



Qatar Gas Transport Company Ltd. (Nakilat) Q.S.C

Corporate Governance Report

December 31, 2011

Introduction:

“Qatar Gas Transport Company Ltd. (Nakilat), is a Qatari shareholding company listed on Qatar Exchange Established in accordance with provisions of its Article of Association and the provisions of the Commercial Companies Law No. 5 of 2002, particularly Article (68) thereof, which allows for companies not to be subject to the provisions of this Commercial Law, except to the extent that does not contradict with to the conditions and agreements made upon its establishment, and the provisions set forth in its Memorandum of establishment and articles of association”

Date of incorporation: June 9, 2004

Listing Date: April 7, 2005

Website: www.nakilat.com.qa

The main purpose of the Company:

The main purpose of the company is to own and operate fleet of vessels for the transportation of LNG and associated products, and to be the provider-of-choice for ship repair and constructions services.

Capital Information:

- The nominal value of the share	10 Qatari Riyal
- Authorized Capital	5.6 Billion Qatari Riyal

External Auditor: KPMG

Information about Board of Directors:

Board Member Name	Competencies, Experience, and Other Board Seat Held
<p>Mr. Hamad Rashid Al Mohannadi Chairman of the Board – representing Qatar Petroleum</p>	<ul style="list-style-type: none"> • Chairman of the following companies: Qatar Petrochemical Company ,Qatofin Company Ltd., Qatar Fuel Additives Company Limited. • Vice-Chairman of the Following companies: Qatar Petroleum, Industries Qatar, Qatar Vinyl Company Ltd. • Board member of the following companies: Ras lafan LNG Ltd., Qatar Petroleum International. • Chief Executive Officer for Ras Gas Ltd. (Ras Gas). • Bachelor of Engineering in general science.
<p>Sheikh Khaled Khalifa Al-Thani Vice-Chairman of the Board – representing Qatar Petroleum</p>	<ul style="list-style-type: none"> • Chief Executive Officer for Qatar Gas (QG). • Vice Chairman & Chief Executive Officer - Laffan Refinery Company Limited. • Board member of the following companies: QG1, QG2, QG3, QG4 and Qatargas Operating Company Limited. • Chief Executive Officer of Qatargas Operating Company Limited. • Master Degree in Business Administration (MBA)

<p>Dr. Abdullah Bin Ali Bin Seoud Al-Thani Member – representing Qatar Foundation Fund</p>	<ul style="list-style-type: none"> • Vice-President of the Qatar Foundation for Education, Science and Community Development for Education affairs. • President of Hamad Bin Khalifa University • Ph.D. in Civil Engineering
<p>Mr. Salem Butti Al-Naimi Member – representing Qatar Shipping</p>	<ul style="list-style-type: none"> • Chairman of the following companies: Qatar Cement. • Vice-Chairman of the Following companies: Qatar Navigation, National Leasing Company. • Former undersecretary of Transportation Ministry. • Bachelor in Economic Science.
<p>Mr. Najeeb Khalifa Al-Sada Member – representing Qatar Navigation</p>	<ul style="list-style-type: none"> • Deputy General Manager- Qatar Navigation • Board member of the following companies: Gulf LPG Transport Company W.L.L • Bachelor of Science and Higher Diploma in navigation and port management
<p>Mr. Ismail Omar Al-Daffa Member – representing Qatar Education and Health Fund</p>	<ul style="list-style-type: none"> • Director of International Cooperation Department of Economic and Finance - The Ministry of Economy and Finance. • BA in Political Science and Economics.
<p>Ms. Aysha Mohammad Al-Nuaimi Member – representing Qatar Pension Authority</p>	<ul style="list-style-type: none"> • Member of the Board of Directors of the following companies: Vodafone Qatar, Barwa Bank, Qatar Finance House, Nazel Holding Company, Al Soor Leasing and financing. • Director of Investment Management - General Authority for Retirement and Pensions. • Master of Business Administration

Board of Directors Committees:

The Company has the following committees:

1. Auditing Committee:

- **Committee Members:**

Mr. Salem Butti Al-Naimi	Chairman
Mr. Ismail Omar Al-Daffa	Member
Ms. Aysha Mohammad Al-Nuaimi	Member
- **Committee Responsibilities:** prepare on a regular basis Audit reports, and present them to the board of directors, and the identification of various risks and weaknesses. Present to the board the corrective actions that have been proposed to the departments concerning to audit findings, and the following up measures pursued by these departments to address these audit findings.

2. Nomination Committee:

- **Committee Members:**

Sheikh. Khaled Khalifa Al-Thani	Chairman
Mr. Salem Butti Al-Naimi	Member
Dr. Abdullah Bin Seoud Al-Thani	Member
- **Committee Responsibilities:** To seek and nominate new or existing board members. And to conduct self annual performance evaluation for the Board.

3. Compensation Committee:

- **Committee members:**

Sheikh Khaled Khalifa Al-Thani	Chairman
Mr. Ismail Omar Al-Daffa	Member
Mr. Najeeb Khalifa Al-Sada	Member
- **Committee Responsibilities:** To review and recommend board of directors' compensation.

Article	Article Description	Sub-Article	Company Compliance	Remarks
Article (1)	Definitions	--	Yes	The Company has adopted the definitions referred to in the corporate governance code for companies listed on Qatar Exchange, regulated by Qatar Financial Markets Authority.
Article (2)	Scope and Principle of "Comply or Clarify"	--	Yes	The report was prepared in accordance to QFMA corporate governance code, which is based on the principle of comply, or explain the reasons for non-compliance.
Article (3)	Company's Obligation to comply with Corporate Governance Principles	(3-1)	Yes	The Board of Directors has worked on ensuring the company's commitment to this code. This report was ratified by the board of directors before it was released
		(3-2)	Yes	The Board of Directors oversees, reviews, develops and abides by the rules of professional conduct and internal policies and procedures of the company to ensure that company meets its needs. Hence, the company achieves best practices.
Article (4)	Board Charter	--	Yes	The board has an internal by-law, which specifies the responsibilities of board members. The board of director's responsibilities and duties are also presented in the article of association of the company.
Article (5)	Board mission and responsibilities	(5-1)	Yes	The company is being managed by an effective Board of Directors, and collectively responsible for overseeing the company's management as deemed appropriate.
		(5-2)	Yes	The Board of Directors approves the company's strategic goals and hires executive managers; and to ensure that the company complies with laws and relevant regulations.
		(5-3)	Yes	The Board may delegate some of its authorities to special committees by giving clear written instructions. And the board shall remain responsible for the delegated authorities.
Article (6)	Board Members' fiduciary duties	(6-1)	Yes	Boards of directors members perform their duties in a sincere and caring approach.
		(6-2)	Yes	The board members always work based on clear information and in good faith and with required care.

		(6-3)	Yes	Board of directors works in an effective way, to discharge their duties toward the company and shareholders.
Article (7)	Separation of Positions of Chairman and CEO	(7-1)	Yes	Chairman is Mr. Hamad Al Mohannadi, and our MD is Mr. Muhammad Ghannam.
		(7-2)	Yes	No one in the company has absolute authorities.
Article (8)	Duties of the Chairman of the Board	(8-1)	Yes	Chairman of the Board is keen to provide board members information on a regular basis, so they can perform their duties.
		(8-2)	Yes	Chairman of the board is not a member of any board committees.
		(8-3)	Yes	<ul style="list-style-type: none"> - The Board discusses all key issues in an efficient and timely manner. - Chairman approves the agenda of each board meeting. - Chairman encourages all board members to participate fully and effectively, including the non-executive members. - Chairman ensures effective communication with shareholders. - Chairman ensures the completion of board annual Self-assessment performance.
Article (9)	Board Composition	(9-1)	Yes	The board composition consists of independent and non-executive members.
		(9-2)	Yes	Independent board members represent more than one-third of the board. The majority of board members are non-executive members.
		(9-3)	Yes	Board members have the required expertise and experience, and they commit adequate time and attention to perform their duties.
Article (10)	Non-executive board members	(10-1)	Yes	The duties of the non-executive members include what has been mentioned in the article (10-1) of the Corporate governance code.

		(10-2)	Yes	It is allowed with the consent of the majority of non-executive members to request the opinion of an independent consultant.
Article (11)	Board meetings	(11-1)	Yes	According to the internal by-law of the board of directors, the board is expected to hold 6 meetings during the year. In addition, the board issues some of its resolution by circulation.
		(11-2)	Yes	The board is invited to convene as per the Article (11-2) of QFMA governance code.
Article(12)	Board Secretary	(12-1)	Yes	The board secretary performs all duties mention in Article (12-1) of QFMA governance code.
		(12-2)	Yes	The board secretary performs all duties mention in Article (12-2) of QFMA governance code.
		(12-3)	Yes	The board secretary performs all duties mention in Article (12-3) of QFMA governance code.
		(12-4)	Yes	The board secretary was appointed based on board resolution.
		(12-5)	Yes	Board Secretary, Mr. / Sami Nabawi equipped with expertise to fulfill his complete duties. He is a legal adviser at Qatar Petroleum.
Article (13)	Conflict of interests and insider trading	(13-1)	Yes	The company has a policy for related party, and it is available to all concerned parties.
		(13-2)	Yes	The approval of related-party transactions requires the approval of majority of board members and without the participation of relevant members in the voting process.
		(13-3)	Yes	Related parties transactions are disclosed in the annual report of the company as referred to it specifically in the Annual General Meeting.
		(13-4)	Yes	The company has clear policies and procedures that govern the trading of board members and staff in the company's shares. In addition, all board of directors trading's in the company share are disclosed.

Article (14)	Others board practices and duties	(14-1)	Yes	Board members have an access to company's documents
		(14-2)	Yes	Members of compensation, nomination, and auditing committees attend annual general meeting. In addition, external and internal auditors.
		(14-3)	Yes	There is an orientation program for new board members, which guide new board members of their responsibilities clearly, when they join the board.
		(14-4)	Yes	Board members have required expertise and experience to perform their duties, and are provided with the means of training if necessary.
		(14-5)	Yes	The board shall be provided with latest update regarding QFMA governance code.
		(14-6)	Yes	Article (37) of company's Article of Association defines clear procedures for the removal of a board member in the case of his absence from board of directors meetings.
Article (15)	Board members appointment- Nomination Committee	(15-1)	Yes	Given the establishment of the company in accordance with Article (68) of the Commercial Companies Law No. 5 of 2002, this allows the company to follow its own Article of Association. The formation of the Board of Directors of the Company is in particular provided in the Article of association of the company, where the board consists of seven members, including four members representing the founders, Qatar Petroleum, two members, Chairman and Vice-Chairman; and Qatar Navigation Co. one member; and Qatar Shipping, one member. The rest to be elected by shareholders. However, the company's Nomination Committee has a framework, which defines its authorities and role. Nominations Committee also conducts annual self-evaluation of board of directors' performance.
		(15-2)		
		(15-3)		
		(15-4)		
		(15-5)		
		(15-6)		
Article (16)	Board members compensation- Compensation Committee	(16-1)	Yes	The company has a compensation committee, consists of three non-executive members, most of them are independent. Its frame of work has been approved and disclosed. The Compensation
		(16-2)		
		(16-3)		

		(16-4)		Committee determines the policies for board members compensation. The compensation committee discusses and prepares a proposal for board members compensation, and presents its recommendation for approval to the company's General Assembly. It should be noted that the board member allowed for compensation in accordance to commercial law, however members only receives minimal amount.
		(16-5)		
		(16-6)		
Article (17)	Audit Committee	(17-1)	Yes	Audit committee consists of three members, majority are independent members. One of the members has auditing and financial experience, and the chairman is an independent member.
		(17-2)	Yes	No members have been appointed as an external auditor for the company during the last two years.
		(17-3)	Yes	The committee is allowed to consult an external independent party, paid by the company.
		(17-4)	Yes	The Audit committee meets at least every 3 months, and produces meeting minutes for its meeting.
		(17-5)	Yes	Any disagreements between the committee and board of directors shall be included in the corporate governance code.
		(17-6)	Yes	Audit Committee terms of reference has been approved and disclosed. The terms of reference includes all provisions mentioned in Article (17-6) of QFMA governance code.
Article (18)	Compliance, internal control, and internal auditor	(18-1)	Yes	The board has approved and adopted internal control for risks, compliance, and governance.
		(18-2)	Yes	The company assesses risks, and it has an internal auditor function.
		(18-3)	Yes	Internal Audit unit duties include all responsibilities mentioned in Article (18-3) of QFMA governance report.
		(18-4)	Yes	The company has at least one internal auditor and presents his audit report to the board through audit committee.
		(18-5)	Yes	The internal audit reports include all related information mentioned in article (18-5) of QFMA governance code.

		(18-6)	Yes	Internal Audit reports are prepared every three months.
Article (19)	External Auditor	(19-1)	Yes	The appointed external auditor performs semi-annual and annual audit duties.
		(19-2)	Yes	The external auditor is independent form the company and the board of directors.
		(19-3)	Yes	The external auditor attends annual general assembly.
		(19-4)	Yes	The external auditor notifies authority, should the board fail to take the proper action concerning suspicions matters raised by him to the board.
		(19-5)	Yes	The company follows the Qatar’s commercial law in appointing External Auditor.
Article (20)	Disclosure	(20-1)	Yes	The company is in compliance with all required disclosure, including the financial statements disclosure, which mentioned in Article (20-1) of QFMA governance code.
		(20-2)	Yes	The board ensures that all disclosures made by the company include detailed, accurate, true information, which is not misleading.
		(20-3)	Yes	Financial statements are prepared in accordance to IFRS.
		(20-4)	Yes	Financial statements are available to shareholders.
Article (21)	General rights of shareholders and key ownership elements	--	Yes	Shareholders rights are protected by Article of association and related laws and codes.
Article (22)	Ownership Records	(22-1)		Article (10) of the Article of Association explains clearly how to maintain ownership records accurate, correct and updated. Also, the eligibility of shareholders to review shareholder records for free. In addition, Article No. (10) Of the company Article of Association states that in the event the company is listed on the Qatar Stock Exchange, the company will follow the procedures and rules stipulated in the laws, regulations and instructions governing the trading of securities in the state of Qatar. Where the central registration department at Qatar exchange keeps an updated list of shareholders record.
		(22-2)		
		(22-3)		

Article (23)	Access to information	(23-1)	Yes	All company's official documents (Article of association and memorandum of association) are documented with ministry of business & trade, and Ministry of justice. Documents which are expected to be available to shareholders are available for shareholders review, as per article of association and commercial companies' law.
		(23-2)	Yes	The company has a website address, and all required disclosures by QFMA are available on the company website.
Article (24)	Shareholder Rights with regard to shareholders meetings	--	Yes	Shareholders right to call for a general assembly meeting is in accordance to commercial law, which is mentioned in company's Article of Association.
Article (25)	Equitable treatment of shareholders and exercise of voting rights	(25-1)	Yes	Shareholders rights for the same category are identical.
		(25-2)	Yes	Proxy voting is permitted.
Article (26)	Shareholders rights concerning board members' election	(26-1)	Yes	The nomination committee provides information about prospective board member candidates.
		(26-2)	Yes	Casting for board member election is done by cumulative voting.
Article (27)	Shareholders' rights concerning dividend distribution	--	Yes	Board of directors presents clear dividend distribution policies to the Annual General Assembly.
Article (28)	Capital structure, shareholders' rights, Major transactions	(28-1)	Yes	Capital structures are disclosed in the quarterly financial statements.
		(28-2)	Yes	The company has no minority shareholders

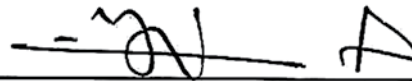
		(28-3)	Yes	Transactions related to the mechanism of the sale offer to the public and the exercises of the rights to equitable sale of shares have been defined in the company's Article of association (article: 22, 23, 24, 25, 26 and 27). As well, the company follows the rules and regulations of Qatar Exchange and Qatar Commercial Companies Law.
Article (29)	Stakeholders' rights	(29-1)	Yes	Stakeholders' rights are respected by the company.
		(29-2)	Yes	The company works on protecting equitable rights for the employees. This clearly mentioned in company's code of business ethics.
		(29-3)	Yes	The company provides competitive compensation to the employees, which serves the company's interest in the long term.
		(29-4)	Yes	The company has adopted policies, which reveals any irregularities and violation. These policies are mentioned in the company's code of business ethics.

Article (30)	Governance Report:			
	Procedures followed by the Company in this respect	(30-1)	Yes	QFMA governance code was carefully reviewed and studied by the company and board of directors to ensure the company is in compliance with all provisions mentioned inside the corporate governance code, and to investigate matters, which were not in compliance.
	Violations committed during the year	(30-2)	Yes	No violations committed during the year.
	Board members, committees, and their responsibilities	(30-2)	Yes	<p><u>Board of directors Members:</u> Mr. Hamad Rashid Al Mohannadi , Chairman of the Board Sheikh. Khaled Khalifa Al-Thani,Vice-Chairman Mr. Salem Butti Al-Naimi, Member Dr. Abdullah Bin Seoud Al-Thani, Member Mr. Ismail Omar Al-Daffa,Member Mr. Najeeb Khalifa Al-Sada, Member Ms. Aysha Mohammad Al-Nuaimi, Member</p> <p><u>Board Committees and their responsibilities:</u></p> <p>Internal Audit Committee: Prepares on a regular basis audit reports, and present them to the board of directors about the audit findings; and the identification of various risks and weaknesses. Present to the board the corrective actions that have been proposed to the departments concerning to audit findings, and the following up measures pursued by these departments to address these audit findings.</p> <p>Nomination Committee: To seek and nominate new board members. And to conduct self-assessment annual performance evaluation for the Board.</p> <p>Compensation Committee: To review and recommend board of directors compensation.</p>

	Internal Control Procedures	(30-4)	Yes	<p>The Internal Audit Committee develops its own internal regulations, by-laws and procedures; which helps the committee in discharging their internal audit duties, through the following:</p> <ul style="list-style-type: none"> • Review any codes, policies, objectives, activities, employees' duties & qualifications, budget, and organizational structure of the internal audit function. • Ensure there are no unjustified restrictions or limitations, which hinder access of internal audit department to relevant information and staff. • When it is necessary, discussing with the Head of Internal audit department about matters related to internal control system. • Ensure complete independence of the internal audit procedures and department through an effective internal organizational structure of the company or any other means, and the preservation of this independence.
	The procedure followed by the company in determining, evaluating and managing significant risks.	(30-5)	Yes	<p>The company has a specialized department responsible for preparing feasibility studies and comprehensive analysis for risk assessment. Then, it is reviewed by the company's senior executive management, and finally all analysis shall be presented to the board of directors, for their approval. As well, all risks are reviewed and discussed again during annual business plan presentation. To manage market risks, The Company also enters into long-term time charter agreements to lock-in the future cash inflows from ships. This strategy is expected to result in a more stable stream of cash flows in the future and minimize uncertainties associated with shipping spot rate movements or interest rate movements.</p>
	Assessment of the performance of the board and senior management in implementing the Internal control systems.	(30-6)	Yes	<p>The Department of Internal Audit, which reports to the board directly through Audit Committee, prepares internal audit reports on a regular basis and submits audit findings to Audit Committee, the Board of Directors and Senior Executive Management. These audit findings addresses all matters related identifying risks, and various weaknesses,</p>

				and suggested corrective actions to the concerned departments. Then, the internal audit department follow-up with corrective actions taken by each department to address these failures. Board of Directors periodically reviews whether the company has complied with internal audit suggested corrective actions or not.
	Internal control failures that may affect the company's financial performance.	(30-7)	Yes	No internal control failures that affected the company's financial performance or other performance.
	The company's compliance with applicable market listing and disclosure rules and requirements	(30-8)	Yes	The company is in full compliance with rules and requirements
	The company compliance with internal control systems in determining and managing risks.	(30-9)	Yes	The Internal Audit Department prepares audit reports and presents its findings about the nature of risks and vulnerabilities, then it works with the relevant departments on proposed actions to be followed, in order to address these issues. Finally, internal audit department conduct a review with concerned department to make sure corrective actions have been adopted.
	All relevant information describing the company's risk management operation and internal control procedures.	(30-10)	Yes	Risks are analyzed and managed by a specialized department in the company, which is the Planning Department. Planning department prepares comprehensive analytical detailed reports of all the potential risks, to be presented to executive management and board of directors for them to take the appropriate decision.

Article (14)	Duties, missions, and responsibilities achieved by the company during the period from Jan 1 to December 31 2011:
	<ul style="list-style-type: none">● 20 November 2011: Nakilat Honored for “Lifetime Achievement” at Prestigious Middle East Shipping Awards.● 9 November 2011: S&P reaffirmed “Nakilat Inc.” rating AA- with a stable outlook.● 4 October 2011: Qatar Technical School and College of the North Atlantic – Qatar visit Erhama Bin Jaber Al-Jalahma Shipyard in Ras Laffan.● 16 May 2011: Nakilat-Keppel Offshore & Marine (N-KOM) has received the first Qatargas-chartered vessel “Al Wakrah” to dry dock at the Erhama Bin Jaber Al Jalahma Shipyard.● 4 May 2011: NAKILAT DAMEN SHIPYARDS QATAR (NDSQ) RECEIVES ISO 9001:2008 CERTIFICATION.● 26 April 2011: GDI and N-KOM Sign Major Contract for Repair, Modification and Upgrade Works for Offshore Jack-up Rig “Al Doha.● 24 April 2011: N-KOM Completes Qatar’s First LNG Drydocking Project● 17 April 2011: NAKILAT RECEIVES ISO 9001:2008 AND OHSAS18001:2007 CERTIFICATION.● 17 February 2011: Moody’s has concluded the review of certain Qatari government-related issuers including Nakilat Inc. that began in March 2010. As a result of the change in Moody’s rating methodology on government-related issuers, Moody’s has changed its ratings for senior secured bonds issued by Nakilat Inc. to Aa3 from Aa2, and for subordinated secured bonds to A1 from Aa3. The outlook is stable.● 19 January 2011: Qatar Petroleum has appointed Mr. Hamad Rashid Al Mohannadi as Chairman.



Mr. Hamad Rashid Al Mohannadi
Chairman of the Board