



ناقلات NAKILAT

2016

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



Corporate Governance Report

Introduction:

"Qatar Gas Transport Company Limited (Nakilat) (QSC) ("QGTC" or "the Company") is a Public Shareholding Company, incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 28566 in accordance with Qatar Commercial Companies Law No. 5 of year 2002. The approval for the formation of the Company was made under decision No. 70 of the Ministry of Business and Trade. The Company is governed by its Articles of Association and the provisions of Qatar Commercial Companies Law. The shares of the Company started trading in the Qatar Exchange on April 7, 2005."

<u>Date of incorporation:</u>	June 9, 2004
<u>Listing Date:</u>	April 7, 2005
<u>Website:</u>	www.nakilat.com.qa

The main purpose of the Company:

To be a global leader and provider of choice for energy transportation and maritime services.

<u>Capital Information:</u>	- The nominal value of the share	10 Qatari Riyal
	- Authorized Capital	5.6 Billion Qatari Riyal

<u>External Auditor:</u>	KPMG
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Corporate Governance Report

Board of Directors:

Board Member	Competencies, Experience, & Other Board Seats Held
HE Dr. Mohammed Bin Saleh Al-Sada Chairman of the Board –Representing Qatar Petroleum	<ul style="list-style-type: none"> • Minister of Energy & Industry, HE currently holds posts of: <ul style="list-style-type: none"> - Chairman of Qatar Petroleum - Chairman of the Board of Directors, RasGas Company Limited - Chairman of Qatar Electricity and Water Company - Chairman of Qatar Petroleum for the Sale of Petroleum Products Company Limited (QPSPP) - Chairman of the Joint Advisory Board (JAB), Texas A&M University in Qatar - Board member of Qatar Foundation • Previous Memberships: <ul style="list-style-type: none"> - Qatar Permanent Constitution Preparation Committee - Supreme Education Council (SEC) - The National Committee for Human Rights • PhD from Manchester University for Science and Technology in the United Kingdoms
Ahmad Saif Al-Sulaiti Vice Chairman of the Board – Representing Qatar Petroleum	<ul style="list-style-type: none"> • Executive Vice President of Operations at Qatar Petroleum • Currently holds posts of: <ul style="list-style-type: none"> - Chairman of the Board of Directors of Mesaieed Petrochemical Holding Company (MPHC) - Vice-Chairman of Woqod's Board of Directors - Vice-Chairman of Nakilat's Board of Directors - Represents QP as a board member of several Joint Ventures • Bachelor Degree in Mechanical Engineering
Faisal Bin Thani Al-Thani Member of the Board – Representing Qatar Foundation Fund	<ul style="list-style-type: none"> • Chief Investment Officer of Qatar Foundation Endowments • Board member of the following companies: <ul style="list-style-type: none"> - Qatar Insurance Company, Ahli Bank, Nakilat, Bharti Airtel Limited, and Siemens Qatar. • Previous Membership: <ul style="list-style-type: none"> - Leadership role in the Investment Department at Qatar Central Bank • Executive Master's degree in Business Administration from HEC Paris, and a bachelor degree Business Administration from Marymount University, Virginia, USA.
Ali Bin Jassim Bin Mohammed Al-Thani Member of the Board – Representing Milaha	<ul style="list-style-type: none"> • Chairman of Milaha • Currently holds posts of: <ul style="list-style-type: none"> - Director at Qatar Investment Authority - Vice Chairman of the Board of Directors at the United Arab Shipping Company - Vice Chairman of the Board of Directors of the Housing Bank for Trade and Finance • Bachelor of Science Degree from Portland State University

Corporate Governance Report

Board Member	Competencies, Experience, & Other Board Seats Held
Ali Ahmed Al-Kuwari Member of the Board – Representing Milaha	<ul style="list-style-type: none"> • Group Chief Executive Officer – QNB • Chairman of the following companies: <ul style="list-style-type: none"> - QNB Indonesia, QNB Capital – Qatar, QNB Suisse Prive-Switzerland, and Master Card – Middle East & Asia • Vice-Chairman of the following companies: <ul style="list-style-type: none"> - CBI – UAE, Qatar Exchange • Board Member of the following companies: <ul style="list-style-type: none"> - Qatar Finance and Business Academy, Milaha and Union of Arab Banks – Beirut, and Institute of International Finance (IIF) • Master Degree of Science in Management Information Systems, and Bachelor Degree in Math and Computer Science
Mubarak Hamdan Al-Arabeed Member of the Board –Representing Qatar Education & Health Fund	<ul style="list-style-type: none"> • Director of the Government Housing and Buildings Department in Ministry of Finance • Chairman of Central Leasing Committee • Bachelor Degree in Sociology
Aisha Fahd Al-Nuaimi Member of the Board – Representing Qatar Pension Authority	<ul style="list-style-type: none"> • Member of the Board of Directors of the following Companies: Barwa Bank, Qatar Finance House, Nazel Holding Company (Bahrain) • Director of Investment Management – General Authority for Retirement and Pensions • Master Degree in Business Administration

Board of Directors Committees:

- Auditing Committee

Name	Position
Ali Ahmed Al-Kuwari	Chairman
Mubarak Hamdan Al-Arabeed	Member
Aisha Fahd Al-Nuaimi	Member

Responsibilities: Prepare and present on a regular basis Audit reports to the board of directors. Identify various risks and weaknesses. Present to the board the corrective actions that have been proposed to the Company concerning audit findings. Follow up with the Company on measures pursued to address these audit findings.

- Nomination Committee

Name	Position
Ahmad Saif Al-Sulaiti	Chairman
Ali Bin Jassim Al-Thani	Member
Faisal Bin Thani Al-Thani	Member

Responsibilities: To seek and nominate new or existing board members. To conduct self-annual performance evaluation for the Board of Directors.

- Compensation Committee

Name	Position
Ahmad Saif Al-Sulaiti	Chairman
Ali Ahmed Al-Kuwari	Member
Mubarak Hamdan Al-Arabeed	Member

Responsibilities: To review, determine, and recommend compensations for board of directors, executive management, and employees.

Corporate Governance Report

Article 1: Definitions

Clause	Description	Application	Compliance	Non-Compliance Justification
-	Definitions referred to in the Corporate Governance Code regulated by Qatar Financial Market Authority.	The Company has adopted the definitions referred to in the corporate governance code for companies listed on Qatar Exchange, regulated by Qatar Financial Market Authority.	✓	

Article 2: Scope and Principle of “Comply or Clarify”

Clause	Description	Application	Compliance	Non-Compliance Justification
2-1	The rules and regulations of the Corporate Governance Report is applied to all companies listed in the Main Market, and on any legal entity depending on the circumstances, except the exempted entities which were mentioned in this code.	The report was prepared in accordance to QFMA’s corporate governance code, which is based on the principle of comply, or explain the reasons for non-compliance.	✓	
2-2	This Governance Code is prepared in accordance to the principle of comply, or explaining the reason of non-compliance. The company is obliged to disclose their compliance with the code. In case of non-compliance, the company is to justify the reasons behind their non-compliance, as a part of a governance and in line with disclosure requirements in this code, and in a way which allows shareholders and the public to assess compliance with this code and proper governance principles in general.	The report was prepared in accordance to QFMA’s 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

Clause	Description	Application	Compliance	Non-Compliance Justification
3-1	The Board shall ensure that the Company complies with the principles set out in this code.	The Board of Directors have 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	The Board shall also review and update its corporate governance practices, and regularly review the same.	The Board of Directors review and update governance applications on an ongoing basis.	✓	

Clause	Description	Application	Compliance	Non-Compliance Justification
3-3	The Board shall regularly review and update professional conduct rules, which 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 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 to ensure they reflect best practices and meet the needs of the Company.	The Board of Directors oversee, review, develop, and abide by the rules of professional conduct and internal policies and procedures of the Company to ensure that the Company meets its needs. Hence, the company achieves best practices.	✓	

Article 4: Board Charter

Clause	Description	Application	Compliance	Non-Compliance Justification
-	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 Board Charter shall be drafted, and then published, 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.	The Board has adopted its own Charter as per the requirements set out in the Code.	✓	

Article 5: Board Mission and Responsibilities

Clause	Description	Application	Compliance	Non-Compliance Justification
5-1	The Company shall be managed by an effective Board of Directors who shall be individually and collectively responsible 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:			

Corporate Governance Report

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.	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. The Company has succession plan in place.	✓	
5-2-2	Ensuring the Company complies 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 and abusive acts or inappropriate actions and practices.		✓	
5-3	The Board may delegate some of its authorities and constitute special committees, for undertaking specific tasks on its behalf. In this case, written and clear instructions shall be given concerning the delegated authority. In any event, and even where the Board delegates one of its authorities, the Board remains liable for all of its delegated authorities.	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

Clause	Description	Application	Compliance	Non-Compliance Justification
6-1	The board represents all shareholders and 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.	Board of Directors' members perform their duties in a sincere and caring approach.	✓	
6-2	Board Members must at all times act on an informed basis, in good faith, with due diligence and care, and in the best interests of the Company and all shareholders.	The board members always work based on clear information and in good faith and with required care.	✓	
6-3	Board Member shall work effectively to fulfil their responsibilities towards the Company.	Board of Directors work in an effective way to discharge their duties towards the Company.	✓	

Article 7: Separation of Positions of Chairman and CEO

Clause	Description	Application	Compliance	Non-Compliance Justification
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.	Chairman is HE Dr. Mohammed Bin Saleh Al-Sada, and our MD is Eng. Abdullah Fadalah Al-Sulaiti.	✓	
7-2	In all circumstance, no one person in the Company should have unfettered powers to take decisions.	No one in the Company has absolute authorities.	✓	

Article 8: Duties of the Chairman of the Board

Clause	Description	Application	Compliance	Non-Compliance Justification
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.	Chairman of the Board is keen to provide board members with information on a regular basis, so they can perform their duties.	✓	
8-2	The Chairman may not be a member of any of the Board committees prescribed in this Code.	Chairman of the board is not a member of any board committees.	✓	
8-3	The duties and responsibilities of the Chairman of the Board of Directors shall, in addition to the provisions of the Board Charter, include but not be limited to the following:			
8-3-1	To ensure that the Board discusses all the main issues in an efficient and timely manner.	The Board discusses all key issues in an efficient and timely manner.	✓	
8-3-2	To approve the agenda of every meeting of the Board of Directors taking into consideration any matter proposed by any other Board Member; this may be delegated by the Chairman to a Board Member but the Chairman remains responsible for the proper discharge of this duty by the said Board Member.	Chairman approves the agenda of each board meeting.	✓	
8-3-3	To encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board of Directors for ensuring that the Board of Directors is working in the best interest of the Company.		✓	

Corporate Governance Report

8-3-4	To ensure effective communication with Shareholders and communication of their opinions to the Board of Directors.	Chairman ensures effective communication with shareholders, through the Company Investor Relation function.	✓	
8-3-5	To allow effective participation of the Non-Executive Board Members in particular and to promote constructive relations between Executive and Non- Executive Board Members.	Chairman encourages all board members to participate fully and effectively.	✓	
8-3-6	To ensure the conducting of an annual evaluation to the Board's performance.	Chairman ensures the completion of annual self-assessment performance.	✓	

Article 9: Board Composition

Clause	Description	Application	Compliance	Non-Compliance Justification
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 to ensure that one individual or a small group of individuals does not dominate the Board decisions.	The board composition consists of non-executive and non-independent members.	✗	All entities represented in board membership are non-independent, as they maintain shares more than required to ensure membership.
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.	All board members are non-executive and non-independent members.	✗	All entities represented in board membership are non-independent and non-executive.
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.	Board members have the required expertise and experience, and they commit adequate time and attention to perform their duties.	✓	
9-4	The ownership of a nominee standing for independent Board membership in the Company's capital shall not exceed the number of shares required for Board membership.		✗	All entities represented in board membership are non-independent, as they maintain shares more than required to ensure membership.

Article 10: Non-Executive Board Members

Clause	Description	Application	Compliance	Non-Compliance Justification
10-1	Duties of the Non-Executive Board Members include but are not limited to the following:			
10-1-1	Participation in the Board of Directors meetings and providing independent opinions on strategic matters, policy, performance, accountability, resources, key appointments, and operation standards.		✓	
10-1-2	Ensuring that priority shall be given to the Company's and shareholders' interests in case of conflict in interests.		✓	
10-1-3	Participation in the Company's Audit Committee		✓	
10-1-4	Monitoring the Company's performance in realizing its agreed objectives and goals and reviewing its performance reports including the Company's annual, semi-annual, and quarterly reports.		✓	
10-1-5	The development of the procedural rules for the Company's corporate governance for ensuring implementation of the rules in a consistent manner.		✓	
10-1-6	Availing the Board of Directors and its different committees of their skills, experiences, diversified specialties and qualifications through regular presence in the Board meetings and effective participation in the General Assemblies and their understanding of shareholders' opinion in a balanced and fair manner.		✓	
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.		✓	

Corporate Governance Report

Article 11: Board of Directors Meetings

Clause	Description	Application	Compliance	Non-Compliance Justification
11-1	The Board of Directors shall hold meetings regularly, to ensure that the Board is effectively performing its duties. The Board shall meet at least six times during a year.	Article of Association (35) and the internal by-law of the board of directors, the board is expected to hold meetings during the year (4 Meetings during 2016). Also, the board issues some of its resolutions by circulation (7 resolutions), which counts as meetings too.	✓	
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.	The board is invited to convene as per the article #11-2 of QFMA governance code.	✓	

Article 12: Board Secretary

Clause	Description	Application	Compliance	Non-Compliance Justification
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 secretary performs all duties mentioned in article #12-1 of QFMA's governance code.	✓	
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 performs all duties mentioned in article #12-2 of QFMA's governance code.	✓	
12-3	All Board Members shall have access to the services and advice of the Board Secretary.	The board secretary performs all duties mentioned in article #12-3 of QFMA's governance code.	✓	
12-4	The Board Secretary may only be appointed or removed by a board resolution.	The board secretary was appointed based on a board resolution.	✓	

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 of experience in handling the affairs of a public company listed in the market.	Board Secretary, Sami Nabawi, is equipped with expertise to fulfill his complete duties. He is a legal adviser at Qatar Petroleum.	✓	
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Article 13: Conflict of Interests and Insider Trading

Clause	Description	Application	Compliance	Non-Compliance Justification
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 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.	The company has a policy for related party, and it is available to all concerned parties.	✓	
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 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	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.	Related parties transactions are disclosed in the annual report of the company and referred to it specifically in the Annual General Meeting.	✓	

Corporate Governance Report

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.	<p>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 director's trading in the company shares are disclosed.</p> <p>Below is a summary of total number of shares owned by Nakilat's Board of Directors as of December 31st, 2016:</p> <p>HE. Dr. Mohammed Bin Saleh Al-Sada (Chairman) 25,644 shares</p> <p>Ahmad Saif Al-Sulaiti (Vice Chairman): 2 shares</p> <p>Faisal Bin Thani Al-Thani (Member): -</p> <p>Ali Bin Jassim Al-Thani (Member): -</p> <p>Ali Ahmed Al-Kuwari (Member): 69,000 shares</p> <p>Mubarak Hamdan Al-Arabeed (Member): -</p> <p>Aisha Fahd Al-Nuaimi (Member): -</p>	✓	
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Article 14: Other Board Practices and Duties

Clause	Description	Application	Compliance	Non-Compliance Justification
14-1	Board member 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.	Board members have access to company's 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.	Members of compensation, nomination, and auditing committees attend Annual General Meeting. In addition, external and internal auditors.	✓	
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.	There is an orientation program for new board members, which guides new board members of their responsibilities clearly, when they join the board.	✓	
14-4	The Board Members are responsible for having an appropriate understanding of their roles 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.	Board members have required expertise and experience to perform their duties, and they are provided with the means of training if necessary.	✓	

14-5	The Board of Directors shall at all times 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 seems appropriate.	The board is always being provided with latest update regarding QFMA governance code.	✓	
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 (37) of Company's Article of Association defines clear procedures for the dismissal of a board member in the case of his absence from board of directors' meetings.	✓	

Article 15: Board Committees

Clause	Description	Application	Compliance	Non-Compliance Justification
-	The Board shall evaluate the advantages/feasibility of establishing specialized Board committees to over watch critical work progress. Upon deciding on the committees to be set up, the Board has to take the committees mentioned in this code into account.		✓	

Article 16: Board Members Appointment – The Nomination Committee

Clause	Description	Application	Compliance	Non-Compliance Justification
16-1	Nominations and appointments of Board Members shall be made according to formal, rigorous and transparent procedures.	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 Articles of Association. The formation of the Board of Directors of the Company is as particularly 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 the remaining 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.	✓	

QATAR GAS TRANSPORT COMPANY LTD. (NAKILAT) Q. S. C.
Corporate Governance Report

16-2	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)	The Company has a nomination committee that consists of three non-independent members.	✗	All entities represented in board membership are non-independent, as they maintain shares more than required to ensure membership.
16-3	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 QFMA Governance Code as amended by the Authority from time to time.		✓	
16-4	Upon its establishment, the Nomination Committee shall adopt and publish its terms of reference explaining its authority and role.	The Company has a nomination committee. Its frame of work has been approved and disclosed.	✓	
16-5	The Nomination Committee's role shall also include conducting an annual self-assessment of the Board's performance.	The committee conducts annual self-assessments to evaluate the Board's performance.	✓	
16-6	Banks and other companies shall comply with any conditions or requirements relating to the nomination, election or appointment of Board Members issued by Qatar Central Bank or any other relevant authority.		N/A	

Article 17: Board Members' Remuneration – Remuneration Committee

Clause	Description	Application	Compliance	Non-Compliance Justification
17-1	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.	The company has a compensation committee. Its frame of work has been approved and disclosed. The Compensation Committee determines the policies for board members and executive management compensation.	✗	All entities represented in board membership are non-independent, as they maintain shares more than required to ensure membership.
17-2	Upon its constitution, the Remuneration Committee shall adopt and make available its terms of reference explaining its role and main responsibilities.		✓	
17-3	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.		✓	
17-4	The Remuneration Policy shall be presented to the shareholders in the General Assembly for approval and shall be made public.		✓	
17-5	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.		✓	

Corporate Governance Report

Article 18: Audit Committee

Clause	Description	Application	Compliance	Non-Compliance Justification
18-1	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 non-independent Board Members provided that the Chairman of the Committee is Independent.	Audit committee consists of three members, and all of them are having auditing and financial experience.	✗	All entities represented in board membership are non-independent, as they maintain shares more than required to ensure membership.
18-2	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 members of the Auditing Committee have been appointed as an external auditor for the company during the last two years.	✓	
18-3	The Audit Committee may consult at the Company's expense any independent expert or consultant.	The committee is allowed to consult an external independent party, paid by the company.	✓	
18-4	The Audit Committee shall meet as needed and regularly at least once every three months and shall keep minutes of its meetings.	The Audit committee meets at least every 3 months, and produces meeting minutes for its meeting.	✓	
18-5	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	Any disagreements between the committee and board of directors shall be included in the corporate governance report.	✓	
18-6	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:	Audit Committee terms of reference has been approved and disclosed. The terms of reference includes all provisions mentioned in Article (18-6) of QFMA governance code.	✓	
18-6-1	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.		✓	

QATAR GAS TRANSPORT COMPANY LTD. (NAKILAT) Q. S. C.

Corporate Governance Report

Clause	Description	Application	Compliance	Non-Compliance Justification
18-6-2	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.		✓	
18-6-3	To oversee, the accuracy and validity of the financial statements and the annually, semi-annually, 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. 7. Compliance with disclosure rules and any other requirements relating to the preparation of financial reports.		✓	
18-6-4	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.		✓	
18-6-5	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's tasks, or the Company's compliance officer or external auditors.		✓	
18-6-6	To review the financial and Internal Control and risk management systems.		✓	
18-6-7	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.		✓	

Corporate Governance Report

Clause	Description	Application	Compliance	Non-Compliance Justification
18-6-8	<i>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.</i>		✓	
18-6-9	To ensure coordination between the Internal Auditors and the External Auditor, the availability of necessary resources, and the effectiveness of the Internal Controls.		✓	
18-6-10	To review the Company's financial and accounting policies and procedures.		✓	
18-6-11	To review the letter of appointment of the External Auditor, his business plan and any significant clarifications he requests from senior management as regards to the accounting records, the financial accounts or control systems as well as the Senior Executive management's reply.		✓	
18-6-12	To ensure the timely reply by the Board of Directors to the queries and matters contained in the External Auditors' letters or reports.		✓	
18-6-13	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. Also, 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.		✓	
18-6-14	To oversee the Company's adherence to professional conduct rules.		✓	
18-6-15	To ensure that the rules of procedure related to the powers assigned to the Board of Directors are properly applied.		✓	
18-6-16	To submit a report to the Board of Directors on the matters contained in this Article.		✓	
18-6-17	To consider other issues as determined by the Board of Directors.		✓	

Corporate Governance Report

Article 19: Compliance, Internal Controls, and the Internal Auditor

Clause	Description	Application	Compliance	Non-Compliance Justification
19-1	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. The Internal Control Systems shall set clear lines of responsibility and accountability throughout the Company's departments.	The board has approved and adopted internal control for risks, compliance, and governance.	✓	
19-2	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.	The company assesses risks through Enterprise Risk Management department and it ensures that Risk Management is conducted, and it also has its own internal auditor function.	✓	
19-3	The Company shall have an internal audit function with clearly defined functions and role. In particular, the internal audit function shall:	Internal Audit unit duties include all responsibilities mentioned in Article (19-3) of QFMA governance report.	✓	
19-3-1	Audit the Internal Control Systems and oversee their implementation.		✓	
19-3-2	Be carried out by operationally independent, appropriately trained, and competent staff.		✓	
19-3-3	Submit its reports to the Board of Directors either directly or through the Board's Audit Committee; and is responsible to the Board.		✓	
19-3-4	Has access to all Company's activities.		✓	
19-3-5	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.		✓	
19-4	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.		✓	

Corporate Governance Report

Clause	Description	Application	Compliance	Non-Compliance Justification
19-5	<p>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:</p> <ul style="list-style-type: none"> - 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 the Board handled such issues. - 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. 	The internal audit reports include all related information mentioned in article (19-5) of QFMA governance code.	✓	
19-6	The Internal Audit Report shall be prepared every three months.	Internal audit report is prepared every three months.	✓	

Article 20: External Auditor

Clause	Description	Application	Compliance	Non-Compliance Justification
20-1	An External Auditor who is independent, 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 this 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 appointed external auditor conducts semi-annual and annual audits.	✓	
20-2	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.	The external auditor is independent from the company's board of directors.	✓	
20-3	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.	The external auditor attends the General Assembly Meetings.	✓	
20-4	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.	The external auditor notifies regulatory authorities, should the board fail to take proper action concerning suspicious matters raised by him to the board.	✓	
20-5	A listed company shall change its External Auditor every five years at a maximum.	The external auditors are changed in accordance with the provisions of the Commercial Companies Law.	✓	

Corporate Governance Report

Article 21: Disclosure

Clause	Description	Application	Compliance	Non-Compliance Justification
21-1	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.	The company is in compliance with all required disclosures.	✓	
21-2	The Board shall ensure that all disclosure made by the Company provides accurate and true information which is non-misleading.	The board ensures that all disclosures made by the Company are accurate and true.	✓	
21-3	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.	Financial statements are prepared in accordance to IFRS.	✓	
21-4	The Company audited financial reports shall be circulated to all shareholders.	Financial statements are available to shareholders on Qatar Exchange & Company's website, and they're published in local newspapers according to Commercial Companies Law requirements and Company's Articles of Association.	✓	

Article 22: General Rights of Shareholders and Key Ownership Elements

Clause	Description	Application	Compliance	Non-Compliance Justification
-	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.	Shareholders rights are protected by Article of association and related laws and codes.	✓	

Corporate Governance Report

Article 23: Ownership Records

Clause	Description	Application	Compliance	Non-Compliance Justification												
23-1	The Company shall keep valid and up to date records of share ownership.	<p>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.</p> <p>According to Article (15) of the Article of Association and QE shareholders list dated Dec 31st 2015, no shareholder has owned more than 2% of the company total shares, except to the founders. Non-profit Organizations, Governmental Pension Funds, and Governmental Investment Funds, can own up to 5% of share capital.</p> <p>The five largest shareholders in the company as of December 31st, 2016, are:</p> <table><thead><tr><th><u>Name</u></th><th><u>Shares</u></th></tr></thead><tbody><tr><td>Qatar Navigation</td><td>84,000,000</td></tr><tr><td>Qatar Shipping</td><td>84,000,000</td></tr><tr><td>Qatar Retirement and Pension Fund</td><td>57,220,629</td></tr><tr><td>Qatar Foundation Fund</td><td>23,798,249</td></tr><tr><td>Qatar Woqod</td><td>11,200,000</td></tr></tbody></table>	<u>Name</u>	<u>Shares</u>	Qatar Navigation	84,000,000	Qatar Shipping	84,000,000	Qatar Retirement and Pension Fund	57,220,629	Qatar Foundation Fund	23,798,249	Qatar Woqod	11,200,000		
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23-2	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.															
23-3	The shareholder shall be entitled to obtain a copy of the following: Board Members' register, Articles of Association and by-laws of the company, instruments creating a charge or right on the company's assets, related party contracts and any other document as the Authority may decide upon payment of a prescribed fee.															

Corporate Governance Report

Article 24: Access to Information

Clause	Description	Application	Compliance	Non-Compliance Justification
24-1	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: 1- 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. 2- Clear and easily available procedures to access such information.	All company's official documents (Article of association and memorandum of association) are documented with Ministry of Economy and Commerce, 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.	✓	
24-2	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.	The company has a website address, and all required disclosures by QFMA are available on the company website.	✓	

Article 25: Shareholders Rights with Regard to Shareholders' Meetings

Clause	Description	Application	Compliance	Non-Compliance Justification
25-1	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.	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 26: Equitable Treatment of Shareholders and Exercise of Voting Rights

Clause	Description	Application	Compliance	Non-Compliance Justification
26-1	All shares of the same class, shall have the same rights attached to them.	Shareholders' rights for the same category are identical.	✓	
26-2	Proxy voting is permitted in compliance with related laws and regulations, and Articles of Association.	Proxy voting is permitted.	✓	

Article 27: Shareholders' Rights Concerning Board Members' Election

Clause	Description	Application	Compliance	Non-Compliance Justification
27-1	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 nomination committee provides information about prospective board member candidates.	✓	
27-2	Shareholders shall have the right to cast their votes for Board Member's election by Cumulative Voting.	Voting for board member election is done in accordance to the method followed by Qatar Financial Markets Authority.	✓	

Article 28: Shareholders' Rights Concerning Dividend Distribution

Clause	Description	Application	Compliance	Non-Compliance Justification
-	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.	Board of Directors presents clear dividend distribution policies to the Annual General Assembly, as per Article (67) of Company's Articles of Association.	✓	

Article 29: Capital Structures, Shareholders' Rights, and Major Transactions

Clause	Description	Application	Compliance	Non-Compliance Justification
29-1	Capital structures should be disclosed and Companies should determine the type of shareholders agreements that should be disclosed	Capital structures are disclosed in the quarterly financial statements and annual report.	✓	

Corporate Governance Report

29-2	Companies shall adopt in their Articles of Association or By-Laws provisions for the protection of minority shareholders in the event of approval of Major Transactions where the minority shareholders have voted against such Major Transactions.	Approval is obtained on the company entry in significant deals through the voting procedures guide set by the Ministry of Economy and Commerce at the General Assembly meeting of the company in accordance to the commercial law.	✓	
29-3	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.	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 Articles of Association and Qatar Commercial Companies Law. The company also follows the rules and regulations of Qatar Exchange.	✓	

Article 30: Stakeholders' Rights

Clause	Description	Application	Compliance	Non-Compliance Justification
30-1	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.	Stakeholders rights are respected by the company.	✓	
30-2	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.	The company protects equitable rights for the employees. This is clearly mentioned in the company's code of business ethics.	✓	
30-3	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.	The Company's management has adopted a remuneration policy, which provides incentives for the employees and management of the Company to always perform in the best interests of the Company in the long term.	✓	

Corporate Governance Report

Clause	Description	Application	Compliance	Non-Compliance Justification
30-4	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.	The company has adopted policies, which reveals any irregularities and violation. These policies are mentioned in the company's code of business ethics.	✓	
30-5	Companies must comply in full with the provisions of this article as it is excluded from the compliance principle or the non-compliance justification.		✓	

Article 31: The Corporate Governance Report

Clause	Description	Application	Compliance	Non-Compliance Justification
31-1	The Board shall prepare an annual Corporate Governance Report signed by the Chairman.		✓	
31-2	This report shall be submitted to the Authority on an annual basis and whenever required by the Authority and shall be attached to the annual report prepared by the company in compliance with the periodical disclosure requirement.		✓	
31-3	The Corporate Governance Report shall be included in the agenda of the company's ordinary General Assembly and distribute a copy of it among the participants in the meeting.	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.	✓	
31-4	The said Report shall include all information related to the application of this Code, including notably:			
31-4-1	Procedures followed by the Company in this respect.		✓	
31-4-2	Disclosure of any violations committed during the financial year, their reasons and the remedial measures taken and measures to avoid the same in the future.	There are no violations made during the year.	✓	

Corporate Governance Report

31-4-3	Disclosure of members of the Board of Directors and the Board of Directors' committees, and their responsibilities and activities during the year, in accordance to their different categorizes and authorities. In addition to disclose the methods used to determine the Board of Directors' and the Executive Management compensation.	Board of directors Members: HE Dr. Mohammed Bin Saleh Al-Sada (Chairman) Ahmad Saif Al-Sulaiti (Vice-Chairman) Faisal Bin Thani Al-Thani (Member), Ali Bin Jassim Al-Thani (Member), Mubarak Hamdan Al-Arabeed (Member), Ali Ahmed Al-Kuwari (Member), Aysha Fahd Al-Nuaimi (Member). Board Committees: refer to page 4 in this report.	✓	
31-4-4	Disclosure of internal Control procedures including particularly the Company's oversight of financial affairs, investments, and risk management.	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: <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 Chief Internal Auditor about matters related to internal control system.	✓	
31-4-5	Disclosure of 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.	The company has a specialized department responsible for facilitating and presenting comprehensive analysis for risk assessment. Then, it is reviewed by the company's senior executive management, and finally significant risks shall be presented to the board of directors, for their approval. All risks are also 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.	✓	

31-4-6	Disclosure of the performance assessment 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.	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 address all matters related to identifying risks, various weaknesses, 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.	✓	
31-4-7	Disclosure of the 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).	No internal control failures that affected the company's financial performance or other performance.	✓	
31-4-8	Disclosure of the company's compliance with applicable market listing and disclosure rules and requirements.	The company is in full compliance with rules and requirements.	✓	
31-4-9	Disclosure of the company's compliance with Internal Control systems in determining and managing risks.	The Department of Internal Audit, prepares internal audit reports on a regular basis. These audit findings address all matters related identifying risks, and various weaknesses, 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.	✓	
31-4-10	All relevant information describing the Company's risk management operations and Internal Control procedures.	Risk management is currently facilitated and managed by a dedicated department in the company. Risk management function aims to ensure that risks and potential opportunities are highlighted and reported. The risk function also intends to assist the organization in achieving its objectives, preventing and/or minimizing the adverse effects of risks associated with its operation and to capitalize on any positive opportunities. Risk Management function aims to apply and consider risk in all stages of business processes or project that will poster risk consciousness among its	✓	

		employees. Detailed reports of all the potential risks, to be presented to executive management and board if required for them to take the appropriate decision.		
31-5	All companies are required to adhere to this articles in the code. It is exempted from the principle of compliance or explaining the reasons of non-compliance.	The company is in full compliance with this article.	✓	



Dr. Mohammed Bin Saleh Al-Sada
Chairman of the Board