1. Maintain equality between all shareholders in receipt of internal information of the Company.
  2. Raise the transparency and disclosure level and increase the shareholders' trust in the Company.
  3. Avoid any suspicion on insiders benefiting personal gains from use of internal information.

The Policies and Procedures of "Related Party Transactions" and "Insider Trading & Conflict of Interest" have been published on the Company's website.



## **9. METHOD OF SETTING REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVE MANAGEMENT:**

The remuneration of the members of the Board of Directors shall be set by the shareholders in the Ordinary General Assembly of the Company according to the provisions of Article 37 of the Company's Articles of Association which was amended in the Extraordinary General Assembly meeting held on 27<sup>th</sup> March, 2019 to be in line with provisions of the Code. The total Board of Directors remuneration shall not be estimated at more than 5% of the net profit of the company after deduction of legal reserves, deductions and distribution of dividends in cash and kind to the shareholders.

The policy of determining remuneration of the Board of Directors and the senior executive management takes into account the responsibilities and scope of the functions of the Board Members and members of Senior Executive Management as well as the performance of the Company. Compensation may include fixed and performance related components and such performance related components may also be related to the long term performance of the Company. The Company's Remuneration Policy was approved and adopted at the Ordinary General Assembly held on February 17, 2010.

In addition, the provisions of Article 35(1) of the Company's Articles of Association require the Board of Directors to provide to shareholders before holding the General Assembly all the amounts received by the Chairman and members of the Board of Directors of the Company during the fiscal year, including wages, charges, salaries, and consideration of attending Board meetings, and sundry expenses, in addition to amounts received by each of them as a technical or administrative employee or in consideration of any technical or administrative or consultative work performed to the Company.

An amount of QR.5,592,830 has been allocated as Directors' remuneration subject to approval by the Ordinary General Assembly, while an amount of QR.14,835,700 has been allocated as Executive Committee remuneration during 2019.

## **10. COMMITTEES OF THE BOARD OF DIRECTORS:**

While most of the important affairs are discussed in the meeting of the Board of Directors, the Board of Directors, in accordance with the provisions of Article (8) of the Code, has passed resolutions forming a number of committees in accordance with Provisions of the Code and outlining their responsibilities, duties and work provisions and procedures, which committees are assigned with some responsibilities to support the Board of Directors in performing its functions in the best way. The ultimate responsibility, however, remains with the Board of Directors at all times. Committees submit annual reports to the Board of Directors including works rendered and recommendations reached.

These committees are as follows:

### **a. CORPORATE GOVERNANCE COMMITTEE:**

This committee is comprised of the following members:

1. Mr. Keith Higley, Chairman
2. Mr. Abdulla Mohamed Al Kubaisi, Member
3. Mr. Khalid Al Rabban, Member

This committee was referred to in the beginning of this Report in the Preamble. We add here that the committee, periodically and from time to time, performs review of the Company's Corporate Governance system, updates the Board on the developments in this regard and presents recommendations to the Board of Directors.



**b. REMUNERATION COMMITTEE:**

The Remuneration Committee is formed in accordance with the provisions of Article 18 (Second) of the Code. It consists of the following members:

1. HE Sheikh Suhaim Bin Abdullah Bin Khalifa Al Thani, Chairman
2. Mr. Mohammed Ali Mohammed Khamees Al Kubaisi, Member
3. Mr. Keith John Higley, Member

This committee shall oversee the Remuneration principles and policies of the Company, including remuneration of the Board of Directors and Senior Executive Management, and keep the Board advised accordingly.

The remuneration policies and principles were presented before the shareholders in the General Assembly held on February 17, 2010, and were approved and published in the Company's Annual Report.

The Remuneration Committee held two meetings during 2019 on the following dates: 24<sup>th</sup> February and 16th June, 2019.

Works of the Committee during the year included review of the annual performance reports on the Senior Executives for the year ended 31<sup>st</sup> December, 2018. It also reviewed a proposed structure to form the basis of recruiting a CEO for the company's domestic business in Qatar as part of the company's Succession Planning.

The Committee recommended levels of Senior Executives remuneration to the Board following the closure of the 2018 financial statements.

**c. NOMINATION COMMITTEE:**

The Nomination Committee is formed in accordance with the provisions of Article 18 (First) of the Code. It consists of the following members:

1. Mr. Mohammed Ali Mohammed Khamees Al Kubaisi, Chairman
2. Mr. Ali Yousuf Kamal, Member
3. Mr. Alekh Grewal, Member

The main role of the Nominations Committee is to ensure that nominations and appointments of Board Members shall be made according to formal, rigorous and transparent procedures, and to conduct self-assessment of the Board's performance from time to time.

The committee also sets principles for selection and nominations to the Board of Directors in compliance with the provisions of Article 18(First) of the Code.

The Nomination Committee held one meeting on 24 January, 2019 in which the Committee reviewed works performed which included considering the requests of the nominees for directorship during the Board election held in March, 2019.

The Committee prepared an Annual Report on Board performance for the year 2019. It ensured that the Directors were advised to attend Board meetings.

As per Article 18 (first)3, the Committee recommended and advised necessary coordination for development of a succession plan for managing the company to ensure the timely alternatives to fill any vacant positions.

In accordance with Article 18/7 of the Code, the Nomination Committee submitted a report to the Board including appraisal of the Board performance for the year 2019.

The Nomination Committee had circulated a questionnaire headed "*Board Effectiveness Review*" to the Directors in which they were requested to consider various areas such as corporate strategy, Board meetings, risk management, succession & development, Board composition and training, and Board effectiveness.

We can certainly confirm that the report concluded that the Board effectiveness was positive as the Board structure fully complies with the Code and applicable laws regarding composition of the Board. The attendance level at Board meetings in 2019 including representation and proxies reported average 99% throughout the year. Chairpersons and members of Board committees also performed well with respect to attendance of Committees' meetings and delivering their tasks and duties. Board agenda are appropriate and circulated on timely basis. Presentations by the Management are professional and succinct. Directors are also granted the right balance of support and challenge to management. Every director has a voice at the meetings and the right level of discussion takes place on key issues and potential investment decisions. In a nutshell, the Annual Report prepared by the Nomination Committee expressed satisfaction with regard to compliance of the Board members in achieving the company's interests, doing the Committees' works, and their attending of the Board and Committees' meetings.

**d. AUDIT COMMITTEE:**

The Audit Committee is formed in accordance with the provisions of Article 18(Third) of the Code. It consists of the following members:

1. HE Sheikh Khalifa Bin Abdulla Al Thani, Chairman
2. Mr. Abdulla Mohamed Al Kubaisi, Member
3. Mr. Mohamed Yousuf Kamal, Member

This committee does not include any person who is or has been employed by the Company's external auditors as per the provisions of the said Article of the Code. The Committee meets at least every three months and keeps minutes of its meetings. The Audit Committee held six meetings during 2019 on the following dates: 25<sup>th</sup> February, 2019, 29<sup>th</sup> April, 2019, 16<sup>th</sup> June, 2019, 6<sup>th</sup> August, 2019, 28<sup>th</sup> October, 2019, and 10<sup>th</sup> December, 2019.

The Committee during the year reviewed adequacy of Internal Control System, policies and training programmes on Risk Management and periodic audits performed by Internal Audit Activity. It also reviewed the contract and nominations of external auditors besides review of dealings in the related parties and relevant controls. The Committee further reviewed financial statements, accounting policies and procedures, related notes and disclosures.

Major recommendations of the Committee included the following:

1. Advising the CFO to coordinate the implementation of the Policies and Procedures/identification/mitigation/reporting of risk and training programmes on Risk Management.
2. Based on the review of offers and credentials, KPMG were recommended to be the external auditors for 2019.
3. Recommendations for financial statements, accounting policies and procedures, related note and disclosures.



## **11. INTERNAL CONTROL AND RISK MANAGEMENT**

The Company has long established internal control procedures and processes for Risk Management. These processes are reviewed regularly and modified to meet the growing challenges in a dynamic business environment.

The Board of Directors is responsible for the Company's internal control, the overall aim of which is to safeguard the Company's assets and thereby its shareholders' investment. Board of Directors and its Audit Committee oversee the actions of management and monitor the effectiveness of the internal control systems that have been put in place. In this regard, we can mention the following:

- (1) The Company's compliance with all the provisions of the Code, relevant laws and regulations, and the Company's Articles of Association, as Article 30 of the Company's Articles of Association provides that the Board of Directors' authority to manage the Company is not restricted except by provisions of the law or the Company's Articles of Association or resolutions of the General Assembly.
- (2) The Executive Committee reviews and updates the professional conduct rules setting forth the Company's corporate values and other internal policies and procedures that should be complied with. These rules include Employee Manual, Audit Committee Charter, Company Regulations, Related Party Transactions Policy, Insider Trading Policy, and other circulars issued by the Senior Executive Management from time to time.
- (3) The Company adopted internal control systems to assess the methods and processes relating to risk management. The Company's framework for internal control is made up of five components: control environment, risk assessment, control activities, information and communication, and monitoring.
- (4) The Company integrates the principles of problem identification and continuous improvement into its business operation process and makes continuous efforts to train employees who will put these principles into practice.
- (5) The Internal Control systems are set under clear lines of responsibility, accountability, and audit throughout the Company's departments and divisions.
- (6) The Board of Directors continuously evaluates the information provided by the Senior Executive Management and the Audit Committee. The Audit Committee's task of monitoring the efficiency of internal control systems by the management team is of particular interest to the Board. This work includes checking that steps are taken with respect to any problems detected and suggestions made by auditors to rectify them.
- (7) Internal control has been developed under following policies:
  - a) Systems to ensure that the Management executes their responsibilities in compliance with relevant laws and regulations and the Company's Articles of Association;
  - b) Rules and systems related to the management of risk of loss;
  - c) Systems to ensure that employees conduct business in compliance with relevant laws and regulations (including the Code) and articles of association;
  - d) Systems to ensure appropriateness of business operations;
  - e) Systems to ensure that all transactions that involve potential related parties or conflicts of interest are determined on a fair, reasonable and consistent basis. The Company has established a number of control processes relating to conflict of interest between the Company and related parties.

- (8) The Senior Executive Management continuously evaluates the adequacy of its systems, processes and controls to ensure that the deviations and risk are minimized.
- (9) Internal auditor submits to the Audit Committee a quarterly internal audit report which includes a review and assessment of the internal control systems of the Company.

In respect of the current period, the Board considered the internal control systems effective and adequate. No significant areas of concern which might affect shareholders were identified. During the period, minor control deviations have been adequately dealt with through appropriate corrective actions. There have been no significant internal control failures affecting the financial performance of the Company.

The Company monitors and manages the risk relating to operations through risk reports devised by the management. These reports are discussed in the monthly business review meetings.

The financial risk management aspects are disclosed in the annual audited report of the Company.

- (10) The general risk policy and the basic principles underpinning it are implemented by means of a comprehensive risk control and management system based upon a proper definition and allocation of functions and responsibilities at the operating level and upon supporting procedures, methodologies and tools, suitable for the various stages and activities within the system. The risk factors to which the Company is subject are set forth generally below:

- a) **CORPORATE GOVERNANCE RISKS:** Possibility that requirements of the Code/laws are misinterpreted/not complied with.
- b) **MARKET RISKS:** Impact on company's operations and results due to fluctuations in prices of its commodities traded and market prices of financial assets, among others.
- c) **CREDIT RISKS:** possibility that a counter party fails to perform its contractual obligations, thus causing an economic or financial loss to the Group.
- d) **BUSINESS RISKS:** uncertainty as to the behavior of key variables inherent in the business.
- e) **REGULATORY RISKS:** resulting from regulatory changes made by the various regulators.
- f) **OPERATIONAL RISKS:** direct or indirect financial losses caused by inadequate internal processes, technological failures, human error, or as a consequence of external events.
- g) **REPUTATIONAL RISKS:** potential negative impact on the Company's value resulting from business performance not living up to the expectations created among various stakeholders.

- (11) In compliance with Article (22) of the Code, the Internal Auditor periodically submits a report to the Audit Committee, which includes a review and assessment of the internal control system of the Company. The Report covers all what is provided for in the Article (22) of the Code. It is noteworthy that the Internal Auditor has access to all documents to review all aspects and activities of internal control, and to carry out comprehensive audits of practices, procedures and internal controls of all business and support units and subsidiaries on regular basis.

- (12) The Audit Committee regularly studies all important and extraordinary items contained in the reports prepared by the internal and external auditors by taking appropriate decisions and conducting continuous assessment of the information submitted by the Audit Committee or the Internal or External Auditor, so that the internal control systems are implemented effectively and correctly.



(13) The key practical measures and precautions taken by the Company to mitigate risks and material mistakes are represented in the following:

- a. Concerning disclosing appraisal of the Senior Management's implementation of the Internal Control and Risk Management System, the Audit Committee, as per Article 18(Third) of the Code, submitted an Annual Report to the Board that satisfactorily covered the performance assessment of Senior Executive Management in implementing Internal Control and Risk Management System and is well supported by periodical Internal Control Reports and External Auditor's Report as per Articles (22) and (24) of the Code respectively.
- b. Approval authority matrix for all business related transactions is issued which is approved by the Board of Directors. Authority matrix clearly defines limits of authority within the organization and covers all functions like recruitment, procurement, contracts etc.
- c. Comprehensive Accounting Manual is available which lays down policies and rules applicable for all financial and accounting matters relating to the Company.
- d. Board approves and passes resolutions for establishing relationship with banks and authorizes two signatories to jointly execute all documents required for availing any facility with the banks.
- e. Sole signing authority is not given to anyone and at all times dual signing by any two authorized signatories is required to execute any agreement with the banks or commit the Company to any financial indebtedness or operate the bank accounts.
- f. The Company has an independent Internal Audit department headed by General Manager – Audit, which is under the direct supervision of the Internal Audit committee chaired by an independent board member.
- g. Adequate insurance cover is in place and is managed by dedicated insurance team for the entire group. Annual review of all insurance policies, insured values etc. is made in consultation with business units and Group Finance.
- h. Monthly meetings are held with all business unit heads to review the operations, financial performance of the businesses and address any issues immediately. Performance review pack is circulated in advance which is discussed in detail at the review meetings attended by the Group CEO and Finance.
- i. Financial statements prepared and published in accordance with IFRS and in compliance with QE and QFMA regulations.
- j. All related party transactions are carried out on arms-length basis and related party transactions are reported in published financial statements as required by IFRS.

## **12. EXTERNAL AUDITOR**

The External Auditor is appointed by the General Assembly upon recommendation of the Board of Directors. During the General Assembly meeting held in March, 2019, the shareholders appointed M/s. KPMG as the external auditor for the financial year of 2019 M/s. KPMG are qualified and independent of the Company and the Board of Directors.

The External Auditor also carries out independent annual audit and semi-annual review aimed at ensuring that the financial statements are prepared in accordance with the international standards. The half-annual financial statements for the year 2019 were issued on 6<sup>th</sup> August, 2019 and the annual financial statements will be presented to the Board on 27<sup>th</sup> February, 2020. All the financial reports are published in Arabic and English newspapers. The shareholders and public may also log on the Company's website for the financial results and other related information. The External

Auditor attends the Company's annual ordinary General Assembly and answers any queries raised by the shareholders.

### **13. TRANSPARENCY AND DISCLOSURE**

As we have mentioned before, Transparency and Disclosure are fundamental values in Corporate Governance, and they are two sides to a coin: if one is not available, the other becomes absent, as they are considered powerful tools in having effect on the behavior of the Company, and to protect the shareholders and investors and support them in evaluating the competence of the management, and taking appropriate decisions that are based on sufficient information regarding evaluation of the Company.

Based on the provisions of Chapter V of the Code on Disclosure and Transparency, the Company has complied with all the disclosure requirements mentioned in the Chapter, in addition to market listing and disclosure rules. A Company website was developed that contains all the important and basic information of the Company, including but not limited to the financial reports, the various Committees formed by the Board of Directors and their Terms of References, and the résumés of each member of the Board of Directors.

The Company carries out timely and accurate disclosure of the financial statements and other important information. The Board of Directors ensures that all disclosures made by the Company provide accurate and true information which is non-misleading.

Also, according to the provisions of Article 3(g) of the Audit Committee Charter, the committee is assigned with the supervision of compliance with disclosure rules and any other requirements.

It is important to mention here that the Company provides all the necessary information to the External auditors so as to enable them to prepare the Company's financial reports in accordance and compliance with the IFRS and ISA standards and requirements. It is clearly stated in the external auditor's report that the Company conforms to IFRS and that the audit has been conducted in accordance with ISA. The Company's audited financial reports are published in newspapers, announced on the website, and copies are distributed to shareholders in the General Assembly.

The company is also subject to all the applicable laws in the State, particularly laws, regulations and circulars issued by the various regulatory authorities such as but not limited to the Authority, Qatar Stock Exchange, Ministry of Commerce & Industry, Qatar Central Securities Depository, etc. which jurisdictions the company is subject to and for which the company is accountable. The Company has in place a Compliance Framework, which clearly mentions the procedures formulated by the Company to monitor and ensure compliance.

The Board of Directors, from time to time, makes the necessary amendments to the Articles of Association, regulations or internal systems of the company as may be required by such laws and regulations.

The Legal Department keeps the Board of Directors at all times abreast with all these laws, regulations and circulars, most importantly, the Commercial Companies Law and the Code.

### **14. SHAREHOLDERS RIGHTS**

The Board of Directors and the Senior Executive Management recognize their responsibilities to represent the interest of all shareholders and to maximize shareholder value. The Board of Directors ensures respect of the shareholders rights in a way that achieves fairness and equality in accordance with provisions of the Code, relevant laws and regulations and the Articles of Association of the Company.

The Company's Articles of Association includes provisions that ensure non-discrimination between shareholders. For instance, Article 18 states that "Each share shall entitle its holder to a



portion equal to that of others without any discrimination...," Article 16 states that "Any shareholder can own any number of shares in the Company..." and last but not least, Article 40 states that "Each shareholder shall be entitled to a number of votes equal to the number of his shares...."

Moreover, according to the provisions of the Code and the Company's Articles of Association, the shareholders have:

1. The right to attend the General Assembly Meetings.
2. Vote personally or by proxy in the General Assembly Meetings.
3. Looking into and approval of the Board of Directors' proposals for distribution of dividends. On February 17, 2010, the General Assembly approved the policy of distribution of dividends based on the recommendation of the Board of Directors including background and rationale of such policy in terms of the best interest of the Company and the shareholders simultaneously. As per extract from the dividend policy: *"The Company believes that the payment of dividends is an important element in creating shareholder value for its investors and subject to the above, it is the policy of the company at this time, which may be subject to changes in the future, to propose to the shareholders cash dividends generally in line with the market."*
4. Invitation to General Assembly meeting and the right to place items on the agenda, discuss matters listed on the agenda and address questions and receive answers thereupon.
5. Elect members of the Board of Directors. The Board members were elected in the General Assembly held on March 27, 2019.

#### **15. OWNERSHIP RECORDS:**

As the Company is listed on Qatar Stock Exchange, the record that contains the names of the shareholders shall be with Qatar Central Securities Depository in its capacity as in-charge of follow up of shareholders' affairs, and it is considered authorized by the Company to keep and regulate this record. The Company requests Qatar Central Securities Depository on monthly basis to provide updated shareholder records to be kept at the Company in accordance with article (30) of the Code.

#### **16. STAKEHOLDERS' RIGHTS (Non-shareholders):**

In accordance with the provisions of Article (38) of the Code, the Board of Directors ensures that the rights of stakeholders and related parties such as employees, creditors, clients, customers, suppliers, investors etc. are all protected and respected, and they have complete freedom in obtaining correct and sufficient information. The Company's Management maintains open and transparent communication channels with stakeholders, and also the information is published through the Company's website and the daily newspapers.

The Company's Management follows a principle of fairness and equality among the employees and workers, and there is no discrimination based on race, gender or religion. It is mentioned in the Employee Manual that *"The Company policy is not to discriminate in its activities or with respect to employment terms and conditions on the basis of age, gender, race, colour, national origin or religion. Such a policy ensures that only relevant factors are considered, and that equitable and consistent standards of conduct and performance are applied."*

The Management also provides incentives and remuneration according to specific policies and principles. On February 17, 2010, the General Assembly, upon recommendation of the Board of Directors, approved the Remuneration policy which aims at remunerating fairly and responsibly in light of performance related components and scope of the functions at all levels, and to link rewards to corporate and individual performance and shareholders' interests.

On the other hand, the Board of Directors has adopted a Whistle Blowing Policy providing protection and confidentiality when any suspicious behavior is reported to the Management, where such behavior is unethical, illegal, or detrimental to the Company's and shareholders' interests, and ensure protection of the reporter from any harm or negative reaction by others. The Management is committed to taking cognizance of and investigating all cases of reported misconduct or wrongdoing.

**17. SUITS & DISPUTES IN WHICH THE COMPANY IS A PARTY:**

Suit No. 221/2019 was filed by Al Khoury sons, the Landlord of the former Head Office premises of Mannai Corporation, initially against Al Emadi Enterprises, developer and lessor of the premises, before the Court of Urgent Matters as petition for confirmation of the status of the premises. The Company was added as a party to the suit. Court dismissed the suit on 08.07.2019 on grounds that it has no jurisdiction to look into the suit.

**18. COMPLIANCE WITH THE QFMA'S RELEVANT REGULATIONS INCLUDING THE CORPORATE GOVERNANCE CODE:**

In accordance with Article 2 of the Qatar Financial Market Authority's (QFMA) Corporate Governance Code for Companies & Legal Entities on the Main Market (the "Code"), MANNAI CORP. ("MANNAI") carried out an assessment on its compliance with the QFMA's relevant regulations applicable to MANNAI including the Code.

As a result of the assessment, management concluded that there is a process in place to ensure compliance with QFMA's relevant regulations and it is in compliance with provisions of the Code as at 31 December 2019.



**PP. HAMAD BIN ABDULLAH BIN KHALIFA AL THANI  
CHAIRMAN OF THE BOARD OF DIRECTORS.**

