



Board of Directors'

**Corporate Governance Report**

2015

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## Introduction

Year after year, Corporate Governance continues to become more and more central in companies with the prominence it has captured in the mindsets of both Shareholders and Investors and it has been the subject of continual follow up from regulators; nevertheless, there remain some difficulties associated with the number of regulators each with their own sets of corporate governance requirements. After the Qatar Financial Markets issued its Amended Corporate Governance Code in the Main market on 09/03/2014, the QCB has issued on 26/7/2015 its latest instructions to replace its previous versions of Corporate Governance in Banks.

## Masraf Al Rayan Ownership

The largest 10 Shareholders of Masraf Al Rayan as of 31/12/2015

	Name	Type	Nationality	Shares	Percent
1	Qatar Holding Company	Government	Qatar	89,300,000	11.91%
2	Qatar Armed Forces Portfolio	Government	Qatar	69,857,478	9.31%
3	Pensions Fund - General Retirement and Social Insurance Authority	Government	Qatar	18,699,963	2.49%
4	Ithmar Construction & Commerce	Commercial	Qatar	13,994,950	1.87%
5	Burooq Commercial	Commercial	Qatar	13,950,000	1.86%
6	National Fund 3	Commercial	Qatar	13,945,703	1.86%
7	QFF	Government	Qatar	13,400,000	1.79%
8	Education and Health Fund	Government	Qatar	13,400,000	1.79%
9	Mirqab Capital	Commercial	Qatar	12,550,000	1.67%
10	National Fund 4	Commercial	Qatar	12,275,772	1.64%

## Board Charter

As it has been in previous years, in 2015 Masraf Al Rayan Board continued to operate as per its Charter which has been perpetuated on its 4th ordinary Meeting held on 21/7/2014; given that new Members had joined the new formation of the Board at that time.

The Charter outlines the details of the functions of the Board and its responsibilities primarily based on the Corporate Governance Code of the Qatar Financial Markets Authority for companies under its jurisdiction. The Charter has been made publicly available on Masraf Al Rayan website.

## Board Duties and Responsibilities

Masraf Al Rayan is operated by an effective Board that is collectively responsible for appropriately supervising the Bank's Management.

In addition to the responsibilities stipulated in Board Charter, the Board responsibilities include the following as well:

- Approving the strategic goals of the company and appointing Management, replacing it, setting its bonus, reviewing Management performance, ensuring succession planning for Management.

- Assuring the compliance of Masraf Al Rayan with relevant rules and regulations, the Articles of Association of Masraf Al Rayan, as well taking on the responsibility of protecting Masraf Al Rayan from illegal operations and practices, or that are arbitrary or inappropriate.
- The Board is entitled to delegate some of its authority and to form specialized committees to perform specific roles and functions. In such case, the Board provides detailed instructions about the duty or delegation, subject to preceding Board approval in specific matters. Nevertheless, even if the Board has delegated one or more of its functions, the Board remains responsible for all duties and responsibilities that it has delegated.

### **Board Members' Entrusted Responsibilities**

Each Board Member owes due diligence and care towards executing their responsibility in adherence to relevant rules and regulations, including the Corporate Governance Code for Companies Listed in Markets Regulated By The Qatar Financial Markets Authority, and the Board Charter.

Board Members are required to always operate based on clear information, in good faith, with the due diligence and care required, and assuring the best interests of Company and all Shareholders.

The Board Members are also required to effectively address their obligations towards Masraf Al Rayan.

### **Chairman of the Board of Directors' Duties**

The Chairman of the Board of Directors is responsible for the proper functioning of the Board of Directors, in an appropriate and effective manner; including that Board Members obtain complete and correct information in a timely manner.

The Chairman may not be a Member of any of the Board's Committees as stipulated in Board Charter.

The duties and responsibilities of the Chairman include, but are not limited to, the following:

- Ensure that the Board discusses all core issues in an efficient and timely manner.
- Approval of the agenda for each meeting of the Board of Directors, taking into account any issue raised by any member of the Board of Directors, and the Chairman may delegate this task to a member of the Board; however, the Chairman remains in charge of the said Member executing the task in an appropriate manner.
- Encourages all Members of the Board to participate fully and effectively in the conduct of the affairs of the Board in order to assure that the Council works for the benefit of Masraf Al Rayan.
- Ensure effective communication with Shareholders and delivering their opinions to the Board of Directors.
- Gives Non-Executive Board Members, in particular, the opportunity to effectively participate, and to encourage constructive relations between Executives and Non-Executives Board Members.
- Ensures conducting an annual assessment of the performance of the Board.

## The Board

No change has happened to the Board since 2015, since the latest elections in 2014. The Board formation has continued as follows:

### Board Members

For the Third Term (2014 to 2016)

	Name	Title	Nationality
1	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari
2	Ministry of Defense - Qatar Armed Forces Represented by Dr. Thani Abdulrahman Al Kuwari	Vice Chairman	Qatari
3	Ministry of Interior Employees Loans Fund Represented by Dr. Menahi Khalid M. A. Al Hajri	Board Member	Qatari
4	General Retirement and Social Insurance Authority (Qatar) Represented by Mr. Turki Mohammad Al Khater	Board Member	Qatari
5	Qatar Holding Company Represented by H. E. Sheikh Faisal Bin Saud Al-Thani	Board Member	Qatari
6	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari
7	Mr. Abdulla Ahmed Al Maleki Al Jahni	Board Member	Qatari
8	Mr. Khalaf Sultan Al Dhaheri	Board Member	United Arab Emirates
9	Nile Shore Company Represented by Mr. Nasser Mohamed Al-Abdulla	Board Member	Qatari

**Board Member Ownership of Masraf Al Rayan Shares as of 31/12/2015**

	Name	Title	Nationality	Status	Frozen Shares as of 31/12/2015	Available Shares as of 31/12/2015	Mortgaged Shares as of 31/12/2015
1	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari	Not Independent Non-Executive	100,000	700,000	0
2	Ministry of Defense - Qatar Armed Forces Represented by Dr. Thani Abdulrahman Al Kuwari	Vice Chairman	Qatari	Independent Non-Executive	100,000	69,757,478	0
3	Ministry of Interior Employees Loans Fund Represented by Dr. Menahi Khalid M. A. Al Hajri	Board Member	Saudi	Independent Non-Executive	100,000	50,000	0
4	General Retirement and Social Insurance Authority (Qatar) Represented by Mr. Turki Mohammad Al Khater	Board Member	Qatari	Independent Non-Executive	100,000	18,599,963	0
5	Qatar Holding Company Represented by H. E. Sheikh Faisal Bin Saud Al-Thani	Board Member	Qatari	Not Independent Non-Executive	100,000	89,200,000	0
6	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari	Independent Non-Executive	100,000	0	0
7	Mr. Abdulla Ahmed Al Maleki Al Jahni	Board Member	Qatari	Independent Non-Executive	100,000	211,492	0
8	Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE	Independent Non-Executive	100,000	0	0
9	Nile Shore Company Represented by Mr. Nasser Mohamed Al-Abdulla	Board Member	Qatar	Not Independent Non-Executive	100,000	0	2,900,000

## About the Board of Directors

### **Dr. Hussain Ali Abdulrahman Al Abdulla**

Ph.D . Economics

Masters in Special Law

Holds the following positions:

- Board Member - Qatar Investment Authority
- Board Member - The Supreme Council for Economic Affairs and Investment
- Chairman and Managing Director - Masraf Al Rayan
- Chairman - Al Rayan Investment
- Chairman - Kirnaf Investment and Installment Company (Kingdom of Saudi Arabia)
- Board Member Gulf Investment Corporation (Kuwait)
- Board Member - Volkswagen (Germany)

### **Dr. Thani Abdulrahman Al Kuwari**

Representing Ministry of Defense - Qatar Armed Forces

Ph.D. In Projects Management

Bachelors in Architectural Engineering

Holds the following positions:

- Assistant Minister of State for Defense Affairs for Financial Affairs
- Secretary General - Qatar Olympic Committee
- Vice Chairman - Masraf Al Rayan
- Vice Chairman - Al Rayan Investment
- Chairman - Employee Loans Fund
- Vice Chairman - Mowasalat
- Board Member - United Development Company
- Vice Chairman - Mackeen Holding
- Member - Investments Committee of Retirement and Social Insurance Authority

### **Dr. Menahi Khalid M. A. Al Hajri**

Representing Ministry of Interior Employees Loans Fund

Ph.D. Commercial Jurisprudence

Masters in Special Law

Holds the following positions:

- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment

### **Sh. Nasser bin Hamad bin Nasser Al Thani**

Masters of Business Administration (MBA)

Holds the following positions:

- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment

**H. E. Sheikh Faisal Bin Saud Al-Thani**

Representing Qatar Holding Company  
Bachelors in Finance

Holds the following positions:

- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment
- Deputy Head of Industrial Investments Directorate - Qatar Investment Authority
- Board Member - Qatar General Electricity and Water Corporation
- Board Member - Mowasalat

**Mr. Turki Mohammed Khalid Al Khater**

Representing General Retirement and Social Insurance Authority  
Bachelors in Economics and Social Sciences

Holds the following positions:

- Head - General Retirement and Social Insurance Authority
- Chairman - United Development Company
- Board Member - Qtel

**Mr. Abdulla Ahmad Al Malki Al Juhani**

Bachelors of Management and Economics

Holds the following positions:

- Board Member - Masraf Al Rayan
- Vice Chairman of Insurance Committee - Qatar Chamber
- Board Member - Qatar Business Council

**Mr. Khalf Sultan Al Dhaheri**

Masters in Business Administration - Certified Accountant

Holds the following positions:

- Board Member - Masraf Al Rayan
- General Manager - Abu Dhabi National Bank (UAE)

**Mr. Nasser Mohamed Al-Abdulla**

Representing Nile Shore Company  
Bachelors in Business Administration - Specialization in Marketing

Holds the following positions:

- Deputy Chief Executive Officer - Ezdan Holding
- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment

## Independence of Board Members

As per the corporate governance guidelines issued by the QCB at the end of July 2015, specifically the definition of the Independent Board Member, most Board Members are Independent; however, this definition is not in line with the definition of the Independent Board Member as per the QFMA, where the amended corporate governance guidelines issued by QFMA on 9/3/2014, where QFMA defines the Independent Board Member as also not having any Shares more than those required to guarantee their Membership in the Board. According to this corporate governance condition then most Board Members are not Independent.

As for Executive Members, there are none in Masraf Al Rayan Board, bearing in mind that Dr. Hussain Al Abdulla, who also holds the position of Managing Director, does not carry out any day-to-day executive responsibilities. The Group CEO is the Head of the Executive Management of the Bank, while the Managing Director only acts as a link between the Board and the Executive Management. The positions of Chairman of the Board of Directors (Managing Director) and Group Chief Executive Officer (General Manager) have been distinctly separated, and the Chairman is not a Member of any of the Board Committees. The duties of the Chairman of the Board of Directors have been detailed in the Corporate Governance Policy in accordance with Article 8 of the QFMA Corporate Governance Code.

## Non-Executive Board Members' Duties

The duties of the Non-Executive Board Members include, but are not limited to, the following:

- Participation in the Meetings of the Board of Directors and to give an independent opinion about strategic issues, performance and accountability, resources, key appointments and operation standards.
- Ensure that priority be given to the interests of Masraf Al Rayan and the Shareholders in the event of any conflict of interests.
- Participation in the Audit Committee of Masraf Al Rayan.
- Monitoring the performance of the company in achieving its agreed upon objectives and targets, and the review of the performance reports, including the Annual Reports as well semi-annual and quarterly.
- Oversight of the development of special procedures for Masraf Al Rayan Corporate Governance and to oversee its application accordingly.
- To make available their skills, experience, and diverse competencies and qualifications to the Board of Directors or its various Committees through regular attendance of Board Meetings and their effective participation in General Assembly Meetings and their understanding of the views of Shareholders in a balanced and fair manner.
- It is permissible for the majority of Non-Executive Members of the Board to request an independent consultant at the expense of Masraf Al Rayan; for any issue related to the Bank.

## **Board Meetings**

The Board of Masraf Al Rayan has convened 6 times throughout 2015 on the following dates:

- First Meeting: January 26, 2016
- Second Meeting: March 3, 2016
- Third Meeting: May 25, 2016
- Fourth Meeting: July 13, 2016
- Fifth Meeting: October 25, 2016
- Sixth Meeting: December 14, 2016

The Board of Masraf Al Rayan executes its duties and responsibilities according to what has been stated in the Articles of Association and Memorandum of Association of Masraf Al Rayan, in alignment with both the Qatar Central Bank Corporate Governance Instructions and the Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority. The Board is considered collectively responsible for supervising the Management of Masraf Al Rayan in the appropriate manner that is in compliance with the Charter of the Board. The Board also approves the strategic objectives and adopts the policies that are the controls for Masraf Al Rayan.

## **Secretary of the Board of Directors**

The position of Secretary of the Board of Directors is held by Mr. Ghassan Al-Rihawi since the inception of the Bank in 2006. Mr. Al-Rihawi previously held the position of Secretary of the Board of the Chamber of Commerce and Industry - Qatar from 2002 -2006 and has managerial experience of over 35 years in the State of Qatar.

The Secretary's duties include recording, preparing, and saving all Minutes of the Meetings of the Board under the supervision of the Chairman. He is also charged with ensuring communications and liaison between the Members and the Board as well as the Board and other stakeholders inclusive of Shareholders and Management.

The Board Secretary also ensures the ability of Members to reach the Minutes of the Meetings, information, documents, and records related to Masraf Al Rayan in full and expeditiously. He is also responsible for giving Shareholders the ability to reach ownership details, records of Shareholders, records of Board Members, Articles and Memorandum of Associations and any other documents which provide any preference or privilege over the assets of Masraf Al Rayan and related parties agreements.

## **Other Duties and Responsibilities of the Board**

Board Members are granted full and prompt access to information, documents, and records related to the Company, the Executive Management of Masraf Al Rayan is committed to provide the Board and its Committees with required all documents and information.

Members of the Board are keen to attend the meetings of the Nominations and Governance Committee, the Remuneration and Compensation Committee, the Internal Audit Committee, internal auditors and representatives of the External Auditors, and of the General Assembly.

The Board of Directors has adopted an induction program which has been developed to ensure that Members, when elected, have a proper understanding of the functioning of the Company, its operations, and that they are fully aware of their responsibilities.

The Members of the Board are responsible for the good understanding of their roles and duties, and they are responsible to educate themselves in financial matters, commercial, industrial, and in the operations of the Company and its functions; and to this end the Board must adopt or follow appropriate and official training courses that aim to endorse the skills of Board Members and their knowledge.

The Board of Directors works to keep its members informed constantly on the latest developments in the field of corporate governance and best practices in this regard, and the Board may delegate the responsibility to the Internal Audit Committee or the Nominations and Governance Committee or any other entity it deems appropriate.

The Articles of Association of Masraf Al Rayan include in Article number (32) clear procedures for the dismissal of Board Members in the event of absence from Board Meetings.

### **Sharia Supervisory Board**

The Sharia Supervisory Board maintained its formation throughout 2015 as shown below, since the approval of the General Assembly of Masraf Al Rayan in its Meeting held on 3/3/2014 of the appointment of the Sharia Supervisory Board for the years 2014 to 2016, the Assembly has also delegated the Board with the Authority to take appropriate action to fill any vacancy for any reason, to determine Sharia Supervisory Board compensation, and any other matters related to the Sharia Supervisory Board during the stated period.

- |  |          |
|--|----------|
| - Sheikh Dr. Waleed Bin Hadi           | Chairman |
| - Sheikh Dr. Abdull Sattar Abu Ghuddah | Member   |
| - Sheikh Dr. Mohamed Ahmeen            | Member   |

The work of the Sharia Supervisory Board includes review of contracts, answering Sharia related questions, placing solutions for difficulties that arise during implementation. The Supervisory Board also oversees the Bank operations of Masraf Al Rayan to ensure the proper implementation of its decisions, and to ensure that banking operations are done in accordance with Sharia regulations.

The Supervisory Board also presents its report annually for each financial year to the Ordinary General Assembly Meeting.

## Board Committees

The established Board Committees continued to perform their duties throughout 2015 as per their terms of reference which have been updated in alignment with corporate governance guidelines. There has been one major change in 2015 on the formation of the Group Investment Committee, where Mr. Adel Mustafawi withdrew from the Committee in relation to Board Decision 19/01/2015 issued on 23/1/2015. Accordingly, Board Committees Membership has become as follows:

### Executive Committee

- Dr. Thani Abdulrahman Al Kuwari Chairman
- Sh. Nasser bin Hamad Al Thani Member
- Dr. Menahi Khalid M. A. Al Hajri Member
- H. E. Sheikh Faisal Bin Saud Al-Thani Member

### Audit Committee (Audit and Compliance Committee)

- Mr. Khalaf Sultan Al Dhaheri Chairman
- Mr. Nasser Mohamed Al-Abdulla Member
- Mr. Abdulla Ahmad Al Malki Al Juhani Member
- Mr. Turki Mohammed Khalid Al Khater Member

### Remuneration and Compensation Committee

- Mr. Turki Mohammed Khalid Al Khater Chairman
- Sh. Nasser bin Hamad Al Thani Member
- Mr. Nasser Mohamed Al-Abdulla Member

### Nominations and Governance Committee

- Dr. Menahi Khalid M. A. Al Hajri Chairman
- Mr. Abdulla Ahmad Al Malki Al Juhani Member
- Mr. Abdullah Ahmad Al Maleki Member

### Risk and Policies Committee

- Mr. Nasser Mohamed Al-Abdulla Chairman
- Dr. Thani Abdulrahman Al Kuwari Member
- Mr. Turki Mohammed Khalid Al Khater Member

### Group Investment Committee

- H. E. Sheikh Faisal Bin Saud Al-Thani Chairman
- Sh. Nasser bin Hamad Al Thani Member
- Mr. Feizal Ali Member
- Mr. Ahmed Sheikh Member
- Mr. Haithem Katerji Member

## **Executive Committee**

The Executive Committee is considered one of the most important Committees as it helps the Board review Masraf Al Rayan activities and undertakes studies of matters which shall be presented to the Board, such as credit transactions or other activities of Masraf Al Rayan that require Board approval. The Committee is the one to prepare the recommendations that are to be presented to the Board.

The most important duties of the Executive Committee are:

- Review of the main functions of the Board
- Discussing and passing items that fall under the purview of the Board or those that develop in between Board Meetings.
- Providing reports and recommendations to the Board as and when needed.
- Endorse risk policy.
- Recommendation to approve policies, rules, and any additions or amendments.
- Approving or recommending ceilings for transactions with new banks and countries that the Bank deals with and making the necessary amendments.

The Committee has held the following meetings:

- First Meeting: 19/1/2015
- Second Meeting: 20/4/2015
- Third Meeting: 23/12/2015

The Committee has studied several requests submitted to it throughout 2015, and has taken decisions on them by way of circulation.

## **Audit and Compliance Committee**

The Committee has been renamed thus from the Audit Committee to the Audit and Compliance Committee by Board Decision 7-2/3/2015 issued on 25/5/2015 including the request to amend the Terms of Reference to include its new duties.

The majority of the Members of this Committee should be independent with an Independent Member chairing the Committee.

The Internal Audit Committee has the following responsibilities:

- Appoint the internal audit staff and adopt a policy for contracting the external auditors.
- Supervise and monitor the independence of the external auditors and their objectivity and discuss with them the nature and scope of the audit and effectiveness in accordance with international auditing standards and international financial reporting standards.
- Overseeing the accuracy and validity of the financial statements and the annual, semi annual and quarterly reports, review the data and reports in particular with regards to their compliance with accounting, transparency, listing in the market and disclosure standards.
- Coordination with the Board and senior executive management and Chief Financial Officer of the Bank or designate and arrange meetings with the external auditors at least once a year.
- Study any important and unusual issues included or will be included in the financial statements.
- Revision of financial and internal control systems and risk management.
- Discuss the internal controls system with the management and ensure the performance of the management of its duties towards the development of an effective internal controls system.
- Considering the results of the investigations in the internal control issues entrusted to it by the Board of Directors.

- Ensure coordination between the external and internal auditors and verify and supervise the effectiveness of the internal audit.
- Review the accounting and financial policies and procedures of the Bank.
- Review letter of appointment of the external auditor, his work plan and any queries he requested from Senior Management of the bank as well as the responses of the management.
- Ensure prompt response to Board of Directors queries and matters raised by external auditors.
- Developing rules to be approved by the Board of Directors allowing the staff of the bank to report confidentially their concerns regarding any issues that are likely to raise suspicion, and to ensure appropriate arrangements for an independent and fair investigation about these issues while preserving confidentiality and protecting the staff from any retaliation.
- Oversee compliance with the rules of professional conduct.
- Consider any other matters determined by the Board of Directors.

The Audit Committee held the following meetings:

- First meeting: 26/1/2015
- Second meeting: 28/4/2015
- Third meeting: 13/7/2015
- Fourth meeting: 25/10/2015

## Remuneration and Compensation Committee

The committee has the following responsibilities:

- Determining the remuneration policy at the bank, including the emoluments of the Chairman and all members of the Board and the senior executive management.
- Updating regulations of the rewards and compensation whenever the need arises.
- Proposing remuneration of the members of the Board of Directors and executive management, taking into account the following:
  - o The value of awards granted to members of the Board of Directors and executive management in similar financial institutions, local and regional.
  - o Profits and achievements of the bank during the financial year and compare them with the results of previous years.
  - o Economic and financial conditions during the fiscal year.
- Responsibilities and scope of tasks of the Board members and senior executive management.
- Observing the relevant articles in Masraf Al Rayan Articles of Association that determine the value of the bonuses for the members of the Board of Directors.
- Proposing the bases that determine the annual bonuses for staff.
- Presenting the remuneration policy and principles to Shareholders in a General Assembly Meeting for approval and public announcement.

The committee had a meeting on 19 January 2015.

## Risk and Policies Committee

Committee Objectives:

### Risk Management

#### A. Operational Risk

1. Review of the effectiveness of Risk Management at Bank level as a whole
2. Evaluating new significant risks that affect the Bank
3. Identifying new Strategic Risks inclusive of institutional issues such as regulatory framework, business development, and other similar issues

4. Reviewing the Key Risk Indicators and identifying issues that require the attention of the Board on a quarterly basis
5. Review of significant operational losses
6. Review of all Risk Policies annually

**B. Credit Risk**

1. Review of Credit Policies annually
2. Instituting and reviewing the Credit Authority as needed, and at least once annually
3. Review of and ratification of maximum counterparty limits, other financial institutions and countries, when needed and at least once annually
4. Review of past-dues and delinquencies to recommend suitable provisions
5. Review of write-off or return to profitability vs. provisioning levels
6. Review and monitoring of the raised legal cases and collection

**C. Monitoring Reputational Risk and other Risks not mentioned above**

**D. Policies**

1. Review, development, and update of policies that require Board approval

The Committee held the following meetings:

- First Meeting: 22/4/2015
- Second Meeting: 19/10/2015
- Third Meeting: 8/12/2015

## **Nominations and Governance Committee**

Committee responsibilities

- Adoption and publication of its terms of reference showing its authority and role.
- Proposing appointment of Board members and the re nomination for election by the General Assembly.
- Supervise the implementation steps for the call for nominations to the Board, and consider applications received to ensure matching of applicants for membership conditions.
- Determining qualifications for Board membership, including independence.
- Make sure that candidates can give sufficient time to carry out their duties as members of the Board as well as their skills, knowledge and experience and professionalism, technical, academic and personality.
- Consider any conditions or requirements relating to the nomination or election or appointment of Board members from Qatar Central Bank or any other authority.
- Evaluate candidates for senior executive management positions, and submit recommendations to the Board of Directors.
- Perform an annual self assessment of the Board's performance.
- Follow up Board Committees' self assessments.
- Supervise Board structure and composition of its committees.
- Review the annual Corporate Governance report of Masraf Al Rayan, and to recommend its approval by the Board.
- Placing an induction program for new Members and suggesting training for them as and when required.

The Committee held a meeting on 19/1/2015

## Group Investment Committee

### Committee Responsibilities

- To prepare, study, and develop investment policies for the Group that includes the broad lines for investment and identification of assets and prohibited investments.
- Review and approve the investment activities of the Group, place limits on single transaction investments or for cumulative annual limit as per Investment Policy.
- To supervise the management of the Group's investment portfolio to monitor compliance with Investment Policy.
- Review investment portfolio performance by comparing actual vs. expected returns, as well as comparing it to market performance indices approved by the Board, taking into account compliance with policies and directions and risk level.
- Review of periodic analysis and Management Reporting.
- To approve investment sector limits.
- To approve investment country limits.
- To review investment strategies whenever the need arises.
- Other duties and responsibilities and having authority as per Board delegation.
- Preparing reports and presenting them to the Board to disclose investment decisions which were made, policies, and investments performance.
- To carry out any other assignments whenever requested, as per the changes in the policies of the Board or Qatar Central Bank regulations, or Qatar Financial Markets Authority regulations, or as needed as per market developments.
- To approve investment deals according to the set limits by the Committee and to raise recommendations for deals with higher limits to be approved by the Board.
- Invite experts and / or concerned personnel to Committee meetings to provide opinions in technical areas.

### The Committee held the following meetings:

- First Meeting: 20/4/2015
- Second Meeting: 19/10/2015
- Third Meeting: 8/12/2015

## **Board Charter**

The Corporate Governance Charter aims at providing frame of responsibility and control over the Bank in addition to ensuring the existence of a supervision that is based on respect of values according to the laws and related regulations.

Masraf Al Rayan solemnly believes that following this Charter will enhance in the long run trust with shareholders, clients and employees and different stakeholders in addition to establishing and supporting Masraf Al Rayan reputation in the money market.

The Board Charter is binding not only on the Board members but on all staff and the Board of Directors is considered responsible for implementing this Charter and applying it by all staff at Masraf Al Rayan.

This Charter was last updated and ratified by the Board of Directors in 2014 pursuant to their resolution number 8/4/2014 issued on 21/7/2014.

## **Board Remuneration**

The Remuneration and Compensation Committee discussed the Board of Directors' bonus and that of the Senior Management and connected it to profit and achievements that the bank had realized during the fiscal year and comparing it with the results of previous years.

The Committee also takes into consideration the economic and financial position during the fiscal year, the responsibilities and scope of duties of the Board Members and the Senior Executive Management must be taken into consideration and that bonuses must be within the permitted level in the Articles of Association, related regulations, and Central Bank instructions.

## **List of bonus, fees and allowances of Members of the Board of Masraf Al Rayan**

The list of bonuses and allowances and compensations of Board Members is reviewed and updated on an annual basis by the Nominations and Compensation Committee; where the regulatory guidance is included regarding these compensations.

For the year 2015, bonus, fees and allowances of the Board has been presented before the Committee in their Meeting held on 12/1/2016 which was then recommended to be approved, subsequently it has been presented to the Board on their Meeting on 18/1/2016 for ratification before presenting to the General Assembly Meeting to be held on 23/2/2016.

The List includes a presentation on the regulations upon which the List was based, the Board of Directors Resolutions in that regard, and the basis on which the bonus for the Board of Directors and Senior Management is based, and the Qatar Central Bank regulations in this regard.

## **Policies**

Masraf Al Rayan is committed in its work to follow an adopted group of policies that determine the framework and controls on all activities. These policies are updated and amended through the Policies and Development Committee before approval by the Board; on a regular and an as-needed basis.

Masraf Al Rayan follows updated policies and reviewed policies which include:

- Internal Audit Policy
- Compliance Policy
- Investment Policy
- Finance Policy
- Corporate Governance Policy
- Anti-Money Laundering and Combating of Financing of Terrorism Policy
- Credit Policy
- Personnel Policy
- Whistleblower Protection Policy
- Customer Acceptance Policy
- Succession Policy
- Sharia Policy
- Risk Monitoring Policy
- Stress Testing Policy
- IT Policy
- Code of Conduct

### **Credit Rating of Masraf Al Rayan**

In their report issued on August 6, 2015, Moody's Investors Service has affirmed Masraf Al Rayan's (MAR) A2/Prime-1 issuer ratings and baa3 baseline credit assessment (BCA) and adjusted BCA. At the same time, Moody's changed the outlook on the bank's long term issuer ratings to positive from stable.

Moody's affirmation reflects Masraf Al Rayan's continued strong core financial fundamentals with (1) consistently strong asset quality performance, (2) strong and stable profitability and (3) solid capital buffers. These strengths are moderated by (1) the bank's dependence on key management relationships to generate new government-related business and (2) high loan growth coupled with a high degree of concentration on both the asset and liability side of the balance sheet.

Moody's stated that the change in the outlook to positive from stable reflects the ongoing improvements in MAR's business and geographic diversification, including the growth and transition to profitability of its recently acquired subsidiary Al Rayan Bank PLC based in UK (previously named Islamic Bank of Britain/IBB), coupled with expectation that the Bank will continue to maintain its strong overall financial performance.

The key driver of the outlook change is the Bank's increasing diversification following the growth and first time profitability of its subsidiary Al Rayan Bank UK (originally IBB). MAR completed the Al Rayan Bank UK acquisition in January 2014 and brought the institution to profitability for the first time in the history of the bank (IBB started operations in 2004). ARB UK has grown significantly (around 23% year-to-date in 2015) and supports a modest but growing retail business outside the saturated Qatari domestic market, which has increased the contribution of retail operations towards MAR's operating income to 18% as of H1 2015 from 5% as of YE2011. Going forward, we expect these diversification trends to continue as the bank's UK subsidiary grows further and also supports expansion into other European Union markets where its strong Qatari customer base is active.

In addition to the Bank's growing diversification, Moody's positive outlook is also driven by Moody's expectation that the Bank will continue to post strong overall financial performance, supported by Qatari government spending and the overall solid operating environment despite a drop in oil prices.

## Internal Controls inclusive of Financial, Investment, and Risk Management

The internal controls and compliance officers form the first line of tools used by management in order to supervise and review compliance with regulatory guidance and instructions. The officers escalate reports as and when needed directly to the Executive Management or the Board of Directors; accordingly the Board is fully aware of the results of the internal controls. This means that:

- Evaluating and awarding credit
- Investment
- Liquidity
- Market Risk
- Capital Adequacy
- Concentrations Risk
- Foreign Exchange Risk
- Profit Rate Risk
- Pricing
- Profitability and Balances
- Operational Risk and Accounting
- Legal Risks
- Anti-Money Laundering
- Insuring Assets
- Related Parties and Conflict of Interest
- Compliance with laws, regulations, and regulatory instructions
- Internal and External Audit
- Performance Evaluation
- Disclosures to relevant parties
- Policies related to personnel which govern employment, costs, incentive schemes, development of skills, and nurturing ethics and code of conduct
- in addition to other policies

are all being reviewed to ensure implementing the best standards and compliance with the regulatory requirements. Then the Internal Audit reviews the functions of the Compliance Officer and Risk Officer to provide reasonable assurance to the Audit Committee of the Board of Directors that these functions are being carried out at a reasonable level of competency and to highlight issues of concern. All of which are also governed by the Policies set forth by the Board (mentioned above in Policies). The evaluation of the Board and Senior Management in how they have applied the systems of internal controls is conducted inclusive of reporting the number of times the Board has been notified about control issues, inclusive of risks, and the way the Board has addressed these issues.

The internal controls work has not revealed other than ordinary issues which have been addressed routinely by each of the Risk Officer and the Compliance Officer within the set policies which did not require Board level intervention.

The control departments continually attempt to uncover areas of potential failure of application of internal controls or even weaknesses in implementation and they are responsible for follow-up to ensure rectification of the issues raised.

The internal control activities are distributed between the control departments, they continually carry out inspections, comprehensively, and raise issues to the Executive Management about findings, observations, violations, and such in order to take the necessary corrective action. There has been no emergency that influences or that may influence the financial performance of the Bank.

## **External Auditor**

The General Assembly of Masraf Al Rayan approved the appointment of the External Auditors KPMG for the financial year 2015 in their Meeting held on 2/3/2015. This has been presented to the General Assembly after their presentation has been selected by the Audit Committee and obtaining the Qatar Central Bank approval in this regard.

KPMG were contracted due to their application of best practices and their maintaining independence and refraining from entering into conflict of interests relationships. The External Auditors also attend the General Assembly to present their annual report and responds to inquiries. It is noteworthy that KPMG has been selected again bearing in mind the restriction on the number of consecutive years for selecting the same external auditors, which has been set by both QCB and QFMA at 5 years.

## **Duties of the External Auditor**

An independent and qualified External Auditor is to be appointed based on the recommendation made by the Audit Committee to the Board of Directors, and the General Assembly Resolution for the External Auditor's firm to conduct an annual independent audit and quarterly review. The aim of the audit is to provide reasonable assurance to the Board of Directors and Shareholders that the financial statements have been prepared in accordance with the best practices, international standards, and are governed by applicable laws and relevant regulations and standards that govern the preparation of financial statements; and that they represent exactly the financial position and performance in all material respects.

The External Auditor should adhere to the best professional standards, and Masraf Al Rayan is committed not to contract them to provide any advice or services that may result in a conflict of interest, and thus the External Auditors are considered to be independent completely off Masraf Al Rayan and its Board of Directors, and have no absolutely no conflict of interest in their relations with Masraf Al Rayan.

The External Auditor is accountable to the Shareholders and owe Masraf Al Rayan the duty of due professional care required when an audit conducted, the External Auditor also has the duty to inform Regulatory Authorities in the event of failure of the Board to take appropriate action in regards to any suspicious matters raised or identified by the External Auditor.

## **Company Compliance with Rules and Conditions Governing Disclosure and Listing on the Market**

Masraf Al Rayan Board of Directors is committed to the principles of transparency in performing its business with regards to the requirements of disclosure on all that may affect the financial performance of the bank or the movement of its shares' prices. Information of the Board members was provided to Qatar Financial Markets Authority as well as to Qatar Exchange to make known their ownership of shares. The Board Charter identifies the responsibilities of the Board and its committees.

The Board is also keen to provide Qatar Exchange with financial statements and clarifications as set by the Qatar Exchange regulations, in addition, the Board publishes the financial statements once approved by the Board of Directors according to the Commercial Companies Law, Qatar Central Bank regulations, Qatar Exchange rules, and the regulations of Qatar Financial Markets Authority.

Financial statements are published supported with external auditors' report who confirms in his reports that the reports and financial statements of Masraf Al Rayan are issued in conformity to the international accounting and auditing standards and that the external auditor has obtained all the data and information that are necessary to perform the audit.

The financial statements and the External Auditors' reports are published on the Qatar Exchange website and on the local media and some GCC newspapers according to what is stated in the Articles of Association of Masraf Al Rayan and the Commercial Companies Law number 11 of the year 2015.

### **Company Compliance with Internal Control Systems for Risk Identification and Management**

The Board of Directors gives special attention to setting internal control systems by clearly determining its responsibilities including its position in the organization chart and its relationship with other departments in a way that would ensure its independence and effectiveness. The Board provides adequate resources and fast and clear reporting lines to the Board of Directors and senior management and provide it with necessary authority to have access to information within the frame of clear and adequate policy and procedures and making annual revisions to these policies.

The Board ensures that the duties of the Internal Audit include the audit of activities of the Compliance Manager. In addition to the above, the Executive Management in collaboration and coordination with the Compliance Manager takes the necessary corrective and disciplinary action if any violations are discovered and submit periodical reports to the Board on matters related to the policies and procedures of the compliance to help in improving them.

### **Risk Management Operations and Internal Control Procedures**

Masraf Al Rayan Board is responsible for managing risks, and the Board has delegated the Executive Management with the authority to take decisions necessary to monitor risks on a daily basis and to manage them via comprehensive controls at a high level.

The wise governance and oversight of risk management stems from the Board and is managed at the level of department, which is done through many means inclusive of weekly and monthly management informative reports and key risk indicators and risk records of the Bank. Departments also put in place the standards used to keep risks within acceptable limits. These limits are set either by the Board to suit risk appetite and its importance, or set by the respective concerned departments to provide quality service. The Bank has established various appropriate levels of committees from Board level all the way to Bank Managements level.

The enterprise risk model followed by Masraf Al Rayan has three main defensive lines, where the appropriate responsibilities and authorities are assigned to each of the defensive lines, and the Bank's committees perform as per their delegated authority at the various levels from as high as the Board, Board Committees, Executive Management Committees, and even at staff levels.

Risk Management is carried out by independent functions headed by experts such as the Chief Risk Officer, Head of Compliance, and Head of Internal Audit; and their departments identify, assess, monitor, provide consultation, and raise reports about the various risks of non-compliance with applicable laws, regulations, and standards.

Internal control objectives are summed up in protecting the Bank's assets, monitoring available resources, reasonably assuring accounting information, identifying authorities and responsibilities as well as ensuring conformity, and following a clear policy in selection of suitable cadre at the various managerial levels.

## **Processes Applied by the Bank to Determine, Evaluate, and Manage Risks**

### **Stress Testing**

The measurement and monitoring of various risks is a vital concern in assuring the health of financial institutions and the financial system as a whole. And in this regard, stress testing has been widely used by international financial institutions and especially by regulatory entities to verify the ability of banks and other financial institutions to withstand the different risk factors. The idea behind stress testing is to assess the effects of exceptional but credible situations on the financial position of the Bank as well as other entities. Several quantitative technical methods have been utilized which can be divided into two main categories: sensitivity testing and scenario testing. These tests are conducted to include testing: credit risk, liquidity risk, market risk, and operational risk.

These tests which are performed by the Risk Management Department aim to measure the Bank's ability to withstand future losses which it might be exposed to in light of specific scenarios about future economic factors starting with what is known as the base scenario, i.e. the scenario of the situation remaining as it is, and several other scenarios that vary in their degree of severity of the assumptions made. Specifically, these tests aim to discover whether the Bank will continue to have viable assets sufficient to face the potential losses in case the worst scenario occurs. In this way, the Bank is able to present a realistic view of its exposure sensitivity and its ability to withstand potential shocks to the economy, if a situation was to develop in the worse direction, as well as evaluate the Bank's ability to sustain various shocks as a result of market risk and credit risk. These tests are conducted based on the Bank's current financials and the data collected about the risks that the bank is facing by the risk management function of the Bank.

Financial stress testing of the Bank allows taking the appropriate actions and to determine whether the Bank's position is solid, and that is through determining what financial assets the Bank has to be able to meet its financial obligations and to cover its potential future losses in the worse possible assumptions scenario, and whether it can continue to act as a financial agent without government support through financial assistance, or to seek support from other financial support sources in the private finance market, inclusive of options to go through merger. These are all assumptions that enable the Bank to hedge its position and provide studied options in case of any negative developments.

The Bank has complied with all QCB regulations concerning stress testing and has complied with providing the reports necessary for that.

### **Credit Risks**

Risk is an integral part of the financial industry, especially in today's world economy condition and the increasing aggressiveness of competition and the size of financial transactions as well as technological developments and the need for larger banks. That is why proper risk management assists the Bank in succeeding and ensures its continuity in the banking sector with acceptable returns and reduced risks.

The Bank's Credit Policy is considered the pillar of the Credit Risk Management's function. That is why the Bank is keen to develop a comprehensive tool to evaluate credit by placing a comprehensive Credit Policy that contains the framework of standards and conditions and guidance for granting credit through following a standardized approach in the process of credit evaluation & management, which provides unified system with sufficient flexibility.

The Bank extends credit facilities only after the applicants meet a set of requirements namely, a clearly identified purpose of the requested facility, adequacy of sources of repayment, customer creditworthiness and experience, acceptable risk level as per MAR approved risk level, as per MAR approved risk appetite, and sufficient collaterals to protect the Bank's rights should the client face difficulty in repayment or stopped altogether without any losses.

Credit is given through the 4 levels of the Credit Committee of the Bank which consists of the following:

1. Retail Credit Committee for credit facility limits up to QR 15 Million
2. Group Credit Committee for credit facility limits up to QR 150 Million
3. Executive Committee for credit facility limits up to QR 300 Million
4. Board Committee for credit facility limits above QR 300 Million

Accordingly no one individual has unilateral lending authority for non personal lending.

### **Credit Risk Division**

The Credit Risk Division in Masraf Al Rayan follows a number of procedures to identify, assess, measure and monitor risks associated with any financing by adopting the following processes:

#### **Criteria of the Credit Risk Division**

1. Determining credit types and sectors (economic) for which the Bank may extend financing.
2. Establishing a limit cap for group exposure as well as pricing modules.
3. Determining types of collaterals, their mechanism of evaluation, the approved professional agents which conduct the evaluation, its financing to collateral value, and taking precautionary steps to protect the bank against any such risk by obtaining property insurance and periodical evaluation of these collaterals.
4. Placing conditions for approval of credit inclusive of information that must be obtained prior to granting of credit facilities, and granting the delegation to grant credit facilities, and establishing independent review of credit and conditions for rating of credit and provisioning.
5. Establishing the level of risk that the Board approves to enter into while financing.
6. Preparing independent credit recommendations for Business Units.
7. Disclosure of all the information related to the client to the Credit Committee with all transparency so that a well advised credit decision is made.
8. Enhancing the role of monitoring and managing credit to ensure the necessary follow up is done to complete all the documentation and collateral as per the Credit Committee recommendation to activate the limits in the electronic system.
9. Implementing an internal credit rating system that takes into consideration both quantitative and qualitative aspects of the client and their position in the market and the presented collaterals that would assist in taking a proper credit decision.
10. Implementing stress testing on the facilities provided in order to bolster the process of identifying and controlling the risks and providing the tools that would complement risk management with the objective of arriving at an overall evaluation of credit risks.

### **Implementation of Sound Measures to Determine Credit Risks**

Granting credit facilities is based on sound measures and include the following:

1. Having a client request or credit application that is duly signed by a sufficiently authorized delegate.
2. Obtaining sufficient information in order to make a comprehensive evaluation of the client and types of risk underlying the requested facility, as well as to be able to rate the client as per the Bank's internal credit rating system.
3. Knowledge of the customer's reputation, experience, market share (economic sector), and purpose of finance.
4. Studying the nature of the current and future risks of the credit applicant, their industry, and sensitivity to the economic developments, and assess the relation between associated risks and profit.
5. Evaluating the sources of repayment and customer's commitment to settle previous debts and type of the acceptable collaterals.
6. Obtaining all the collaterals and completing their evaluation.
7. Analysis of the client's financial position using updated audited financials.
8. Supporting the application with Qatar Credit Bureau reporting on the client to understand the nature and volume of existing facilities of the client and history.
9. Establishing credit limit caps for all on & off balance sheet items, credit limit caps for industry, countries, and establishing credit limit caps based on the customer risk rating.
10. Establishing credit limit caps which can be extended for equity at one obligor level, group level, and inter related relations level, as well as those with overlapping interests.
11. Observing QCB regulations regarding lending.
12. Approving the modus operandi of Stress Testing which includes policy, framework, methodology, and assuring the definition and identification of the suitable factors related to credit risk and assigning the associated responsibilities and their consequences, as well as presenting them to the specialized Committees to support in taking the related decisions.

### **Existence of Procedures to Handle and Follow-up Credit**

The procedures for handling credit include:

1. Existence of a filing system to handle customers' files and update its information and documents on periodic basis.
2. Follow up the execution of the credit facilities to make sure that everything is complying with the procedures, policies, laws and compliance regulations namely, the client's current financial position, existence of sufficient securities with coverage suitable to the current status of the customer, and the client's utilization of the facilities.
3. Follow up on utilization of credit limits, this task is made through a portfolio updated report submitted on periodical basis.
4. Internal credit rating of the client which helps in: granting financing and follow up its quality, facility pricing, determining credit portfolio characteristics and credit concentration, determining defaulting accounts and sufficiency of its provisions.
5. Periodic monitoring of any credit risk or defaulting sectors for business units to take the necessary action.
6. Issuing of periodic reports and advising Business Units and Management as needed.
7. Credit Risk Administration is an independent unit whose task consists of reviewing credit approval conditions, collaterals, facilities agreements, and all operational matters prior to releasing credit, inclusive of activating the approved limits and issuing periodic reports.

### **Existence of Sufficient Procedures to Monitor Credit Risks**

Risk monitoring procedures include the following:

1. Internal controls to make sure that any exception or deviation in the credit policy or credit procedures and credit limits and / or regulations is reported.
2. A Collection Unit to detect defaulted credit at an early stage through generating a daily past dues report and advise the concerned business unit in order to avoid it in future.
3. Periodic review of the delegation of authority of those authorized to sign, and the associated documentation.
4. Updating the Bank's Credit Policy to develop it and improve it with the latest changes and variables to improve risk management.
5. The Bank conducts a regular periodic review of all the approved credit facilities granted as per its delegation to monitor its portfolio status, exposures, credit concentrations, and sector performance. The Bank also follows up on all credit facilities, increases in limits, and follows up and monitors completion of collateralization, and takes the necessary actions at the appropriate times. Moreover, non active facilities are reviewed, as well as risk rating based exposures inclusive of all limits granted, and recommendations are made, if any, to the Board.
6. Risk Management establishes an area of common grounds with the business units in order to exchange information and create a risk aware culture that is aligned with the Bank's strategy.
7. Risk Management activities are ongoing and continually enhanced in line with the Bank's strategy.
8. Adopting and using systems to evaluate client risks in accordance with Basel guidelines and QCB regulations.

### **Market Risks**

The way the Bank handles market risk essentially did not change because it still relies on using the latest banking standards, depending on Qatar Central Bank regulations, and the principles of Basel II while using the expertise of internationally experienced staff.

To mitigate these risks, the bank diversifies its activities in different countries, sectors, products and client segments and takes proactive steps to manage these risks.

The relevant staff monitors several risks linked to the market such as foreign exchange risks, profit rates, pricing, liquidity, general investments, clients' deposits investments, commodities prices, liquidity and capital adequacy. Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the Management to assist in taking proper decisions and monitor the market risks as required.

These reports include daily reports such as reports on the market reaction and daily reports on the performance of the Qatar Exchange, a weekly report on the Treasury in addition to the monthly report to the Assets and Liabilities Committee (ALCO) which shows the budget position, banking ratios, and stress tests on budget, gap analysis in assets and liabilities. ALCO members are from the Senior Management and this report is discussed in its monthly meeting where decisions are made and followed up.

### **Credit Limits for Banks and Countries**

In compliance with Qatar Central Bank regulations, credit limits are recommended to be set for banks that Masraf Al Rayan has business relationships with as well as credit limits for countries as per their rating. The Board approves these limits and they are thereafter presented to the QCB.

### **Operational Risk**

In its effort to mitigate the associated Operational Risks, the Bank applied policies, methodological procedures to evaluate and to monitor and to manage systems and to report any weakness therein. This includes effective segregation of tasks, restricting system access, and adopting effective procedures to delegate authority and to make reconciliations. In addition to continuous learning and education to employees, ongoing performance evaluation, and also having established a new advanced system to monitor and evaluate operational risk indicators, inclusive of the database and potential losses.

### **Operational Risk Mitigation**

In an effort to encourage better risk management practices, MAR is keenly interested in efforts to better mitigate and manage operational risk. MAR has controls and programs in place to reduce the exposure, frequency, or severity of an event and hence, manage risk exposures. MAR controls are examined to know whether the control is truly reducing risk, or merely transferring exposure from the operational risk area to another business sector.

### **Operational Risk Department's Best Practices**

- Maintaining ISO23301 certification for business continuity management.
- Maintaining ISO27001 certification for information technology security with successful periodic tests.
- Conducting internal capital adequacy assessment processes (ICAAP) in implementation of the first requirement of the second pillar of Basel II and that is to assist the Board in the continual evaluation of the risks that the Bank is exposed to.
- Preparing a Bank capital plan according to QCB guidelines.
- Preparation of a recovery plan for the business continuity of the Bank and to ensure a continually viable operational financial model when faced with short liquidity or severe insufficient capital adequacy.
- To provide a complete framework for testing and to assess the results of such testing.
- To cover intolerable risks via insurance.
- Developing a monitoring system for information security incidents.
- Implementing a new advanced malware protection and phishing prevention system.
- Conducting intrusion vulnerability tests on information technology systems.
- Implementing a real time monitoring system of suspicious transaction (AML) and integrating it with SWIFT to intercept any transaction suspected of being related to money laundering while the transactions are taking place before their completion.
- Implementing a specialized system for managing operational risks (SAS) to manage operational risk indicators inclusive of analysis and follow up of incidents and operational losses.

- Setup of fraud monitoring unit to deal on a 24/7 basis with detection and prevention of fraud on ATM Cards and Credit Cards. The unit utilizes a preemptive approach to stop suspect transactions.
- Successfully participating in a Cyber Security Drill organized by the Supreme Council for Communications and Information Technology of Qatar (ictQatar).
- Protection of the Bank's valuable data in a preemptive manner to hedge against any emergency by keeping a copy of the Bank's data at Meeza disaster recovery center at Qatar Foundation's Science and Technology Park, and keeping an extra copy of the important data at a data center in the city of Nice, France.

## Shareholder Rights

The Board of Directors of Masraf Al Rayan is keen to protect its Shareholders as per what is specified in related rules, regulations, and the Articles of Association; whereas each shareholder's share entitles them to the same rights as another Shareholder with the same amount without bias in their claim to the Bank's assets and/or in the divided profits as described in the Articles. It also allows Shareholders the right to use their voting rights via proxy.

## Shareholder Register

Qatar Central Securities Depository company (QCSD) maintains shareholder records of listed companies, and because the Shareholder information changes in real-time as long as the market is open; the QCSD provides this information freely at the following times:

- 1- When General Assembly Meeting (GAM) or Extraordinary General Assembly Meeting (EGAM) is held.
- 2- At the time of profit distribution.
- 3- At the time of an acquisition or merger.
- 4- When a capital increase through subscription is carried out.
- 5- At the time an entity changes its legal status.
- 6- Any other situation as determined by the QFMA.

Masraf Al Rayan requests this Shareholder information from QCSD as needed and in such cases. E.g. the information is requested on the day of holding the GAM or EGAM, where this information is needed to record presence and quorum and to distribute profits to Shareholders (given that in cases other than the listed above, a period of 30 days is required between each request).

Masraf Al Rayan also assures the Shareholder the right to obtain the following information: register of Members of the Board of Directors, the Bank's Memorandum of Association and Articles of Association, any documents that give any right or preference to the assets of the Bank, and contracts with related parties, and any other documents that are required as per the guidance of QFMA and at the fees stipulated by QFMA.

## **Accessing Information**

Masraf Al Rayan provides its Shareholder information which has been obtained from Qatar Exchange upon request as per the rules, regulations, and related Articles and Corporate Governance guidelines. Similarly, other information is available on the internet on Masraf Al Rayan's electronic website [www.alrayan.com](http://www.alrayan.com) for ease of access to the most important information for investors and clients.

## **Conflict of Interest and Insider Transactions**

Masraf Al Rayan is committed to the adoption and the declaration of general rules and procedures governing its entry in any business transaction with a related party. In any case, Masraf Al Rayan refrains from entering into any business transaction with a related party, or to sign with them, except in compliance with the Bank's policy for Related Parties. Such policy must ensure that the principles of transparency, fairness and disclosure are applied, and requires the approval of any such transaction with a related party by a majority of Shareholders in a vote in which the said related party that does not vote.

In case any question of a conflict of interest or a business deal between Masraf Al Rayan Bank and a Member of the Board or any related party to the Board Member during a meeting of the Board, that the topic is discussed in the absence of the Member concerned, who has absolutely no right to participate in the vote on the deal. And in any case such deal must be done according to market prices and on a purely commercial basis, and must not include conditions contrary to the interest of the Company.

## **Fair Treatment of Shareholders and Voting Rights**

The Articles of Association of Masraf Al Rayan state that each Shareholder has the right to attend General Assembly meetings, Shareholders who are minors or interdicted may be represented by proxy via their legal representative or guardian, while entities that are Shareholders may delegate a person as an official legal representative via written delegation in compliance with legal precedents.

Shareholders who attend the General Assembly have the right to discuss the items on the Agenda, direct questions to the External Auditors, and the Board has to respond to the questions of the Shareholders in as much detail as possible that would not expose the Bank to any risks, and if the Investor deems the answer insufficient then they may revert to the General Assembly whose decision is mandatorily executable.

Furthermore, the Articles of Association of Masraf Al Rayan stipulate that each Shareholder has a number of votes that is equivalent to the number of Shares that they have.

## **Shareholders' Rights - Election of Board Members**

Masraf Al Rayan is keen to apply the principle of giving Shareholders information about the candidates to the Membership of the Board before election, including a description of the candidates' skills, professional and technical experience, and other qualifications. Masraf Al Rayan has addressed the Qatar Central Bank for approval to add an article the Articles of Association that contains provisions to give Shareholders information about the candidates to the Membership of the Board before elections.

The subject of the election of the Members of the Board of Directors by cumulative voting remains governed by the approval of the Ministry of Economy and Commerce, which oversees elections of corporate boards to in its own way, according to the principle followed which is that each Shareholder has a number of votes equal to their number of Shares. Bearing in mind that QFMA has conducted a workshop dedicated to Corporate Governance Code of Listed Companies on December 24, 2015, where it has dedicated the workshop to explaining the mechanism of cumulative voting and to assert the instruction and its compliance, as well as other notes on the preparation of the corporate governance report.

## **Shareholders' Profit Distribution Rights**

The distribution of profits is completely based on the financial results achieved by Masraf Al Rayan at the end of each year, in addition to compliance with the rules, regulations, and related guidance especially from Qatar Central Bank with respect to all forms of reserves (legal reserve, risk reserve, fair value reserve) the Board annually assesses different scenarios of which the best chosen and presented to the Ordinary General Assembly Meeting in detail showing the profits earned and their distribution. The General Assembly has the right to accept the recommendation or amend it.

## **Capital Structure, Shareholder Rights, and Significant Deals**

Banks rely mainly in their income on lending to individuals and corporations, and Qatar Central Bank issues regulations on maximum credit limits whether for one deal or for cumulative volume of deals for each one client or one sector.

## **Other Stakeholders' Rights**

The Corporate Governance Policy adopted by Masraf Al Rayan ensures fully respecting all parties to the transactions inclusive of stakeholders. The human resources policy ensures fairness and justice between employees without prejudice to race, gender, or religion. Management annually allocates bonuses to employees reciprocating the profits and their individual efforts using a methodical studied approach.

At the same time, the Whistleblower Protection Policy approved by the Board gives each employee the opportunity to deliver their complaints to Management without fear of reprisal or consequences and fully maintaining their rights. Masraf Al Rayan employees comply with a Code of Conduct that includes the business ethics.

## **Masraf Al Rayan's Corporate Social Responsibility**

Masraf Al Rayan Believes in the importance of its Corporate Social Responsibility and is keen to support individuals and groups to practice their role in building a better society. Masraf Al Rayan is also keen on participating in public causes that are of concern to society, that involve protecting the environment, protection of natural resources, and avoiding damaging the environment. Masraf Al Rayan also supports healthy practices and supports sports, charity, and activities that benefit society and bolster national objectives.

Through 2015 Masraf Al Rayan has participated in supporting the Qatar Red Crescent charitable activities and those of the General Authority for Minors' Affairs. The Bank has also supported the sports activities of Al Jaish Club and Lakhwia Club, and has sponsored the Qatar Handball Team through the International Handball Federation, as well as the sponsoring of the basketball Amir's Cup. The Bank has also participated in the banks' football tournament coordinated by the QCB. On a humanitarian and health conscious front, the Bank has participated in Hamad Hospital's field blood donation drive (which has become an annual activity) as part of the support of the medical establishment's programs.

In support of future generations the Bank has also participated in sponsoring local, international, educational, and professional events, such as sponsoring an informative seminar for the Ministry of Labor and Social Affairs aimed at schools' students, as well as supporting independent studies via the Qatar Central Bank, and the participation in the sponsorship of commercial, financial, information security, economic, currencies, and trade conferences as well as events.

Dr. Hussain Ali Al Abdullah  
Chairman and Managing Director