



**Qatari German Medical Devices**

**Corporate Governance Report  
2013**



Qatari German [Medical Devices](#)

## Governance Report for the year ended 31st December 2013

Dear Shareholders,

It is with great pleasure and honor that I present to you the Report on Corporate Governance of Qatari German Medical Devices which covers the fiscal year ended 31st December 2013. The Corporate Governance Report has been prepared in accordance with the requirements of the Corporate Governance Code for publicly listed entities, issued by the Qatar Financial Market Authority on 27th January 2009 and other regulations and applicable laws of the State of Qatar.

It is our commitment to issue a report on Corporate Governance annually as per QFMA's requirements to the company's shareholders at the General Assembly Meeting.

Thank you.

**Abdulaziz Nasser Al Khalifa  
Chairman**



## Corporate Governance Compliance Report

The Board of Directors (the “**Board**”) of Qatar German Medical Devices (the “**QG**” or “**Company**”) 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.

The Qatar Financial Markets Authority (“**QFMA**”) has issued the Corporate Governance Code (the “**Code**”) which sets out corporate governance principles of best practice for companies listed on the Qatar Exchange.

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.

### Structure and Composition of the Board

The Board consists of seven members (each member of the Board, a "Board Member") who were selected by the shareholders at a General Assembly of the shareholders held in accordance with the Articles of Association.



## **Article 1 – Definitions:**

**Definitions covered in Abbreviations are adopted.**

QG has adopted all the definitions mentioned.

## **Article 2 – Comply or Clarify**

The Company's Board of Directors is committed to implement sound governance principles which meet the highest standards of independence, oversight and transparency and thereby maintain present and potential investors' confidence. Towards achieving this commitment, the Company has put a mechanism in place to follow up and improve corporate governance. The Corporate Governance Report highlights key elements of the corporate governance system designed and implemented, and was effective during the financial year 2013. 2013.

## **Section II**

### **Article 3 – Company's Obligation to comply with Corporate Governance Principles**

**3.1** QG's Board of Directors is committed to implement sound governance principles which meet the highest standards of independence, oversight and transparency and thereby maintain present and potential investors' confidence. Towards achieving this commitment, QG has put a mechanism in place to follow up and improve corporate governance. The Corporate Governance Report highlights key elements of the corporate governance system designed and implemented, and was effective during the year 2013.

**3.2** 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

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**

QG Board of Directors approved the Governance Charter of the Company including the Charter of the Board, which were prepared according to the provisions of Article no. (4) of Corporate Governance Regulations which includes the rights, duties and responsibilities of the Board. It is one of the most important duties entrusted to the Board of Directors which is that the Board should loyally commit itself to the Company and its shareholders. This duty requires the Board to regard the interest of the Company and its shareholders in preference to their personal interests, to always serve with good intent, with due care and attention for the interest of the Company and its shareholders as a whole. This duty requires total commitment.



The Board of Directors should direct the general investment policy of the Company, supervise the Company's management, and set the strategic targets of the Company. The Board of Directors has the full power and authority necessary to manage and run the entire Company in accordance with the Commercial Companies Law of Qatar and the Articles of Association of the Company.

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 6<sup>th</sup> Board meeting, dated 22 October 2012.

### **Article 5 – Board Mission and Responsibilities**

**5.1** The Company is compliant. The Board's functions and responsibilities are detailed in the Board Terms of References. The Board has also delegated some of its functions to four special committees: the Nomination Committee, the Audit Committee, the Executive Committee and the Remuneration Committee.

**5.2** The Company is 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 6<sup>th</sup> Board meeting, dated 22 October 2012.

**5.3** 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. Besides an Authority Matrix was prepared and approved by the Board of Directors during 2013.

### **Article 6 – Board Members' Fiduciary Duties**

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

### **Article 7 – Separation of Chairman and CEO**

**7.1** The position of the Chairman and the CEO are duly separated. Chairman is Mr. Abdulaziz Nasser Al Khalifa and Mr. Emre Anlar is the CEO of the company. 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** 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**

The duties of the Chairman according to the Articles of Association of the Company, and also the Board Terms of Reference include but are not limited to ensure that the Board members get the full information on all the Board related matters at the appropriate time, and they discuss all the essential issues in a proper and effective way, as per the agenda of each meeting taking into consideration any issue proposed by any member in the Board. The Chairman may assign this task to another member in the Board but the Chairman remains

responsible that such member performs his task in a proper way, encouraging all Board members to participate collectively and effectively in running the Board affairs to assure that the Board is functioning in the best possible way.

The Chairman also assures that effective communication with the shareholders is maintained by conveying their opinions to the Board.

### **Article 9 – Board Composition**

The Company's Board of Directors consists of seven members, and the duration of each membership is three years. Election of the Board members may occur as per the Articles of Association of the Company and Article (94) of the Qatari Commercial Companies Law no. (5) for the year 2002, and its subsequent amendments which are in force. The current Board of Directors was constituted in March 2012 for a period of three years with a stipulation of new elections thereafter.

The table below includes the current Board members:

No.	Name	Function	Status	
1	Abdulaziz Bin Nasser Al-Khalifa	Chairman	Non-Executive	Not
2	Fareeda Ali Abulfateh	Vice Chairman	Non-Executive	Not
3	Dr. Saif Al Hajri	Member	Non-Executive	Independent
4	Abdullah Hassan El Emadi	Member	Non-Executive	Independent
5	Saleh Bin Ali Al Muhandai	Member	Non-Executive	Independent
6	Ahmad Mohammad Al Asmakh	Member	Non-Executive	Independent
7	Saleh Majed Al Khleify	Member	Non-Executive	Independent

Eligibility to act as a Board Member is mentioned in Article 30 of the AOA of the Company. The Board of Directors met seven times during 2013.

The table below includes the Board meetings and attendance:

No.	Date	Members Attended	Members Excused
1 / 2013	10 February 2013	5	2
2 / 2013	25 April 2013	5	2
3 / 2013	24 June 2013	6	1
4 / 2013	31 July 2013	6	1
5 / 2013	2 October 2013	6	1
6 / 2013	28 November 2013	4+(2 Proxy's)	3
7 / 2013	25 December 2013	6	1

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

Duties of the non-executive members of the Board of Directors include, but are not limited to the following: They participate in the meetings of the Board of Directors and give independent opinion on the strategic issues, policies, inquiries questions on resources, essential appointments, and work measures, etc... assuring to give priority to the interests of the Company and the shareholders in case of any conflict of interests. Also, they participate in the audit committee of the Company to evaluate the Company's performance in order to achieve its agreed targets and aims, and review the financial reports of the Company's performance which include the annual, bi-annual and quarterly reports. They supervise development of the systematic rules of the corporate governance and apply them in a way consistent with their skills, experiences and qualifications of by their associations with various committees through their regular attendance in the Board meetings, their effective participation in the general assemblies, their understanding of the shareholders' requirements and opinions. It is widely participated within the Company to seek independent opinion of the non-executive Board members on various issues concerning the Company.

## Article 11 – Board Meetings

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.

The Board of Directors meetings are called by invitation from the Chairman. It is also possible to call a Board meeting at the request of at least two Board members.

Invitations are sent at least seven days prior to the meeting date, attaching the agenda for discussion with details of the subjects. The Board of Directors met seven times during the fiscal year ended 31<sup>st</sup> December 2013.

## Article 12 – Board Secretary

The Board has initially appointed Mr. Hassan Halabi as a Secretary in 2012, to be under the direct supervision of the Chairman, who has the requisite experience in preparing the data of the Board meeting agenda, and assuring delivery of invitations for attendance in the meeting to all Board members, recording the minutes of the Board meetings, maintaining them, and distributing them to the Board. After the Board's approval, distribute them to the relevant departments.

The Secretary is also assigned to follow up execution of these decisions and to submit a report of his follow-up to the Board in every meeting for review and confirmation that all decisions issued by the Board are executed, or showing the reasons that caused failure to execute any decision.

The Secretary is appointed/removed by a Board resolution in line with the Corporate Governance manual requirements.

## Article 13 – Conflict of Interest and Insider Trading

**13.1** 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.

**13.2** No RP transactions took place during 2013, and in case any transaction took place, such will be disclosed immediately.

**13.3** 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 6<sup>th</sup> Board meeting held on 22 October 2012.

## **Article 14 – Other Board Practices and Duties**

**14.1** The Board of Directors has been provided with all required and requested information and has effective access to all company information, records and documents. The Management also provides the Board with any developments on a regular basis.

**14.2** The Board assures the attendance of the Executive, Audit Committee members, internal auditors and external auditors in the General Assembly meetings.

**14.3** 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 their total realization of their role and duties, to educate themselves about the financial, commercial, industrial issues, and about the operations and activity of the Company. For this purpose, the Board should approve and follow proper and official training courses aiming at enhancing the skills and knowledge of the Board members.

**14.5** Developments in the area of corporate governance is delegated from the Board to the 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** 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** 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** 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** 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** 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, did not perform any annual self-assessment as per the QFMA requirement.

## **Article 16 – Board Members’ Remuneration – Remuneration Committee**

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

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

**16.3** 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 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.

## **Article 17 – Audit Committee**

The Audit Committee was initially formed in 2012 by the Board of Directors. The duties of this committee are to assist the Board of Directors in its supervisory responsibilities through reviewing the financial information which is submitted to the shareholders and other stakeholders. The duties extend to review the external audit reports and ensure that the Board policies are as per the applicable laws, regulations and authoritative instructions. The committee does not include any member who was previously employed with the external auditor, and the committee works according to its internal regulations which were initiated and approved by the Board. Moreover, the Committee’s approved terms of references are in line with the Corporate Governance Code.

No.	Name	Role
1	Abdulla Hassan Al Emadi	Chairman
2	Fareeda Ali Abulfateh	Member
3	Saleh Majed Alkhulaifi	Member

## **Section IV**

### **Article 18 – Compliance, Internal Control and Internal Auditor**

**18.1** Roles and responsibilities of the Internal Audit department

The Internal Audit department is responsible for auditing QG’s accounting and other records, systems, procedures, and internal controls and reporting their findings periodically to the Audit Committee.

The Internal Audit department is also responsible for monitoring the fixed assets and taking periodical surprise inventory of the stock items at the stores as well as conducting cash counts. This is to ensure existence of these



assets and their proper recording. It is also intended to prevent misuse of the Company's assets. The Internal Audit department ensures that the Company's operating cycle follows the policies and procedures laid down, and incorporates a robust system of internal control within each process in the operating cycle. This function enhances the accuracy and efficiency of the various departments.

It is also the responsibility of the Internal Audit department to ascertain compliance with applicable legal and regulatory requirements in Qatar and the obligations resulting from agreements signed/ committee by the Company. The objective is to ensure that the Company adheres to best commercial practices.

The Internal Audit department bears the responsibility to evaluate the Company's operational procedures to determine the extent of compatibility of results with the set targets and determine the extent of application of the procedures with the planned targets.

The Internal Audit department bears the responsibility to evaluate the IT systems of the Company, the electronic data that is generated by it, the essential modifications to the current systems before their implementation to determine the efficiency of the internal control system.

## **18.2 Audit Plan**

At the start of a financial year, the Internal Audit Manager prepares the Audit Plan for the financial year, which is presented to and approved by the Audit Committee.

The Audit Plan covers the Company and all its departments. No department or activity is exempted from the scrutiny of internal audit. The internal auditor have the full freedom to examine any documents or records deemed necessary to execute the audit responsibility.

The Internal Audit department undertakes to execute the Audit Plan approved by the Audit Committee, and to submit periodic reports including their observations and recommendations to the Audit Committee.

## **Section V**

### **Article 19 – External Auditor**

The external auditors are appointed by the General Assembly upon recommendation of the Board of Directors. During the General Assembly meeting held on 17th April 2013, the shareholders appointed M/s KPMG, certified accountants, which is an independent entity of the Company and of the Board.

The Company ensures that there is no conflict of interests between the Company and the external auditors before their appointment. If there are any issues that arise after their appointment, the external auditors will be replaced. The external auditors or any of their staff may not be a member in the Board or occupy any position in the Company.

The external auditors carry out independent audit of the annual financial statements and a semi-annual review of the bi-annual financial statements that are prepared as per International Financial Reporting Standards. The financial reports are published in the local newspapers in, and are also uploaded to the Company's website, and Qatar Exchange website for providing access to shareholders and the public.

The external auditor has the right to examine any records, registers or documents of the Company or ask for any information that external auditor considers necessary in order to perform his duties as an auditor.

The external auditors also attend meetings with the Audit Committee and the Board of Directors and are also present at the General Assembly meeting, and respond to queries raised by the shareholders on the financial statements. QG's AOA Article 64, 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 2013.

## **Section VI**

### **Article 20 – The Corporate Governance Report**

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

**20.4** 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**

Shareholders have all the rights provided by the Commercial Companies Law no. 5 for 2002 and the Company's Articles of Association, and the Governance Charter of the Company, where each shareholder who attends the General Assembly meeting, is entitled to discuss the subjects enlisted in the agenda and to direct questions to the Board members and the external auditors, and the Board should respond to the questions raised by the shareholders and their inquiries to the extent not prejudicing the Company's interest.

Shareholders may use the right of voting in the General Assembly meeting through personal attendance or by delegating another shareholder to vote for them.

The annual General Assembly meeting of shareholders should be held as per the Company's Articles of Association and the provisions of Commercial Companies Law, and the shareholders are notified about this meeting with sufficient time. The notification is to be sent to the shareholders, Qatar Exchange, Qatar Financial Market Authority, and is published in the local newspapers, and copies of the Annual Report and the financial statements are available to the shareholders before the date of the meeting with the purpose of allowing them to discuss the contents of the report with the Board of Directors.

### **Article 22 – Ownership Records**

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

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

**23.2** QG website was initially launched during 2013 where the Company is currently utilizing the website for the disclosures as required by the Corporate Governance Code.

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

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** 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** 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 mentioned provision is to be documented and approved.

**26.2** 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**

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



**28.3** 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, 2013, no shareholder has exceeded the 25% limit.

## Section VIII

### Article 29 – Stakeholders Rights

Shareholders have all the rights provided by the Commercial Companies Law no. 5 for 2002 and the Company's Articles of Association, and the Governance Charter of the Company, where each shareholder who attends the General Assembly meeting, is entitled to discuss the subjects enlisted in the agenda and to direct questions to the Board members and the external auditors, and the Board should respond to the questions raised by the shareholders and their inquiries to the extent not prejudicing the Company's interest.

Shareholders may use the right of voting in the General Assembly meeting through personal attendance or by delegating another shareholder to vote for them.

The annual General Assembly meeting of shareholders should be held as per Article (49) of the Company's Articles of Association and the provisions of Commercial Companies Law, and the shareholders are notified about this meeting with sufficient time. The notification is to be sent to the shareholders, Qatar Exchange, Qatar Financial Market Authority, and is published in the local newspapers, and copies of the Annual Report and the financial statements are available to the shareholders before the date of the meeting with the purpose of allowing them to discuss the contents of the report with the Board of Directors.

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

During 2013 QG has established the Compliance function which is fully acting in compliance with the QFMA CGC.