

*QATARI
GERMAN
MEDICAL
DEVICES*

**CORPORATE
GOVERNANCE
REPORT**

2012



To: Qatar Financial Markets Authority

During 2012 QG established the Compliance function in order to implement and comply with QFMA corporate governance rules and regulations. In this regard, please find below the QG's corporate governance report for the year 2012.

Thank you for your continues cooperation.

Abdulaziz Bin Nasser Al Khalifa
Chairman



Introduction

The OECD defines Corporate Governance as “the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the Board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.

QG Board of Directors firmly believes that the implementation of a sound corporate governance framework is a matter of vital importance. Consequently, QG is committed to integrating the best practices in corporate governance into the company’s culture and conduct.

Hence, the framework deals with the application scope and the principles of “Restriction or Clarify” the extent to which the company is committed to the governance principle, board of directors, its duties and tasks, the method of its formation, meetings, board of directors rewards, audit committee, internal control and the executive officials and the great controlling shareholders, or the disclosure of any information related to the board members, shareholders rights which include, but not limited to, their access to all information about the company, as well as the rights of the other stakeholders and lastly the Corporate Governance Report which is discussed below.



Definitions

- Access to Information Procedures:** The Procedures to be adopted by each company allowing shareholders to obtain information as prescribed under this Code.
- Accessible Company Information:** Documents and information of the Company that should be made available to shareholders or such information and documents that may be obtained by shareholders. The said information should include at least documents required by law or by this Code to be made available to shareholders. The Company shall take into consideration when determining whether information should be made available or accessible, the resources of the Company that would have to be devoted to allowing access to such information and the potential damage to the Company and shareholders of releasing proprietary and confidential information.
- Affiliated Company:** With respect to a company, a company belonging to the same group of companies.
- Group Companies:** Company and Companies controlled by the Company as per the definition of “control” set out by the International Financial Reporting Standards.
- Authority:** The Qatar Financial Markets Authority (QFMA) established by Law No 33/2005.
- Board Charter:** A charter detailing the Board’s functions and responsibilities as well as Board members’ duties.
- Board or Board of Directors:** The Board of Directors of any Company.
- Board Secretary:** The person appointed by the Board in compliance with this Code and in charge of organizing and coordinating Board and other corporate matters.
- Chairman:** The Chairman of the Company’s Board of Directors.
- Company:** Any joint stock company listed on the market in Qatar and in general any public company that is subject to the jurisdiction or authority of the Authority.
- Corporate Governance Code:** This Code as may be amended by the Authority from time to time.
- Corporate Governance Report:** The Corporate Governance Report is an annual report of the Company’s corporate governance practices signed by the Chairman of the Board of Directors and submitted to the Authority as set out in this Code.

Cumulative Voting:	The voting process for election of Board Members described as follows: For the election of Board Members, every shareholder shall hold a total number of votes equal to the shareholder's total number of voting shares multiplied by the number of seats to be filled on the Board. The shareholder shall have the right to allocate the said total number of votes to a single Board candidate or distribute his/her votes amongst such number of candidates as decided by the said shareholder.
Executive Board Member:	A Board Member who performs executive management duties for the Company and/or is full-time employee of the Company.
External Auditor:	An audit professional who performs an audit of the financial statements of a Company, and who is independent of the Company being audited
General Assembly:	The general meeting of the Company's shareholders.
Independent Board Member:	<p>The Independent Board Member is the Member who is not under the influence of any factor that may limit his/her capacity to consider, discuss and decide on the Company's matters in an unbiased and objective manner (on the basis of facts only). By way of illustration and without prejudice to generality, a Board Member shall be considered non- independent in any of the following situations:</p> <ol style="list-style-type: none">1- If he or she is currently, or has been during the last three years:<ol style="list-style-type: none">a- An employee of the Company; and this includes senior executive management; orb- An employee or Board Member or owner or partner or a large shareholder of a consultant to the Company (and the consultant shall include the external auditor of the Company); orc- An employee of a legal entity where a senior executive manager of the company or anyone of his relatives or any other person who is under the control of either of them; is a member of the board of directors, or a senior executive manager, or a large shareholder of that legal entity. And for the purposes of this Code a person is considered to be a large shareholder if he holds 10% or more of the voting shares of a company.2- If he is a relative of a senior executive manager of the Company.3- If he or anyone of his relatives, has currently or within the last three years, direct or indirect substantial commercial or financial transactions with the Company.

- 4- If he is currently receiving or has received during the last three years a substantial compensation from the Company other than the compensation that he receives as a Board Member (The term “substantial” is defined as set forth in this Code).
- 5- If he has been a Member of the Company’s Board for more than nine consecutive years.

Senior Executive Management: Senior Executive Management as used in this Code shall mean the Chief Executive Manager and the other Executive Managers reporting directly to him.

Internal Control: Internal audit, budget and other procedures referred to in section IV of this Code.

Major Transaction: Any transaction or series of linked or related transactions to acquire, sell, lease, exchange, or otherwise dispose of (otherwise than by way of creating a charge) assets of the Company or assets to be acquired by the Company or:

- (a) Which would change the essential nature of the business of the Company; or
- (b) In respect of which the gross value is in excess of 10% of the lesser of either the Company’s market value (in case of a listed company) or the net value of the Company’s assets.

Market: Any securities market subject to the regulation of the Authority including the Doha Security Market and the Qatar Securities Market Company.

Non-Executive Board Member: A Board Member who is not in charge of executive management duties in the Company and is not dedicated to the Company full time and who does not receive monthly or yearly remuneration from the Company other than the remuneration he receives as a Board Member.

Parent Company: A company that controls another company and/or owns more than 50% of the voting shares of another company.

Related Party: A person is considered to be a Related Party to the Company if he:-

- (a) Is a Member of the Board of Directors of the Company or an Affiliated Company?
- (b) Is a Member of the Senior Executive Management of the Company?

(c) Owns or controls 10% or more of the voting shares in the Company or any of its Affiliated Companies.

(d) Is a relative of any of the natural persons mentioned in paragraphs (a), (b) and (c) above?

(e) Is a company in which the natural persons mentioned in paragraphs (a) to (d) above own jointly or individually 20% or more of its voting shares; or a director, CEO or a key officer of such Company.

(f) Is an Affiliated Company or a Parent Company of the Company?

Relative(s): Means in relation to any person any relative of such person up to the fourth degree.

Shareholder: Every person (legal or natural) holding shares in the Company.

Stakeholder: Every person (legal or natural) has an interest in the Company including for example shareholders, employees, creditors, clients, customers, suppliers and investors.

Subsidiary: A company that is controlled by another company or whose capital is more than 50% owned by another company.

Tag Along Right: The minority shareholders' right to participate in a major sale of shares or a public offering and to sell their shares on the same terms and conditions.

Substantial Commercial or Financial Transactions: Commercial or Financial Transactions shall be deemed "substantial" if the total value of the transactions of the same nature (for example distribution of products, or import of goods etc...) reaches in the same year 10% or more of the average of the total annual transactions of the same nature executed with the Company over the last three years (i.e. the result obtained by dividing the sum of the total transactions over the last three years by three to obtain the "average" for one year.)

Article 1 – Definitions:

Definitions covered in Abbreviations are adopted.

QG has adopted all the definitions mentioned.

Article 2 – Comply or Clarify

Corporate Governance Report is prepared to define the Company’s compliance with QFMA standards and provides explanations for non-compliance.

QG Compliance Department prepares the annual Corporate Governance Report in order to comply with the mentioned article.

Section II

Article 3 – Company’s Obligation to comply with Corporate Governance Principles

3.1 The Board shall ensure that the Company complies with the principles set out in this Code. The Board shall also review and update its corporate governance practices, and regularly review the same.

QG has established a Board of Directors terms of reference that states all the roles and responsibilities of the Board members. The TOR was signed in the 6th Board meeting, dated 22 October 2012.

3.2 The Board shall regularly review and update professional conduct rules setting forth the Company’s corporate values and other internal policies and procedures all of which shall be binding upon the Members of the Board of Directors and the Company’s staff as well as the Company’s advisors (These professional conduct rules may include but are not limited to the Board Charter, audit committee’s charter, company regulations, related party transactions policy and insider trading rules). The Board should review these professional conduct principles regularly so as to ensure they reflect best practices and they meet the needs of the Company.

QG has formally established the below which are also adopted by the Board of Directors:

1. Board of Directors charter/TOR
2. Audit Committee Charter/TOR
3. Remuneration Committee Charter/TOR
4. Corporate Governance Policy

QG has yet to formally define and document in its Corporate Governance policy, which should be subject to periodic review. This includes, at the minimum, the following as per the QFMA requirements:

1. Provisions applicable to Company advisors.
2. Code of Conduct for the Board and Company Staff

The existing documentation has yet to specify which provisions apply to the Board members, Company staff and/or Company advisors.

Section III

Article 4 – Board Charter

4.1 The Board shall make sure that the Company adopts a Charter for the Board of Directors detailing the Board’s functions and responsibilities as well as the Board Members duties which shall be fulfilled by all Board Members. The said Board Charter shall be drafted to comply with the provisions of this Code, and shall be based on the Board Charter annexed to this Code and as may be amended from time to time by the Authority. The said Board Charter shall be published and made available to the public.

QG has established a Board of Directors terms of reference that states all the roles and responsibilities of the Board members. The TOR was signed in the 6th Board meeting, dated 22 October 2012.

Article 5 – Board Mission and Responsibilities

5.1 The Company shall be managed by an effective Board of Directors which shall be individually and collectively responsible for the proper management of the Company.

QG has an active Board since the current Board Members acts effectively and collectively for the proper management of the Company.

5.2 In addition to the Board functions and responsibilities as set out in the Board Charter, the Board shall be responsible for:

- 5.2.1 Approving the Company’s strategic objectives, appointing and replacing management, setting forth management compensation, reviewing management performance and ensuring succession planning concerning the Company’s management.**
- 5.2.2 Ensuring the Company’s compliance with related laws and regulations as well as the Company’s articles of association and by-laws. The Board is also responsible for protecting the Company from illegal, abusive or inappropriate actions and practices.**

QG is in compliance with the mentioned article through the well established Board of Directors terms of reference that states all the roles and responsibilities of the Board members giving all the rights. The TOR was signed in the 6th Board meeting, dated 22 October 2012.

5.3 The Board may delegate some of its functions and constitute special committees, for the purpose of undertaking specific operations on its behalf. In this case written and clear instructions shall be given concerning the delegated function or authority with the requirement to obtain the Board’s prior approval on specific matters. In any event, and even where the Board delegates one of its functions or authorities, the Board remains liable for all of its functions or authorities so delegated.

QG is in compliance with the mentioned article through articles 32/33 of the AOA that allows the appointment of the delegated agents subject to the approval of the Board. An Authority Matrix should be prepared and approved by the Board of Directors.

Article 6 – Board Members’ Fiduciary Duties

6.1 Each Board Member owes the Company the fiduciary duties of care, loyalty and compliance with the rules set out in related laws and regulations including this Code and the Board Charter.

6.2 Board Members must at all-time act on an informed basis, in good faith, with due diligence and care, and in the best interests of the Company and all shareholders.

6.3 Board Members shall act effectively to fulfill their responsibilities towards the Company.

QG Board members act with diligence, care and loyalty. The Board has approved the roles and responsibilities during the 6th Board meeting held on 22 October 2012.

Article 7 – Separation of Chairman and CEO

7.1 The same person may not hold or exercise the positions of Chairman and Chief Executive Officer at the same time. The division of responsibilities between the two positions shall be clear.

The position of the Chairman and the CEO are duly separated. Chairman is Mr. Abdulaziz Bin Nasser Al Khalifa and the Mr. Hazem Al Sharif was the General Manager of the company till December 30, 2012. On December 30, 2012 Mr. Emre Anlar joined as the CEO of QG. By this change the two positions are still properly separated.

The responsibility of the Chairman of the Board to represent the Company and being authorized to act on the Company's behalf is clearly covered in Article 33 of the AOA of the Company.

The roles and responsibilities of the Chairman are documented and formalized in the BOD terms of references.

7.2 In all circumstances, no one person in the Company should have unfettered powers to take decisions.

Article 37 of the AOA mentions that Board decisions, will be made by majority of the votes of attendees. All bank payments signatures are subject to a dual signatory system. In addition, Board and Management committees have been formed to make joint decisions.

Article 8 – Duties of the Chairman of the Board

8.1 The Chairman is responsible for ensuring the proper functioning of the Board; in an appropriate and effective manner including timely receipt by the Board Members of complete and accurate information.

The duties and responsibilities of the Chairman are briefly covered in the AOA of the Company and BOD terms of references in compliance with QFMA CGC.

8.2 The Chairman may not be a member of any of the Board committees prescribed in this Code.

QG has formed Audit Committee, Remuneration Committee and Nomination Committee to comply with the requirements of QFMA CGC, where the Chairman has no role in these committees.

8.3 The duties and responsibilities of the Chairman are defined in accordance with the provisions of Article 8.3 of the QFMA CGC

The duties and responsibilities of the Chairman are covered in the AOA of the Company and clearly mentioned in the BOD terms of references in compliance with QFMA CGC.

Article 9 – Board Composition

9.1 The Board composition shall be determined in the Company’s by-laws. The Board shall include executive, non-executive and independent Board Members so as to ensure that the Board decisions are not dominated by one individual or a small group of individuals.

The Composition of the Board of Directors is clearly mentioned in Article 29 of the AOA of the Company.

9.2 At least one third of the Board Members shall be Independent Board Members and a majority of the Board Members shall be Non-Executive Board Members.

QG Board of Directors consists of 7 Non-Executive Board Members. And 2 Members are Non-Independent.

9.3 Board Members shall have adequate expertise and knowledge to effectively perform their functions in the best interest of the Company and they shall give sufficient time and attention to their role as Board Members.

Eligibility to act as a Board Member is mentioned in Article 30 of the AOA of the Company. The Board of Directors met 7 times during 2012. Please refer to Appendix I for details of Board meetings and Board Members attendance.

QG has formally documented the criteria of selection of the Board members in the BOD terms of references which is in compliance with the requirements of QFMA CGC.

Article 10 – Non Executive Board Members

10.1 Duties of the Non-Executive Board Members are aligned with the duties set in Article 10.1 of QFMA Code of Governance.

As mentioned before QG Board Members are all Non-Executive Members, and they are fulfilling all requirements as per QFMA’s requirement.

10.2 A majority of the Non-Executive Board Members may request the opinion of an independent consultant, in relation to any of the Company’s affairs, at the Company’s expense.

QG is in compliance with the mentioned article, where it is clearly mentioned in the BOD terms of references the right for BOD member to seek the opinion of an independent consultant at QG’s expense.

Article 11 – Board Meetings

11.1 The Board of Directors shall hold meetings regularly, so as to ensure that the Board is effectively performing its duties. The Board shall meet at least six times during a year.

Article 37 of the AOA of the Company contains the provision of holding at least six meetings in each financial year at a maximum interval of two months. QG's Board met 7 times during 2012. Refer to Appendix I for details on the Board meetings for 2012.

11.2 The Board shall meet when convened by its Chairman or upon the written request of two Board Members. The invitation for the Board meeting and agenda shall be communicated to each Board Member at least one week before the date of the meeting, noting that any Board Member may add any item to the agenda.

Article 37 in the AOA of the Company, states that all meetings should be convened on the request of the Chairman or two Board members.

Invitation to the Board of Directors meeting along with the meeting agenda is sent to all Board Members at least a week before the Board meeting, in which all Board members have enough time to review the agenda and all the related topics to be discussed in the meeting.

Article 12 – Board Secretary

12.1 The Board shall appoint a Board Secretary whose functions shall include recording the minutes of all the Board meetings and safekeeping records, books and reports submitted by or to the Board. Under the direction of the Chairman, the Board Secretary shall also be in charge of ensuring timely access to information and coordination among the Board Members as well as between the Board and the other stakeholders in the company including shareholders, management, and employees.

The Board of Directors has appointed Mr. Hassan Halabi as a Board Secretary dated May 25, 2012 where his duties are in compliance with QFMA CGC.

12.2 The Board Secretary shall ensure that Board Members have full and timely access to the minutes of all Board meetings, information, documents, and records pertaining to the Company.

The Board Secretary is in Compliance with all the mentioned requirements.

12.3 All Board Members shall have access to the services and advice of the Board Secretary.

QG Board Members have access to the services and related advices of the Board Secretary.

12.4 The Board Secretary may only be appointed or removed by a Board resolution.

The appointment of the current Board Secretary was made by a Board Resolution Dated May 25, 2012.

12.5 The Board Secretary should preferably be a member of a recognized body of professional accountants, or a member of a recognized or chartered body of corporate secretaries, or a lawyer or a graduate from a recognized university or equivalent. He should have at least three years' experience of handling the affairs of a public company listed in the market.

The Board Secretary holds a Bachelor degree in International Business, and is a current member of The Institute of Internal Auditors, Doha Chapter. He joined QG in May, 2012 and has prior work experience of 3.5 years with Deloitte & Touché as a Senior Consultant.

Article 13 – Conflict of Interest and Insider Trading

13.1 The Company shall adopt and make public general rules and procedures governing the Company's entering into any commercial transaction with a Related Party (the Company's "Related Party Policy"). In any event, it shall not be permitted to enter into any commercial transaction (or contract) with any a Related Party unless in strict compliance with the aforementioned Related Party Policy. The said policy shall include principles of transparency, fairness and disclosure in addition to the requirement that a related party transaction be approved by a majority vote of the shareholders, without the concerned Related Party participating in the voting.

13.2 Whenever an issue involving conflict of interests or any commercial transaction between the Company and any of its Board Members or any Party related to said Board Member, is discussed in a Board meeting, the said issue shall be discussed in the absence of the concerned Board Member who may not in any event participate in the voting on the matter. In any event, such transaction shall be made at market prices and on arm's length basis and shall not involve terms that are contrary to the interests of the Company.

The BOD terms of references states the policies related to conflict of interest, Board members disclosure of interest, insider trading and complete confidentiality in compliance with QFMA CGC.

13.3 In any event, such transactions shall be disclosed in the Company's annual report and specifically referred to in the General Assembly following such commercial transactions.

No RP transactions took place during 2012, and in case any transaction took place, such will be disclosed immediately.

13.4 Trading by Board Members' in the Company's shares and other securities shall be disclosed and the Company shall adopt clear rules and procedures governing trading by Board Members and employees in the company securities.

Insider trading rules are clearly mentioned in the BOD Terms of references in compliance with QFMA CGC requirements, and which is adopted by the BOD in the 6th Board meeting held on 22 October 2012.

Article 14 – Other Board Practices and Duties

14.1 Board Members shall have full and immediate access to information, documents, and records pertaining to the Company. The Company's executive management shall provide the Board and its committees with all requested documents and information.

The Board of Directors has been provided with all required and requested information and has effective access to all company information, records and documents.

14.2 The Board Members shall ensure that the Nomination, Remuneration and the Audit Committee members, the Internal Audit and representatives of the External Auditors attend the General Assembly.

External Auditors of the Company attended the Annual General Assembly and all other Ordinary / Extraordinary Assemblies during 2012.

In May, 2012 QG Established an Internal Audit Department, which is represented in the General Assembly, and any other Ordinary / Extraordinary Assembly.

Nomination, Remuneration and Audit Committees consists of current Board members, who usually attend the General Assembly.

14.3 The Board shall put in place an induction program for newly appointed Board Members in order to ensure that, upon their election, Board Members are made fully aware of their responsibilities, and have proper understanding of the manner in which the Company operates.

QG conducts an orientation for newly appointed Board Members, which includes a tour in the facility and the plant of the Company, and introduce the senior management, to brief the Board Member on the Company's operations.

14.4 The Board Members are responsible for having an appropriate understanding of their role and duties, and for educating themselves in financial, business, and industry practices as well as the Company's operations and functioning. In this respect, the Board shall adopt an appropriate formal training to enhance Board Members' skills and knowledge.

As mentioned in 14.3 an orientation is conducted. Moreover, the BOD terms of references clearly mentions the training requirements for the Board members. Hence, QG did not establish a documented training plan for the Board Members in order to enhance their skills and knowledge.

14.5 The Board of Directors shall at all-time keep its Members updated about the latest developments in the area of corporate governance and best practices relating thereto. The Board may delegate the same to the audit committee or the governance committee or any other body as it deems appropriate.

Developments in the area of corporate governance is delegated from the Board to the Internal Audit & Compliance Manager who reports to the Audit Committee & Board of Directors directly, his role is to keep the Board up-to date with the developments in the area of Corporate Governance and comply with the requirements.

14.6 The Company's articles of association shall include clear procedures for removing Board Members in the event of failing to attend Board meetings.

Article 39 of the AOA of the Company clearly mentions the criteria for removal of Board Members in case of failing to attend Board meetings.

Article 15 - Board Members Appointment

The Nomination Committee

15.1 Nominations and appointments of Board Members shall be made according to formal, rigorous and transparent procedures.

QG has established a Nomination Committee and will develop and publish the terms of reference detailing the authority and role. A criterion of selection for Board members is mentioned in the BOD terms of references.

15.2 The Board shall constitute a Nomination Committee chaired by an Independent Board Member and comprised of Independent Board Members which shall recommend Board Members' appointments and re-nomination for election by the General Assembly (for the avoidance of doubt, nomination by the Committee does not deprive any shareholder of his rights to nominate or to be nominated);

QG is in compliance with the mentioned article, through the BOD terms of references, where the criteria of selecting Board members is mentioned as well as the assessment of the "Fit and Proper" criteria (as per Annex 1 of the QFMA Code of Governance) considering inter alia:

1. Knowledge and experience;
2. Professional, technical and academic qualifications; and
3. Personality.

15.3 Nominations shall take into account inter alia the candidates' sufficient availability to perform their duties as Board Members, in addition to their skills, knowledge and experience as well as professional, technical, academic qualifications and personality and should be based on the 'Fit and Proper Guidelines for Nomination of Board Members' annexed to the Code as amended by the Authority from time to time;

A proper nomination criterion is mentioned in the BOD terms of references in line with the Fit and Proper criteria stated in the QFMA CGC.

15.4 Upon its establishment, the Nomination Committee shall adopt and publish its terms of reference explaining its authority and role.

The Nomination policy and formal terms of references containing the roles and responsibilities of the committee will be established and published.

15.5 The Nomination Committee's role shall also include conducting an annual self-assessment of the Board's performance.

The Nomination Committee, did not perform any annual self-assessment as per the QFMA requirement

Article 16 – Board Members' Remuneration – Remuneration Committee

16.1 The Board of Directors shall establish a Remuneration Committee comprised of at least three Non-Executive Board Members the majority of whom must be Independent.

QG has established a Remuneration Committee in line with mentioned article.

16.2 Upon its constitution, the Remuneration Committee shall adopt and make available its terms of reference explaining its role and main responsibilities.

The Remuneration terms and references are formally documented and adopted by the Board on August 13, 2012.

16.3 The Remuneration Committee's main role shall include setting the remuneration policy of the Company including remuneration of the Chairman and all Board Members as well as Senior Executive Management.

The Remuneration terms and references are formally documented and adopted by the Board on August 13, 2012. Currently QG does not provide the Board Members any remuneration.

16.4 The Remuneration Policy shall be presented to the shareholders in the General Assembly for approval and shall be made public.

The Remuneration terms and references are formally documented and adopted by the Board on August 13, 2012. Currently QG does not provide the Board Members any remuneration. Once QG decides to provide Board members with remuneration, the policy will be reviewed and presented in the GA for shareholders approval.

16.5 Remuneration shall take 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, noting that such performance related components should be based on the long-term performance of the Company.

Please refer to 16.4

Article 17 – Audit Committee

17.1 The Board of Directors shall establish an Audit Committee that shall be comprised of at least three members the majority of whom should be Independent. The Audit Committee must include at least one member with financial and audit experience. If the number of available Independent Board Members was not sufficient to fill the Audit Committee membership, the Company may appoint members that are not Independent Board Members provided that the Chairman of the Committee is Independent.

QG has established an Audit Committee. In addition to that, a comprehensive term of reference has been prepared and adopted by the Board in line with QFMA requirements.

17.2 In any event, any person who is or has been employed by the Company's external auditors within the last 2 years may not be a member of the Audit Committee.

No member of the AC was an employee of the external auditors within the last 2 years.

17.3 The Audit Committee may consult at the Company's expense any independent expert or consultant.

QD has established an Internal Audit function during 2012, even though the AC has all the right to appoint independent expert or consultant at QG's expense.

17.4 The Audit Committee shall meet as needed and regularly at least once every three months and shall keep minutes of its meetings.

AC did not meet during 2012, since the BOD up till December 2012 was composed of 4 members including the Chairman, and the AC was composed of the other 3 members which made it inconvenient to meet during the year. But in December 2012 new members were elected to complete the BOD which will the AC to meet regularly during 2013.

17.5 In the event of any disagreement between the Audit Committee's recommendations and the Board's decision including where the Board refuses to follow the Committee's recommendations concerning the external auditor, the Board shall include in the Company's Governance Report, a statement detailing such recommendations and the reason(s) behind the Board of Directors' decision not to follow the recommendations.

Such disagreement never happened, however in case there was a disagreement then the Board shall include in the Company's Governance Report, a statement detailing such recommendations and the reasons behind the Board of Directors' decision not to follow the recommendations.

17.6 Upon its establishment, the Audit Committee shall adopt and make public its terms of reference explaining its main role and responsibilities in the form of an Audit Committee Charter including in particular the following:

17.6.1 To adopt a policy for appointing the External Auditors; and to report to the Board of Directors any matters that, in the opinion of the Committee, necessitate action and to provide recommendations on the necessary procedures or required action;

17.6.2 To oversee and follow up the independence and objectivity of the external auditor and to discuss with the external auditor the nature, scope and efficiency of the audit in accordance with International Standards on Auditing and International Financial Reporting Standards;

17.6.3 To oversee, the accuracy and validity of the financial statements and the yearly, half-yearly and quarterly reports, and to review such statements and reports. In this regard particularly focus on:

- 1. Any changes to the accounting policies and practices;**
- 2. Matters subject to the discretion of Senior Executive Management;**
- 3. The major amendments resulting from the audit;**
- 4. Continuation of the Company as a viable going concern;**
- 5. Compliance with the accounting standards designated by the Authority;**
- 6. Compliance with the applicable listing Rules in the Market; and**
- 7. Compliance with disclosure rules and any other requirements relating to the preparation of financial reports;**

17.6.4 To coordinate with the Board of Directors, Senior Executive Management and the Company's chief financial officer or the person undertaking the latter's tasks, and to meet with the external auditors at least once a year;

17.6.5 To consider any significant and unusual matters contained or to be contained in such financial reports and accounts. And to give due consideration to any issues raised by the Company's chief financial officer or the person undertaking the latter' tasks, or the Company's compliance officer or external auditors;

17.7 To review the financial and Internal Control and risk management systems;

17.8 To discuss the Internal Control systems with the management to ensure management's performance of its duties towards the development of efficient Internal Control systems;

17.9 To consider the findings of principal investigations in Internal Control matters requested by the Board of Directors or carried out by the Committee on its own initiative with the Boards' approval;

17.10 To ensure coordination between the Internal Auditors and the External Auditor, the availability of necessary resources, and the effectiveness of the Internal Controls;

17.11 To review the Company's financial and accounting policies and procedures;

17.12 To review the letter of appointment of the External Auditor, his business plan and any significant clarifications he requests from senior management as regards the accounting records, the financial accounts or control systems as well as the Senior Executive management's reply;

17.13 To ensure the timely reply by the Board of Directors to the queries and matters contained in the External Auditors' letters or reports;

17.14 To develop rules, through which employees of the Company can confidentially report any concerns about matters in the financial reports or Internal Controls or any other matters that raise suspicions. And to ensure that proper arrangements are available to allow independent and fair investigation of such matters whilst ensuring that the aforementioned employee is afforded confidentiality and protected from reprisal. Such rules should be submitted to the Board of Directors for adoption.

17.15 To oversee the Company's adherences to professional conduct rules;

17.16 To ensure that the rules of procedure related to the powers assigned to the Board of Directors are properly applied;

17.17 To submit a report to the Board of Directors on the matters contained in this Article;

17.18 To consider other issues as determined by the Board of Directors;

QG has formally documented the terms of references that cover all the above mentioned requirements. The TOR was approved in the Board meeting dated 13 August 2012.

Section IV

Article 18 – Compliance, Internal Control and Internal Auditor

18.1 The Company shall adopt Internal Control Systems, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance code and compliance with related laws and regulations. And the Internal Control Systems shall set clear lines of responsibility and accountability throughout the Company's departments.

QG has in place Service Operating Procedures, and currently drafting comprehensive policies and procedures manual to be submitted for the Board's review and approval.

18.2 Internal Control Systems shall include effective and independent risk assessment and management functions, as well as financial and operational internal audit functions in addition to the external audit. The Internal Control Systems shall also ensure that all related-party transactions are handled in accordance with the requirements related thereto.

QG is in compliance with the internal control system mentioned in QFMA CGC, through the following:

1. Internal Audit function is established during 2012 to initiate and implement risk assessment and internal audit reviews.
2. During 2012 policies & procedures has been reviewed.

18.3 The Company shall have an internal audit function with clearly defined functions and role. In particular, the internal audit function shall:

18.3.1 Audit the Internal Control Systems and oversee their implementation;

18.3.2 Be carried out by operationally independent, appropriately trained and competent staff; and

18.3.3 Submit its reports to the Board of Directors either directly or through the Board's Audit Committee; and is responsible to the Board; and

18.3.4 Has access to all Company's activities; and

18.3.5 Be independent including being independent from the day-to-day Company functioning. Its independence should be reinforced for example by having the Board determine compensation of its staff.

QG has established an Internal Audit function in 2012. The IA function is fully independent and reports directly to the AC and The Board.

18.4 The internal audit function shall include at least one internal auditor appointed by the Board of Directors. This internal auditor shall report to the Board or the Chief Executive Officer of the Company, either directly or through the Audit Committee.

Please refer to point 18.3

18.5 The internal auditor shall prepare and submit to the Audit Committee and the Board of Directors an "internal audit report" which shall include a review and assessment of the Internal Control system of the Company. The scope of the Internal Audit Report shall be agreed between the Board (based on the Audit Committee recommendation) and the internal auditor and shall include particularly the following:

- Control and oversight procedures of financial affairs, investments, and risk management.
- Comparative evaluation of the development of risk factors and the systems in place to respond to drastic or unexpected market changes.
- Assessment of the performance of the Board and senior management in implementing the Internal Control Systems, including the number of times the Board was notified of control issues (Including risk management) and the manner in which such issues were handled by the Board.
- Internal Control failure, weaknesses or contingencies that have affected or may affect the Company's financial performance and the procedure followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company's annual reports and financial statements).
- The Company's compliance with applicable market listing and disclosure rules and requirements.
- The Company's compliance with Internal Control systems in determining and managing risk.
- All relevant information describing the Company's risk management operations.

QG's Internal Audit department operates in full compliance with QFMA requirements.

18.6 The Internal Audit Report shall be prepared every three months.

Applied, starting 1st quarter of the year 2013.

Section V

Article 19 – External Auditor

19.1 An External Auditor who is independent, and qualified, and appointed upon the recommendation of the Audit Committee to the Board and the decision of the Company’s General Assembly, shall undertake an annual and semi-annual independent audit. The purpose of the said audit is to provide an objective assurance to the Board and shareholders that the financial statements are prepared in accordance with this Code, related laws and regulations and international financial reporting standards and accurately represent the financial position and performance of the Company in all material respects.

The external auditors of the company were appointed by the shareholders of the company in the AGA upon the Board’s recommendation.

Audited Financial Statements provides an objective assurance that the financial statements are in:

- a. Compliance with Commercial Law of Qatar and AOA;
- b. Compliance with International Financial Reporting Standards; and
- c. All material aspects accurately represent the Company’s financial position and performance.

19.2 The External Auditor shall comply with the highest professional standards and he shall not be contracted by the Company to provide any advice or services other than carrying out the audit of the Company. The External Auditor must be completely independent from the Company and its Board Members and shall not have any conflict of interests in his relation to the Company.

Suhaila & Kuriakose is completely independent from the Board of Directors. No other services were provided rather than the audit of the company.

19.3 The Company’s External Auditor must attend the Company’s annual ordinary General Assembly where he shall deliver his annual report and answer any queries in this respect.

Articles 67 of the Company’s AOA mentions that the EA should attend the AGA and that, the shareholders have the right to discuss and request clarification on the financials presented and prepared by the EA.

The EA attended the AGA and all the EGA’s held during the year 2012.

19.4 The External Auditor is accountable to the shareholders and owes a duty to the Company to exercise due professional care in the conduct of the audit. The External Auditor is also responsible for notifying the Authority and any other regulatory authority should the Board fail to take proper action concerning suspicions raised or identified by the External Auditors.

Article 65 of the Company's AOA mentions that the EA should perform its duties in full compliance with the related laws, and should be responsible for the accuracy of the information on the Financial Statements and he owes a duty of care to the shareholders.

It is clearly mentioned in the EA's contract under the Audit Responsibilities and Limitations, "We will conduct our audit in accordance with the International Standards on Auditing (IAS)"

19.5 A listed company shall change its External Auditor every three years at a maximum.

Article 64 of the Company's AOA, mentions that the auditors should be changed every 5 years in line with Article 141 of the local commercial law number 5 of 2002. The current EA was appointed in 2012.

Section VI

Article 20 – The Corporate Governance Report

20.1 The Company must comply with all disclosure requirements including financial reporting as well as disclosing shareholdings of Board Members, senior executives and major or controlling shareholders. The Company must also disclose information about its Board Members including notably a resume of each member describing his/her respective education, profession, other board seats that they may hold (if any). Names of the members of various Committees constituted by the Board as mentioned in Article 5.3, along with the composition of the committee, should also be disclosed.

QG maintains clear and transparent disclosure approach through QE website, QFMA, newspapers and other regulatory parties. Board member profiles, committee's members and any other information are clearly mentioned in the 2012 Annual Report which will be distributed in the AGA.

20.2 The Board shall ensure that all disclosure made by the Company provides accurate and true information which is not misleading.

The same has been addressed in the Board of Directors terms of references. Moreover, QG discloses all information accurately and periodically through QE & QFMA.

20.3 The Company's financial reports must comply with IFRS /IAS and ISA standards and requirements. In addition to stating whether the external auditor obtained all information needed, the external auditor report shall also state whether the Company conforms to IFRS/IAS and that the audit has been conducted in accordance with IAS.

The same has been addressed by the External Auditor in the Company's Financial Statements.

20.4 The Company audited financial reports shall be circulated to all shareholders.

The audited financial statements are published on Qatar Exchange website and release in two local newspapers as per the QFMA requirements.

Section VII

Article 21 – Shareholder Rights

21.1 Shareholders have all rights conferred upon them by related laws and regulations including this Code as well as the Company’s by-laws; and the Board shall ensure that shareholders’ rights are respected in a fair and equitable manner.

The Company’s AOA promotes the protection of the shareholders rights.

Article 22 – Ownership Records

22.1 The Company shall keep valid and up to date records of share ownership.

Article 12 of the Company’s AOA requires the Company to retain records of share ownership. QG maintains Qatar Exchange shareholder register in its files, which is requested on periodic basis.

22.2 Shareholders shall have the right to review and access for free the Company’s shareholders’ register at the Company’s regular office hours or as otherwise determined in the Company’s Access to Information Procedures.

As per the management and Board secretary representation, shareholders have the right to view the shareholders register at any time.

22.3 The Shareholder shall be entitled to obtain a copy of the following:

- 22.3.1 Shareholders’ register,**
- 22.3.2 Board Members’ register,**
- 22.3.3 Articles of Association and by-laws of the Company,**
- 22.3.4 Instruments creating a charge or right on the Company’s assets,**
- 22.3.5 Related party contracts and any other document as the Authority may decide upon payment of a prescribed fee.**

Articles 3.1 of the Corporate Governance Policy clearly mention the compliance of QG with the above mentioned article.

Article 23 – Access to Information

23.1 The Company shall include in its articles of association and by-laws Procedures of Access to Information to ensure that shareholders rights of access to Company documents and information in a timely manner and on a regular basis, are preserved. The Access to Information Procedures shall be clear and detailed and shall determine (i) the Accessible Company Information including the types of information that is made accessible on an on-going basis to individual shareholders or to shareholders representing a minimum percentage of the Company’s share capital, and (ii) clear and express procedures to access such information.

Access to information procedures for shareholders has been clearly defined in article 3.2 of the Corporate Governance Policy.

23.2 The Company shall have a website where all relevant information and public information and disclosures must be posted. This includes all information that is required to be made public by this Code

and any related laws and regulations.

During 2012 QG engaged with a web-solution company which is working on the development of QG website in order to meet all the requirements of QFMA.

Article 24 – Shareholders Rights with Regard to Shareholder’s Meeting

24.1 The Company’s articles of association and by-laws shall include provisions ensuring effective shareholders’ right to call for a General Assembly and be convened in a timely manner; the right to place items on the agenda, discuss matters listed on the agenda and address questions and receive answers thereupon; and the right to make informed decisions.

Adequate provisions are included as follows:

- Article 48 for shareholders right to attend AGA.
- Article 61 for shareholders rights to ask questions to the Board and External Auditors.

Article 25 – Equitable Treatment of Shareholders and Exercise of Voting Rights

25.1 All shares of the same class shall have the same rights attached to them.

Article 22 of the Company AOA, clearly mentions that each share entitles its holder for equal rights with any discrimination in the Company assets and, in the profits distributed by the Company.

25.2 Proxy voting is permitted in compliance with related laws and regulations.

Article 48 of the Company AOA, clearly mentions that proxy votes are allowed in the General Assembly and criteria to be met in order to hand over a proxy is mentioned.

Article 26 – Shareholders’ Rights Concerning Board Members’ Election

26.1 The Company’s articles of association and by-laws shall include provisions ensuring that shareholders are given information relating to Board Members’ candidates including a description of candidates’ professional and technical skills, experience and other qualifications.

The mentioned provision is to be documented and approved.

26.2 Shareholders shall have the right to cast their votes for Board Member’s election by Cumulative Voting.

The Company needs to formulate the right to cast their votes for Board Member’s election by Cumulative Voting in Compliance with the requirements of the QFMA CGC.

Article 27 – Shareholders’ Rights Concerning Dividend Distribution

27.1 The Board of Directors shall submit to the General Assembly a clear policy on dividend distribution. This shall include the background and rationale of such policy in terms of the best interest of the Company and the shareholders.

Article 72 of the Company AOA clearly mentions the dividend policy that should be followed by QG. It is worth noting that there was no dividend distributed for the year 2011.

Article 28 – Capital Structures, Shareholders’ Rights & Major Transactions

28.1 Capital Structures should be disclosed and Companies should determine the type of shareholders agreements that should be disclosed.

The Company currently has issued and fully paid up shares of QAR 115,500,000 at QAR 10 per share. The Capital structure of the Company is disclosed in the Company’s Financial Statements and Qatar Exchange website.

28.2 Companies shall adopt in their articles of association and/or by-laws provisions for the protection of minority shareholders in the event of approval of Major Transactions where the said minority shareholders have voted against such Major Transactions.

As per management representation, no separate shareholder agreements are in place and thus, disclosure is not applicable.

28.3 Companies shall adopt in their articles of association and/or by-laws, a mechanism ensuring the trigger of a public offer or the exercise of Tag along Rights in the case of a change in ownership exceeding a specific percentage (threshold). The thresholds should take into consideration shares held by third parties but under the control of the disclosing shareholder, including shares covered by shareholder agreements which should also be disclosed.

The Company AOA limits the shareholding of each shareholder to 25% of the total shares of the Company.

QG relies continuously on Qatar Exchange to obtain valid up-to-date record of shareholding. As per the information obtained from Qatar Exchange dated December 31, 2012, no shareholder has exceeded the 25% limit.

Section VIII

Article 29 – Stakeholders Rights

29.1 The rights of Stakeholders are to be respected. Where Stakeholders participate in the corporate governance arrangements; they shall have access to relevant, sufficient and reliable information on a timely and regular basis.

QG’s Board of Directors and Management are committed to respect stakeholder rights.

29.2 The Board of Directors shall ensure that the Company’s employees are treated according to the principles of fairness and equity and without any discrimination whatsoever on the basis of race, gender, or religion.

QG’s Board of Directors and Management are committed to treat employees fairly and without discrimination.

29.3 The Board shall develop a remuneration policy and packages that provide incentive for the employees and management of the Company to always perform in the best interests of the Company. This policy should take into consideration the long term performance of the Company.

Refer to point 5.2

29.4 The Board shall adopt a mechanism enabling company employees to report to the Board suspicious behavior, where such behavior is unethical, illegal, or detrimental to the Company. The Board shall ensure that the employee addressing the Board shall be afforded confidentiality and protected from any harm or negative reaction by other employees or the employee's superiors.

QG has yet to establish a formal mechanism (whistle blowing program) to enable employees to report behavior that is suspicious, illicit, and unethical or determinable to the Company, whilst ensuring the confidentiality of the information received and the protection of the whistleblower.

Section IX

Article 30 – The Corporate Governance Report

The Board shall prepare an annual Corporate Governance Report signed by the Chairman. This report shall include the Board's assessment of the Company's compliance with the provisions of this Code. This Report shall be submitted to the Authority on an annual basis and whenever required by the Authority. The said Report shall be published and shall include all information related to the application of this Code, including notably:

30.1 Procedures followed by the Company in this respect;

30.2 Any violations committed during the financial year, their reasons and the remedial measures taken and measures to avoid the same in the future;

30.3 Members of the Board of Directors and its Committees and their responsibilities and activities during the year, according to the categories and terms of office of said members along with the method of determining the Directors and Senior Executive Managers remuneration;

30.4 Internal Control procedures including particularly the Company's oversight of financial affairs, investments, and risk management;

30.5 The procedure followed by the Company in determining, evaluating and managing significant risks, a comparative analysis of the Company's risk factors and discussion of the systems in place to confront drastic or unexpected market changes;

30.6 Assessment of the performance of the Board and senior management in implementing the Internal Control systems, including identification of the number of times when the Board was notified of control issues (including risk management) and the way such issues were handled by the Board;

30.7 Internal control failures or weaknesses or contingencies that have affected or may affect the Company's financial performance and the procedures followed by the Company in addressing Internal Control failures (especially such problems as disclosed in the Company's annual reports and financial statements);

30.8 The Company's compliance with applicable market listing and disclosure rules and requirements;

30.9 The Company's compliance with Internal Control systems in determining and managing risks;

30.10 All relevant information describing the Company's risk management operations and Internal Control procedures.



During 2012 QG has established the Compliance function which is fully acting in compliance with the QFMA CGC.

Appendix I – Board Meetings held in 2012

Board Meeting Reference	Date	Members Attended	Members Excused
1 / 2012	9 January 2012	5	0
2 / 2012	30 March 2012	5	0
3 / 2012	28 May 2012	4	0
4 / 2012	28 June 2012	4	0
5 / 2012	13 August 2012	3	1
6 / 2012	22 October 2012	3	1
7 / 2012	27 December 2012	5	2

Appendix II – Board Composition

No.	Name	Designation	Period	Dependent / Independent
1	Abdulaziz Bin Nasser Al-Khalifa	Chairman	2011 to date	Non
2	Fareeda Ali Abulfateh	Vice Chairman	2011 to date	Non
3	Dr. Saif Al Hajri	Member	2011 to date	In
4	Abdullah Hassan El Emadi	Member	2012 to date	In
5	Saleh Bin Ali Al Muhandai	Member	2012 to date	In
6	Ahmad Mohammad Al Asmakh	Member	2012 to date	In
7	Saleh Majed Al Khleify	Member	2012 to date	In