



# **Al Khalij Holding Company Q.S.C.**

## **Annual Corporate Governance Report**

December 2011

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## Chairman's Message

It gives me great pleasure to present and put forward our achievements and untiring efforts to develop and strengthen our corporate governance of Al Khalij Holding Company to be a role model for the other shareholding companies in Qatar.

The Company has implemented a corporate governance system that conforms to the best national and international standard practices, enhancing the role of independent directors, adapting a cutting edge code of ethics unique in its business sector; establishing new monitoring rules and applied a system for delegating responsibilities; incorporating the Board of Directors at the core of the Company organization.

Our commitment is to create and maximize our value to our shareholders, investors, clients, employees, and to the community. Good corporate governance standards that promote the principles of integrity, transparency, and credibility that will protect and enhance our stakeholder value.

Thus; we believe that good business practices, transparency in corporate financial reporting and the highest level of corporate governance, are essential components of our success.

In conclusion, the Company will continue to take further steps to achieve a fundamental difference, the Board of Directors believes will further improve our standards, management system, and accountabilities; as additional regulations and recommendations on corporate governance are announced, we will continue to enhance our policies and procedures; believing that these practices are part of the reason that we have established our existence in the market firmly.

Sincerely,

**Abdulla Bin Nasser Al Misnad**  
**Chairman of the Board of Directors and Managing Director**



## Company Background

Al Khalij Holding Company (Q.S.C.) is a Qatari shareholding company incorporated in the State of Qatar on May 4, 2006 under commercial registration No. 32831, with its registered office in Doha. The Company is governed by the provisions of the Qatar Commercial Company's Law No. 5 of 2002 and the Qatar Stock Exchange regulations.

The Company has been formed to primarily engage in the production and sale of cement which is the objective of AKHC. The Company also engages in setting up factories, importing and exporting cement, and invests in shares and real estate, security systems integration, trading and retail industries.

The shareholders approved in their extra-ordinary general assembly meeting on April 26, 2009, the 100% acquisition of Qatari Investor Group Company W.L.L. The total purchase consideration amounted to QR. 879 million, which was settled by way of issue of the Company's shares at a premium of QR. 435.73 million. The transaction resulted in goodwill of QR. 314 million. The effective date of the acquisition was January 01, 2009. Currently the Company has around 479 employees.

AKHC's subsidiaries and associates incorporated in Qatar under the Commercial Companies Law No. (5) of 2002 are the following:

Company Name	% of Ownership	Principal activity
Al Khalij Cement Company S.P.C.	100%	Manufacturing of cement
The Investor Company S.P.C.	100%	Trading of cement
QIG Properties S.P.C.	100%	Real estate
QIG Projects Development S.P.C.	100%	Industry equipment works
International Technical and Trading Company S.P.C.	100%	General equipment trading
Qatar Security Systems Company S.P.C.	100%	IT and security systems
QIG General Services S.P.C.	100%	Constructional material trading contracting
Global Enterprises Company S.P.C.	100%	Sports materials trading
QIG Aviation Services Company S.P.C.	100%	Aviation services
QIG Catering Services Company S.P.C.	100%	Catering services
QIG Global Company S.P.C.	100%	International companies representation
QIG Industry Company S.P.C.	100%	Industrials enterprises (Mechanical - Engineering)
QIG Marine Services Company S.P.C.	100%	Trading in yachts
QIG Technology Company S.P.C.	100%	Information technology services
QIG Trading Company S.P.C.	100%	International companies representation
Qatari Investment Group S.P.C.	100%	Investments and other trading
QIG Light Industries Company S.P.C.	100%	Agencies business

Company Name	% of Ownership	Principal activity
Cape Qatar S.P.C.	100%	Insurance agencies
Smith Heimann Qatar Company S.P.C.	100%	IT and security systems
QIG Logistics	100%	Logistic
QIG Financial Services	100%	Financial services
Sunseeker	100%	Yacht Trading
Qatar Investment Group	100%	Agency & Real Estate Investments
Qatari Wings	100%	Aviation Services
Eversendai Engineering	51%	Steel structure
United Gulf Cement	51%	Cement manufacturing
Peri Qatar	51%	Contracting
Kettaneh	51%	Contracting
Sharaf Logistics	51%	Logistics
Smart Logistics	51%	Logistics
Europcar	51%	Rent vehicles
ASCO Qatar	51%	Contracting
The LOOK	51%	Marketing & Advertising
Strabag	51%	Contracting
National Shipping & Marine Services	51%	Shipping & Marine Services
Diamond Aviation Services	51%	Aviation Services
Sharaf Marine Agency	51%	Marine Agency
Mediterranean Shipping Company	51%	Shipping Services
National Aviation Services	51%	Aviation Services
Firewall Information Systems	51%	Information Systems
HOK	51%	Contracting
Al Jazeera Exchange	11.54%	Exchange
Qatar Rotomould	13.70%	Plastic Manufacturing

## Corporate Governance

Corporate Governance involves a set of relationships between the organization's management, its Board of Directors, shareholders and other stakeholders. It provides the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance are determined.

AKHC's Board of Directors (BOD) realizes the importance of corporate governance and understands its essential role in setting and driving the Company's Corporate Governance Framework and practices. Therefore, the BOD regularly reviews and updates its framework and practices to meet the Qatar Financial Market Authority "QFMA" requirements as well as other applicable laws and regulations.

### 1. Shareholders

AKHC's shareholders' rights are respected in a fair and equitable manner and stipulated in the Company's Article of Association (AOA). All shareholders have the same voting rights including proxy voting as per applicable laws and regulations. Shareholders have the right to access to the Company's shareholders' register and related information, to call for a General Assembly, place and discuss items on the agenda, and the right to make informed decisions.

The annual General Assembly meeting was held on 27 March 2011, under the supervision of representatives from the Ministry of Business and Trade, and the presence of AKHC's external auditors. A one share one vote principle was applied as per the AOA and the Commercial Company Law No. (5) of 2002 following are the decisions made during the meeting:

- Heard and approved the report of the external auditor on the Company's statement of financial position as of December 31, 2011 and on the accounts submitted by the Board of Directors;
- Discussed and approved the statement of financial position and income statement for the year ended 31 December 2010;
- Approved the proposal of the BOD to distribute to shareholders a cash dividend at the rate of 5% from the nominal value of share capital, representing QR 0.5 per share;
- Absolved the members of the Board of Directors from responsibility and fixed their remuneration for the financial year ended 31 December 2010;
- Appointed an External Auditor "Deloitte & Touche" for the financial year 2011 and approved the proposed fees; and
- Elected the Board of Directors for the coming three years 2011-2013.

#### 1.1 Dividend Policy

The Company has adopted a Dividend Policy on 20 September 2010 approved by the Chairman of the BOD which describe the background and rational behind the dividend distribution policy for the best interest of AKHC's shareholders. The Company distributed QAR 62 million cash dividend for the year which is equivalent to 0.5 QAR per share for the year 2010.

## 2. The Board of Directors

The BOD is responsible for setting the AKHC's business strategy including the annual financial and business plan. The BOD acts in the interests of the Company, protects the rights of all shareholders and oversees the work of executive management. The BOD is the ultimately responsible of the control environment and risk management within AKHC.

The Company has adopted a formal charter for the BOD detailing the BOD's composition, role and responsibilities, term, and meeting procedures. For more transparency and to comply with QFMA Corporate Governance Code requirements, the BOD charter will be published on the Company website during 2012. The BOD members are committed to high ethical and business conduct standards as per the charter. All decisions at the BOD are taken keeping the best interest of AKHC and its shareholders in the fore. 6 out of 7 members of the BOD are independent which is illustrated in the table below.

### 2.1 The Board of Directors Composition

The Board of Directors is composed of 7 members. Directors were elected by way of a secret ballot in the annual General Assembly meeting held on 27 March 2011 for a period of 3 years.

Name of the member	Designation	% individual Ownership	Representing	Stake %	Status
Mr. Abdullah Bin Nasser Al-Misnad	Chairman & Managing Director	-	Almisnad Holding	35.39	Executive
Sh. Hamad Bin Faisal Al-Thani	Vice Chairman	0.16	Almisnad Enterprises	3.22	Independent
Mr. Mohammed Bin Ahmed Al Misnad	Member	-	Almisnad Investment	3.22	Independent
Dr. Khalid Mohamed Al-Attia	Member	-	Almisnad Trading	2.63	Independent
Mr. Mohamed Hassan Alsaadi	Member	-	Almisnad Property	1.00	Independent
Mr. Faisal Abdullah Almana	Member	0.02	Almisnad Global	1.00	Independent
Mr. Mohammed Bin Misnad Al Misnad	Member	-	Almisnad Industrial Investments Co.	1.00	Independent

The newly elected BOD went through an induction program and visited AKHC's various departments and production lines to be fully aware of their responsibilities and have a proper understanding of the manner in which the Company operates. A training program will be developed for the BOD to keep them updated with the latest developments in the area of corporate governance, finance, business and industry practices. For more details about the BOD members please refer to Appendix A.

### 2.2 The Board of Directors Secretary

The BOD in its meeting held on 23rd September 2010 appointed the legal counsel of the Company Mr. Hany Abu Ayash, as the BOD secretary who, under the direction of the chairman, is responsible to ensure the timely access to information and coordination among BOD members in addition to the Company stakeholders. The BOD secretary also ensures the proper recording and record keeping of all the BOD minutes and the documents submitted by or to the BOD.

## 2.3 Board of Directors Meetings

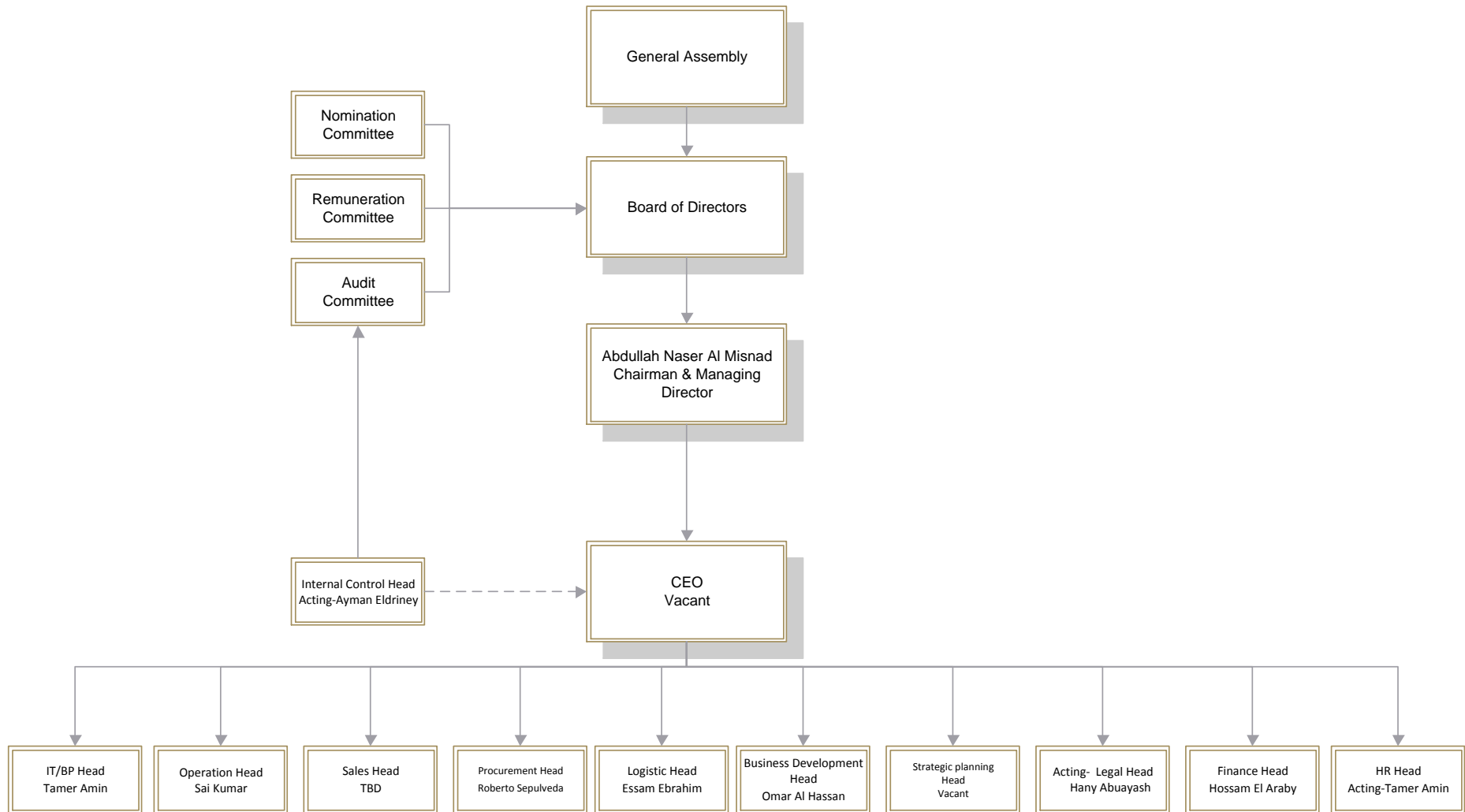
BOD Meeting No.	Date of Meeting	Attendees	Absences	Voting By Proxy	Date of sending the Agenda
1/2011	18 April 2011	All members	--	no	10/04/2011
2/2011	28 July 2011	All members	--	no	12/07/2011
3/2011	20 October 2011	6 members	One member	One member	11/10/2011
4/2011	26 January 2012	6 members	One member	no	10/1/2012

Since the resignation of the previous Chief Executive Officer (CEO) in June 2010, the Chairman of the BOD is also acting as the Managing Director of the Company. The Company is in the process of recruiting a new CEO to ensure compliance with QFMA Corporate Governance Code requirements which does not allow one person to hold or exercise the positions of the Chairman or CEO at the same time.

The BOD has delegated some of its authorities to senior executives in the Company on an "as needed" basis with clear authority limits and within the dual signatory principle. In addition the BOD has approved a succession planning policy during October 2011. AKHC has an organization structure approved by the BOD which is given below:



Al Khalij Holding Company Q.S.C.



### 3. The Board of Directors Committees

The BOD in its meeting held 20 October 2011, established 3 Committees; Nomination Committee, Remuneration Committee and Audit Committee. These committees did not have any meeting during the year 2011; however, the Committees will hold quarterly meetings or as the business requires to ensuring compliance with the QFMA Corporate Governance Code.

#### 3.1 Remuneration Committee

The Remuneration Committee was established under clause (16) of QFMA Code of Corporate Governance to assist the BOD in fulfilling its responsibilities in setting the remuneration framework and incentive scheme for the BOD and senior executives. The committee has adopted a formal charter that describes its role and responsibilities. The charter will be available to the public on the AKHC's website during 2012 to comply with QFMA Code of Corporate Governance. The Remuneration Committee is composed of 3 BOD members.

Name	Designation	Status
Mr. Mohamed Bin Misnad Al-Misnad	Committee Chairman	BOD Member, Independent
Mr. Faisal Abdullah Al-Mana	Member	BOD Member, Independent
Mr. Mohamed Hassan Al-Saadi	Member	BOD Member, Independent

The BOD has approved a remuneration policy for its directors on 01 September 2010 that take into account the function of the BOD or senior executives as well as the performance of the Company.

#### 3.2 Nomination Committee

The Nomination Committee is established under clause (15) of QFMA Code of Corporate Governance to seek and nominate directors and senior executives taking into account the skills, knowledge and experience as well as the professional, technical, academic qualifications and personality of the candidates. The Nomination Committee has adopted a formal charter that describes its role and responsibilities. The charter will be available to the public on the AKHC's website during 2012 to comply with QFMA Code of Corporate Governance. The Nomination Committee is composed of 3 BOD members.

Name	Designation	Status
H.E. Sheik Hamad Bin Faisal Al-Thani	Committee Chairman	BOD Member, Independent
H.E. Dr. Khalid Mohammed Al-Attia	Member	BOD Member, Independent
Mr. Mohamed Hassan Al-Saadi	Member	BOD Member, Independent

The Nomination Committee is also responsible to conduct an annual performance assessment of the BOD. AKHC has adopted a comprehensive "Performance Management System" (PMS) that commenced officially in the last quarter of 2011. This PMS covers all functions within the Company including the BOD. The first assessment of the BOD will take place during the year 2012 after the completion of 1 year of the new BOD.

### 3.3 Audit Committee

The Audit Committee was established under clause (17) of QFMA Code of Corporate Governance to assist the BOD in fulfilling its responsibility to

- Appoint the external auditors, oversee and follow up the independence and objectivity of the external auditors;
- Oversee the accuracy and validity of quarterly, semi-annual and yearly financial statements, ensure compliance with all legal and regulatory requirements; and
- Review the financial, internal control and risk management systems within AKHC.

The Audit Committee has adopted a formal charter that describes its role and responsibilities. The charter will be available to the public on the Company's website during 2012 to comply with QFMA Code of Corporate Governance. The Audit Committee is composed of the following three members of the BOD:

Name	Designation	Status
Mr. Faisal Abdullah Al-Mana	Committee Chairman	BOD Member, Independent
Mr. Mohamed Bin Misnad Al-Misnad	Member	BOD Member, Independent
Mr. Mohamed Hassan Al-Saadi	Member	BOD Member, Independent

## 4. Internal Control System

The BOD hold the ultimate responsibilities for AKHC's system of internal controls. The system of internal control, consist of policies and procedures, risk management, compliance and audit functions

### 4.1 Policies and Procedures

The BOD has approved a set of policies and procedures that govern day to day operations (including the code of conduct, related party transactions, conflict of interest and insider trading policies). For the list of approved policies and procedures please refer to Appendix B.

### 4.2 Risk management and Compliance Function

Risk and compliance issues are addressed by senior management through two different management committees (details given in section 4.3 and 4.4) depending on the risk factors to ensure prompt corrective actions in addressing the risks that may arise and escalating them to the BOD for further validation and action.

### 4.3 Strategic Planning Committee

The Strategic Planning Committee enables the management to create and achieve its vision by developing and implementing a dynamic and responsive planning & business development process.

The Strategic Planning Committee is overlooking AKHC's operations and ensures its alignment with the corporate strategy and work on levelling it up with the support of the management team. Moreover, the Strategic Planning Committee addresses strategic risks, such as changes in the market conditions or industry practices that may affect the viability of AKHC in the long run. The Strategic Planning Committee is composed of the following four senior managers:

Name	Designation
Mr. Omar Al-Hassan	Business Development Head
Mr. K.Saikumar	Operation Head
Mr. Hossam El-Araby	Finance Head
Mr. Tamer Amin	Information Technology Head

#### 4.4 Internal Control & Compliance Committee

The main purpose of the Internal Control & Compliance Committee is to assist the Managing Director in overseeing the implementation of the Company's internal controls, police and procedures as well as addressing operational risks that may arise from daily operations. Moreover, the Internal Control & Compliance Committee is responsible for the compliance with applicable laws, regulations and market listing requirements. The Internal Control & Compliance Committee is composed of the following three senior managers:

Name	Designation
Mr. Hossam El-Araby	Finance Head
Mr. Tamer Amin	IT/BP Head
Mr. Hany Abu Ayash	Legal Head

#### 4.5 The Internal Audit Function

The BOD has established an independent Internal Audit Department on 17 August 2011 which reports directly to the Audit Committee. The Head of Internal Audit was appointed during January 2012.

### 5. External Auditors

The annual General Assembly held on 27 March 2011 reappointed Deloitte & Touche, an independent firm, as AKHC's external auditors based on the recommendation of the BOD.

### 6. Disclosures

All Related Party Transactions are adequately disclosed in the annual audited financial statements of the Company.

## Compliance with QFMA Corporate Governance Code

In order to better align the Company's corporate governance practices with the requirements of the QFMA corporate governance codes, the following improvements are being considered:

### The Meetings of the BOD

To ensure that BOD is performing its duties effectively, the elected BOD will hold at least six meetings during the year 2012 or more as business requires and ensure compliance with the requirements of the Commercial Companies Law and the QFMA Corporate Governance Code.

### Meetings of the BOD's Committees

To ensure that all the BOD sub-committees (namely Audit Committee, Nomination Committee and Remuneration Committee) are performing their duties effectively, the Committees will hold quarterly meetings or as the business requires and ensure compliance with the QFMA Corporate Governance Code.

### Training of the BOD

A training program is being developed for the BOD to keep the members updated with the latest developments in the area of corporate governance, finance, business and industry practices.

### Evaluation of the BOD

The Nomination Committee will conduct an annual performance assessment of the BOD. The first assessment will take place during the year 2012 after the completion of one year of the directors' elections.

### Chief Executive Officer

The Company is in the process of recruiting a new CEO to segregate the positions of chairman and CEO and ensure compliance with the QFMA Corporate Governance Code.

### The Internal Audit Function

The audit department will be activated during 2012. The internal audit charter will be developed and to be approved by the Audit Committee during 2012.


The internal audit department will perform risk assessment for AKHC's audit universe to develop a risk-based internal audit plan after taking into account the risk management framework and risk appetite levels set by management for the different activities of the group.


The main responsibilities of the internal audit department is to identify risks surrounding AKHC's activities and assess the adequacy of the risk management, governance and internal control system to ensure that AKHC's assets are properly safeguarded and the continuity of its business operations.

The internal audit department will issue an internal audit report to management and relevant parties at the conclusion of each audit in order to communicate the audit findings, recommendations and management action plan.


The internal audit department will produce a quarterly report to update the Audit Committee on the progress made towards the achievement of the annual audit plan and details the summary of findings of completed audit reports and follow up reviews.


## Appendix A - Board of Directors Members


Mr. Abdulla Bin Nasser Al-Misnad		Role: Chairman and Managing Director
Date of Appointment	March 2011	
Terms (no. of years)	3 Years	
Date of Expiry of Terms	February 2014	
Executive / Non-Executive	Executive	
Independent / Non-Independent	Non-Independent	
Number of BOD meetings attended during the year 2011	4 out of 4	
Brief Background	Mr. Abdulla Nasser Al Misnad is the Chairman & Managing Director of Al Misnad Holding Company having its roots in the private sector business since 1950's.	

Sh. Hamad Bin Faisal Al-Thani		Role: Vice Chairman
Date of Appointment	March 2011	
Terms (no. of years)	3 Years	
Date of Expiry of Terms	February 2014	
Executive / Non-Executive	Non-Executive	
Independent / Non-Independent	Independent	
Number of BOD meetings attended during the year 2011	4 out of 4	
Brief Background	<ul style="list-style-type: none"> <li>▪ His Excellency joined Al Khaliji in February 2009;</li> <li>▪ He is widely known in the region and regarded as one of Qatar's most influential business figures; and</li> <li>▪ He held a number of prominent positions, including the post of Minister of Economy and Commerce of Qatar.</li> </ul>	

## Appendix A - Board of Directors Members (Cont'd)

Mr. Mohammed Bin Ahmed Al Misnad		Role: Member
Date of Appointment	March 2011	
Terms (no. of years)	3 Years	
Date of Expiry of Terms	February 2014	
Executive / Non-Executive	Non-Executive	
Independent / Non-Independent	Independent	
Number of BOD meetings attended during the year 2011	4 out of 4	

H.E. DR. Khalid Bin Mohammed Al Attia		Role: Member
Date of Appointment	March 2011	
Terms (no. of years)	3 Years	
Date of Expiry of Terms	February 2014	
Executive / Non-Executive	Non-Executive	
Independent / Non-Independent	Independent	
Number of BOD meetings attended during the year 2011	4 out of 4	

Mr. Mohammad Hassan Al Saadi		Role: Member
Date of Appointment	March 2011	
Terms (no. of years)	3 Years	
Date of Expiry of Terms	February 2014	
Executive / Non-Executive	Non-Executive	
Independent / Non-Independent	Independent	
Number of BOD meetings attended during the year 2011	4 out of 4	

## Appendix A - Board of Directors Members (Cont'd)

Mr. Faisal Abdullah Al Mana		Role: Member
Date of Appointment	March 2011	
Terms (no. of years)	3 Years	
Date of Expiry of Terms	February 2014	
Executive / Non-Executive	Non-Executive	
Independent / Non-Independent	Independent	
Number of BOD meetings attended during the year 2011	4 out of 4	

Mr. Mohammed Bin Misnad Al Misnad		Role: Member
Date of Appointment	March 2011	
Terms (no. of years)	3 Years	
Date of Expiry of Terms	February 2014	
Executive / Non-Executive	Non-Executive	
Independent / Non-Independent	Independent	
Number of BOD meetings attended during the year 2011	3 out of 4	



## Appendix B – Policies and Procedures

Policy Name	Approved
Finance manual	June 2009
Human resources manual	August 2010
Confidentiality policy	August 2010
Manpower planning	August 2010
Loan policy	August 2010
IT policies - Network Security Policy	September 2010
IT policies - Black berry policy	October 2010
IT policies - Password policy	August 2010
Discipline policy	August 2010
Conflict of interest policy;	September 2010
Director's remuneration policy;	September 2010
Related party transactions policy	September 2010
Personal account trading policy	September 2010
Risk management framework	September 2010
Code of corporate governance	September 2010
Time & attendance policy	December 2011
Management incentive scheme	September 2010
Dividend policy	September 2010
Management Succession Plan	October 2010
Health, Safety and Environment Policy	October 2010
Security policy	October 2010