

# Corporate Governance Report 2019



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# EXTERNAL AUDITOR'S REPORT ON CORPORATE GOVERNANCE

## **Independent Assurance Report, to the Shareholders of Vodafone Qatar P.Q.S.C. on the Board of Directors' Report on Compliance with the applicable Qatar Financial Markets Authority Governance Code for Companies & Legal Entities Listed on the Main Market**

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016, we have carried out:

- a limited assurance engagement over the Board of Directors' Annual Corporate Governance Report ('Directors' CG Report') on compliance of the Company with the applicable QFMA Governance Code for Companies & Legal Entities Listed on the Main Market (the "Code") as at December 31, 2019.

### **Responsibilities of the directors and those charged with governance**

The Board of Directors of the Group is also responsible for preparing the accompanying Annual Corporate Governance Report that covers, at the minimum, the requirements of Article 4 of the Code.

In part (b) of first section of the Annual Corporate Governance Report, the Board of Directors provides its statement on compliance with the QFMA Code.

### **Our Responsibilities**

Our responsibilities are to issue a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the "Board of Directors' Annual Corporate Governance Report on compliance with the QFMA Code" stated in part (b) of the first section of the Annual Corporate Governance Report does not present fairly, in all material respects, the Group's compliance with the QFMA Code.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB').

This standard requires that we plan and perform our procedures to obtain limited assurance about whether

anything has come to our attention that causes us to believe that the Board of Directors' Annual Corporate Governance Report in part (b) of the first section of the report, is not prepared in all material respects in accordance with the applicable QFMA Code. The applicable QFMA Code comprises the criteria by which the Group's compliance is to be evaluated for purposes of our limited assurance conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We did not perform procedures to identify additional procedures that would have been performed if this were a reasonable assurance engagement.

Our limited assurance procedures comprise mainly of inquiries of management and inspection of supporting policies, procedures, and other documents to obtain an understanding of the processes followed to identify the requirements of the applicable QFMA Code (the 'requirements'); the procedures adopted by management to comply with these requirements; and the methodology adopted by management to assess compliance with these requirements. When deemed necessary, we observed evidences gathered by management to assess compliance with the requirements.

### ***Inherent limitations***

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

Because of the inherent limitations of certain qualitative criteria in the application of the relevant QFMA Code, many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain an audit trail.

## **Our Independence and Quality Control**

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Other information**

The Board of Directors is responsible for the other information. The other information comprises the Annual Corporate Governance Report (but does not include the Directors' Report on compliance with the QFMA Code presented in part (b) of the first section of the Annual Corporate Governance Report (the "Directors' Statement"), which we obtained prior to the date of this auditor's report.

Our conclusion on the Directors' Report on compliance with applicable QFMA Code does not cover the other information and we do not, and will not express any form of assurance conclusion thereon.

In connection with our engagement of the Directors' Report on compliance with the QFMA Code, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Directors' Statements or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete Annual Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## **Conclusions**

Based on our limited assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Board of Directors' statement in part(b) of the first section of the Annual Corporate Governance Report on compliance with the applicable QFMA Code, is not, in all material respects, fairly stated as at December 31, 2019.

**Doha – Qatar  
February 03, 2020**

**For Deloitte & Touche  
Qatar Branch**

**Walid Slim  
Partner  
License No. 319  
QFMA Auditor License  
No. 120156**

# CORPORATE GOVERNANCE REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

## Introduction

Dear Shareholders,

I am pleased to present the Vodafone Qatar P.Q.S.C. (“**Vodafone Qatar**” or the “**Company**”) Corporate Governance Report for the financial year ended 31 December 2019. The Corporate Governance Report is intended to provide shareholders with a summary of the Company’s governance policies and practices and an overview of how the Company has adhered to the main principles and requirements of the Qatar Financial Markets Authority (“**QFMA**”) and in particular, the Governance Code for Companies and Legal Entities Listed on the Main Market, issued by QFMA Board Decision No. (5) of 2016 (the “**QFMA Corporate Governance Code**”).

The Board of Directors of the Company (the “**Board**”) is committed to maintaining high standards of corporate governance aligned with the needs of the company and the interests of all our stakeholders and ensuring that values, attitudes and behaviors are consistent across the business. The Board believes that effective and robust corporate governance is essential to protecting shareholder value, delivering sustainable growth and ensuring that the Company operates in a responsible and transparent manner.

Over the past year, the Board has continued to evolve its corporate governance framework to ensure that the highest standards of corporate governance and best practice are applied across all business functions and operations and, in particular, to continue to implement the requirements of the QFMA Corporate Governance Code to ensure transparency and to maintain investors’ trust. At Vodafone Qatar, there is an expectation for all Board members, Executive Management members, leadership team members, staff and suppliers to act with honesty, integrity and fairness in all of their dealings and to demonstrate the principles of transparency, responsibility, justice and equality as set out in the QFMA Corporate Governance Code.

The Board acknowledges its responsibility to oversee the management of the Company and we are confident that the Board and the Executive Management team of Vodafone Qatar have appropriate and sufficiently robust governance policies and procedures in place to ensure that the Company operates in the best interests of its shareholders.

**Abdulla bin Nasser Al Misnad**  
Chairman





# Corporate Governance at Vodafone Qatar and Compliance with QFMA Corporate Governance Code

## (a) Major Changes at Vodafone Qatar

The following major changes occurred in 2019:

- i. **Implementation of Stock Split:** on 18 November 2018, Vodafone Qatar implemented a reduction in the share capital of the Company from QR 8,454,000,000 to QR 4,227,000,000 by means of reducing the nominal value of the shares of the Company from QR 10 per share to QR 5 per share (“**Share Capital Reduction**”). In accordance with the instructions issued by the QFMA for companies and listed entities on the Qatar Stock Exchange (“**QSE**”), Vodafone Qatar was required to implement a stock split to further reduce the nominal value of the Company’s shares from QR 5 per share to QR 1 per share (“**Stock Split**”). The Stock Split (and the relevant changes to the Company’s Articles of Association) became effective on 4 July 2019 and was implemented by Vodafone Qatar after obtaining the approval of the Company’s shareholders at the Company’s Extraordinary General Assembly held on 04 March 2019 and satisfying all other requisite regulatory approvals. The intention of the market wide stock split implementation was to make shares more affordable to retail and institutional investors and provide higher liquidity in the market. The Stock Split had no impact whatsoever on the equity of Vodafone Qatar’s shareholders, on the total value of shares held by investors or on the share capital and market capital of the Company. For further details about the Stock Split please refer to the investor relations section of the Company’s website ([www.vodafone.qa](http://www.vodafone.qa)).
- ii. **Formation of the Company’s new Board of Directors:** The Company’s Annual General Assembly of Shareholders (“**AGA**”) held on 4 March 2019 elected three (3) of Vodafone Qatar’s existing Board members as Independent Board members to the Company’s Board of Directors by secret ballot. In parallel, Vodafone and Qatar Foundation LLC, the Private Founder (as defined in the Company’s Articles of Association), re-appointed the four (4) other existing members of the Board to the Company’s Board of Directors in accordance with Article 29.1 of the Company’s Articles of Association. The shareholders approved at the AGA the formation of the new Board of Directors for a maximum term of three (3) years commencing from the date of the AGA. The re-election and re-appointment of the full Vodafone Qatar Board for a further term of three (3) years is a positive endorsement of the Company’s long-term

strategy and a reflection of the ongoing improved commercial and financial performance delivered by the Board of Directors.

## (b) Violations of the QFMA Governance Code and Steps Taken to Ensure Compliance with the Code:

Vodafone Qatar has not been subject to any sanctions or financial penalties imposed by the QFMA in 2019 for non-compliance with any provisions of the QFMA Corporate Governance Code. Vodafone Qatar highlights in this report any specific areas of non-compliance with particular provisions of the QFMA Corporate Governance Code, including the reasons for any such non-compliance and the steps taken, or proposed to be taken, by the Board of the Company to ensure compliance in the future. Vodafone Qatar confirms that there is no material non-compliance with the provisions of the QFMA Corporate Governance Code.

Vodafone Qatar has endeavoured and continues to take steps to align its policies and practices with the requirements of the QFMA Corporate Governance Code as well as international best practice governance principles. In particular, significant work has been undertaken to improve any areas of previous deficiency in an effort to deliver full compliance with the requirements of the QFMA Corporate Governance Code. In this context, the following matters, amongst others, have been addressed:

- i. setting objective measurement criteria for evaluating the performance of the Board and its sub-committees;
- ii. increasing the number of the Audit Committee’s meetings to six (6) per year;
- iii. increasing the frequency of the delivery of Internal Audit reports to the Audit Committee;
- iv. appointment of an official spokesperson for the Company;
- v. policy and procedures for dealing with rumours; and
- vi. new Company disclosure policy to ensure compliance with the QFMA Corporate Governance Code instructions.

# Board of Directors

## Role of the Board of Directors

The Board is responsible for approval of the overall business strategy of Vodafone Qatar and for ensuring that a high standard of governance is adhered to throughout the business. The Board:

- (a) has ultimate responsibility for the management, direction and performance of Vodafone Qatar;
- (b) is required to exercise sound and objective judgement on all corporate matters independent from executive management;
- (c) is accountable to shareholders for the proper conduct of the business; and
- (d) is responsible for ensuring the effectiveness of and reporting on the Company's system of corporate governance.

Vodafone Qatar's Board Charter (which complies with Article (8) of the QFMA Corporate Governance Code) provides more details of the Board's duties, functions and responsibilities as well as the obligations of individual Board members is available online ([www.vodafone.qa](http://www.vodafone.qa)).

## Board Composition

As of 31 December 2019, the current Board of Directors of Vodafone Qatar comprises seven (7) members as detailed below. As mentioned above in the section related to major changes at Vodafone Qatar, the AGA of shareholders held on 4 March 2019 elected three (3) of the existing Board members of the Company as Independent Board members to the Company's Board and approved the formation of the new Board of Directors for a maximum term of three (3) years commencing from the date of the AGA.

The members of the Board of Directors are qualified with sufficient knowledge and satisfy the conditions for Board membership as set out in Article (5) of the QFMA Corporate Governance Code. In compliance with Article (6) of the QFMA Corporate Governance Code, a third of the Board are independent members and the majority are non-executive Board members.

Name	Position	Original Date Elected / Appointed (Full Board re-elected on 4 March 2019)	Representing
H.E. Mr. Abdulla bin Nasser Al Misnad	Chairman Non-Executive Independent	25/07/2016	All shareholders
H.E. Mr. Akbar Al Baker	Vice-Chairman Non-Executive Independent	25/07/2016	All shareholders
H.E. Sheikh Hamad bin Faisal Thani Jassim Al-Thani	Non-Executive Independent	29/03/2018	All shareholders
Mr. Rashid Fahad Al-Naimi (Managing Director)	Executive Non-Independent	23/06/2008	Vodafone and Qatar Foundation LLC
Mr. Nasser Jaralla Al-Marri	Non-Executive Non-Independent	25/07/2016	Vodafone and Qatar Foundation LLC
Mr. Nasser Hassan Al-Naimi	Non-Executive Non-Independent	07/11/2016	Vodafone and Qatar Foundation LLC
H.E. Sheikh Saoud Abdul Rahman H.A Al-Thani	Non-Executive Non-Independent	29/03/2018	Vodafone and Qatar Foundation LLC



## Biography of Board Members

### H.E. Mr. Abdulla bin Nasser Al Misnad

Number of shares held directly in Vodafone Qatar as of 31 December 2019: 0 shares

Number of shares held indirectly in Vodafone Qatar as of 31 December 2019: 0 shares

Mr. Abdulla Al Misnad is the Chairman of the Al Misnad Company having its roots in the private sector business since the 1950's.

Mr. Abdulla Al Misnad is a prominent and active businessman in Qatar who is the Founder and Chairman of the Board of Qatari Investors Group, a publicly listed share holding company.

The following are some of the positions presently held by Mr. Al Misnad:

- Al Misnad LLC – Chairman
- Qatari Investors Group – Chairman
- Al Khaliji Bank – Vice Chairman

## **H.E. Mr. Akbar Al Baker**

Number of shares held directly in Vodafone Qatar as of 31 December 2019: 0 shares

Number of shares held indirectly in Vodafone Qatar as of 31 December 2019: 0 shares

Qatar Airways Group Chief Executive, His Excellency Mr. Akbar Al Baker, is one of the most recognisable figures in the global aviation industry. His vision and commitment enabled the ground-breaking development of Qatar Airways from a small regional carrier into one of the world's leading global airlines in the span of just 20 years. Today, Qatar Airways flies more than 250 state-of-the-art aircraft to over 160 destinations across six continents.

Under his leadership, Qatar Airways has become one of the world's most highly-respected airlines, competing on a scale very few airlines achieve. As a result, passengers have recognised the airline's commitment to the values of safety, security, innovation and quality of service by awarding it the 'World's Best Business Class,' 'Best Business Class Seat,' 'Best Airline in the Middle East,' and 'World's Best First Class Airline Lounge' at the 2018 World Airline Awards, managed by international air transport rating organisation Skytrax.

In 2019, H.E. Mr. Al Baker received the Airline of the Year award for the fifth time at the 2019 Skytrax World Airline Awards – a first in the competition's history.

In August 2017, H.E. Mr. Al Baker was announced as the Chairman of the Board of Governors (BoG) of the prestigious global aviation industry body, the International Air Transport Association (IATA), which came into effect in June 2018 for a period of 12 months. In November 2017 he was proudly named 'Aviation Executive of the Year' by the CAPA Centre for Aviation in recognition of his global influence and visionary approach to the airline industry.

H.E. Mr. Al Baker is also a member of the Executive Committee of the Arab Air Carriers Organisation (AACO) and is a non-executive Director of Heathrow Airport Holdings (HAH) - the company responsible for the running and development of the U.K.'s largest airport. In 2019, H.E. Mr. Al Baker was appointed Secretary-General of Qatar's National Tourism Council (QNTC).

Born in Doha, he is a graduate in Economics and Commerce and worked at various levels in the Civil Aviation Directorate before being tasked with creating the world's best airline in 1997.

### Education

- BA, Economics and Commerce

## **H.E. Sheikh Hamad bin Faisal Thani Jassim Al-Thani**

Number of shares held directly in Vodafone Qatar as of 31 December 2019: 0 shares

Number of shares held indirectly in Vodafone Qatar as of 31 December 2019: 0 shares

Sheikh Hamad bin Faisal Al-Thani is widely known in the region and regarded as one of Qatar's most influential business figures. In addition to his post as Board member of Vodafone Qatar, Sheikh Hamad currently holds the following positions:

- Chairman and Managing Director - Al Khaliji Bank
- Vice Chairman - Qatari Investors Group
- Board Member - Qatari Businessmen Association
- Board Member - Qatar Insurance Company (QIC)

Previously, he was the Minister of Economy and Commerce of Qatar and Vice Chairman of Qatar National Bank (QNB). Other senior roles include Chairman of Qatar General Organization for Standard and Metrology, member of Supreme Council for Economic Affairs and Investment, Director of Customs Department and Heir Apparent Office, Diwan Al Amiri.

### Education:

- Bachelor, Political Science



### **Mr. Rashid Fahad Al-Naimi**

Number of shares held directly in Vodafone Qatar as of 31 December 2019: 0 shares

Number of shares held indirectly in Vodafone Qatar as of 31 December 2019: 120,000 shares

As the CEO of QF Endowment – a wholly owned subsidiary of Qatar Foundation for Education, Science and Community Development, Mr. Rashid Al-Naimi is responsible for investment portfolios and long-term investment policies. He is the residing Chairman of Mazaya Qatar, Mater Olbia Hospital, Managing Director of Vodafone Qatar and a Board Member representing Qatar Foundation across numerous companies, including Vodafone Qatar and Siemens Qatar.

Mr. Al-Naimi has an outstanding record of delivering successful restructurings that continuously improve shareholder value. In 2015, he was honoured by the Arab Economic Forum with the “Achievement in Leadership Award”. Prior to joining the Qatar Foundation, Mr. Al-Naimi was the Manager of Human Resources for RasGas Company Limited.

#### Education

- MBA – University of Oxford (United Kingdom)
- BSc, Economics – Indiana State University (United States)

### **Mr. Nasser Jaralla Al-Marri**

Number of shares held directly in Vodafone Qatar as of 31 December 2019: 1,250 shares

Number of shares held indirectly in Vodafone Qatar as of 31 December 2019: 0 shares

Mr. Nasser Al-Marri has served as Chairman of the Financial Affairs Authority at the General Headquarters of the Qatar Armed Forces/ Ministry of Defence since 2016. After years spent in leading roles across the government such as CFO of Marafeq Qatar/ Qatari Diar, Director of Business Development and Investment Promotion in the Ministry of Economy and Commerce, Director of Admin & Finance in the Ministry of Economy & Commerce.

Other roles include serving as Finance Director for the Qatar National Food Security Programme and National Human Rights Committee. He was Vice Chairman of Qatar Steel International Company and a Board Member of Qatar Mining Company. Today, he serves as a Board Member of Masraf Al Rayan Bank and United Development Company (UDC).

#### Education

- MSc, Financial Science and Accounting – Southampton University (United Kingdom)
- BA, Accounting – Qatar University (Qatar)

### **Mr. Nasser Hassan Al-Naimi**

Number of shares held directly in Vodafone Qatar as of 31 December 2019: 0 shares

Number of shares held indirectly in Vodafone Qatar as of 31 December 2019: 0 shares

Mr. Nasser Hassan Al-Naimi is currently the President and Executive Board Member of Barzan Holdings, a company established and owned 100% by the Qatar Ministry of Defense to strengthen Qatar’s sovereignty and support the long-term development of R&D, knowledge transfer, human capital and empowering the military capabilities of the Qatari Armed Forces.

Mr. Al-Naimi joined the Ministry of Defense, MoD, as an Officer in 2013 and shortly he got promoted Head for the Local Investment Section until 2016 when he was appointed as Chief of Investment Office for the Qatar Armed Forces, QAF, a position that hold till nowadays.

#### Education

- MA , Strategic Management – Plymouth University (United Kingdom)
- BSc, Business Management– Plymouth University (United Kingdom)

## H.E. Sheikh Saoud Abdul Rahman Hassan Al-Thani

Number of shares held directly in Vodafone Qatar as of 31 December 2019: 0 shares

Number of shares held indirectly in Vodafone Qatar as of 31 December 2019: 0 shares

In addition to his post as Board member of Vodafone Qatar, Sheikh Saoud Al-Thani currently holds the positions of Chairman of Gulf Bridge International Inc. a company registered and incorporated in the British Virgin Islands (BVI), also he is a Vice-Chairman and Managing Director of Qatar Solar Technologies (QSTec), a polysilicon manufacturing company headquartered in Doha, Qatar.

Sheikh Al-Thani is an oil and gas engineer whose energy career has spanned over 20 years, with more than 10 of these years in senior leadership roles around the world. Previously he was Chairman of Qatar Fuels (WOQOD) and Executive Director of Gas and Power for Qatar Petroleum International. Sheikh Al-Thani has an outstanding record in optimizing organizations, teams and investments to create new opportunities that increase shareholder value.

Sheikh Al-Thani is a regular keynote speaker at energy conferences around the world and has led numerous international Qatari delegations on different Governments international conferences and meetings. He is a firm believer in the value of continuing education and research and is passionate about enabling people and organizations to maximize their full potential.

### Education:

- BSc, Petroleum Engineering – King Fahd University of Petroleum and Minerals (Saudi Arabia)
- Executive MBA – Henley Business School, University of Reading (United Kingdom)



## Combination of Positions

Each Board member has provided the renewed annual written acknowledgment to the Company Secretary confirming that he does not and shall not combine board membership positions in a manner that would breach the requirements of the QFMA Corporate Governance Code.

## Board Meetings

Article 36 of Vodafone Qatar's Articles of Association requires the Board of Directors to meet at least six (6) times per year and that no more than three (3) months shall go by without the Board holding a meeting. This is in line with the requirement set out under Article (14) of the QFMA Corporate Governance Code. Vodafone Qatar held a total of six (6) meetings during the financial year ended 31 December 2019 as indicated in the table below.

Board meetings are structured to facilitate open discussion and participation by all Directors in matters relating to strategy, trading and financial performance and risk management. All substantive agenda items have comprehensive supporting briefing material, which is circulated to all Directors in advance of each meeting.

Directors who are unable to attend a particular Board meeting due to other commitments are provided with all the information relevant for such meetings and are able to discuss issues arising in the meeting with the Chairman and/or the Chief Executive Officer and may elect to appoint a proxy for voting purposes.

Board Members	Attendance						
	Dates of Board Meeting	23 January 2019 (Business update)	11 February 2019 (Approval of Year-End financial results)	30 April 2019 (Approval of first quarter financial results)	29 July 2019 (Approval of second quarter financial results)	28 October 2019 (Approval of third quarter financial results)	12 December 2019 (Approval of 2020 Budget)
H.E. Mr. Abdulla bin Nasser Al Misnad	✓	✓	✓	✓	✓	✓	✓
H.E. Mr. Akbar Al Baker	✓	✓	✓	✓	✓	✓	✓
H.E. Sheikh Hamad bin Faisal Thani Jassim Al-Thani	✓	✓	✓	✓	✓	✓	✓
Mr. Rashid Fahad Al-Naimi	✓	✓	✓	✓	✓	✓	✓
Mr. Nasser Jaralla Saeed Al-Marri	✓	✓	✓	✓	✓	✓	✓
Mr. Nasser Hassan Al-Naimi	✓	✓	✓	✓	✓	✓	✓
H.E. Sheikh Saoud Abdul Rahman H.A Al-Thani	✓	✓	✓	✓	✓	✓	✓

## Board Performance / Achievements

Please refer to the Executive Summary in the Company's Annual Report for a summary of the key achievements delivered by the Board and Executive Management during the financial year ended 31 December 2019.

In addition, the 2019 annual self-assessment exercise for the performance of the Board and its Sub-Committees was conducted in accordance with a specific evaluation questionnaire set by the Board. The self-assessment exercise took into consideration the key components of the Board's composition and responsibilities including the Board structure, access to and presentation of information, dynamics and Board member contributions, key responsibilities, relationship with the Executive Management and the performance of its Sub-Committees.

The Nomination Committee has reviewed the outcome of the Board's self-assessment and submitted a report to the Board evaluating the overall performance of the Board and its Sub-Committees for the last financial year in accordance with the requirements of the QFMA Corporate Governance Code. The evaluation concluded that the procedures and dynamics of the Board and its Sub-Committees are functioning properly and there is no major area of concerns in this regard. The Board adopted and approved the report taking into consideration the suggested enhancement of certain aspects of the Board's functioning and operation in order to improve the Board's effectiveness and the governance practices.



## Board Remuneration

Subject to compliance with the requirements of Law No. (11) of 2015 Promulgating the Commercial Companies Law (the “**Commercial Companies Law**”) and the QFMA Corporate Governance Code, namely that the Board remuneration shall not exceed 5% of the Company’s net profit after deduction of the legal reserve, and payment of dividends to the shareholders of not less than 5% of the paid up capital the Board is recommending the payment of remuneration to the Board in recognition of their achievements during the financial year ended 31 December 2019. The total remuneration proposed for the Board for the financial year ended 31 December 2019 is referred to in the Company’s financial statements as at that date and which are included in the financial statements section of the Company’s Annual Report. The Financial Statements are pending the endorsement of the Annual General Assembly meeting.

## Board Development

Vodafone Qatar’s executive management keeps the Board Members fully informed and appraised of all relevant requirements, rules and regulations relating to general corporate governance through continuous updates provided to the Board Members during the Board meetings and Audit Committee meetings. It should be noted that the majority of the Company’s Board members are widely known personalities in the region in addition to their current positions and previous experience as Board Members in other listed companies.

In 2019, the Board took necessary steps to fully align its policies and practices with the requirements of the QFMA Corporate Governance Code as well as international best practice governance principles.

## Independent Advice

The Board recognises that there may be occasions where one or more of the Directors consider it necessary to seek independent legal and/or financial advice at the Company’s expense. Independent legal and/or financial advice is sought by the Board as and when it is considered appropriate. No independent legal and / or financial advice was sought by the Board during the financial year ended 31 December 2019.





## Division of Responsibilities

Vodafone Qatar maintains a clear separation between the roles of the Chairman, Managing Director and Chief Executive Officer with a clear division of responsibilities as follows:

- (a) the Chairman is responsible for the operation, leadership and governance of the Board, ensuring its overall effectiveness;
- (b) the Managing Director is responsible for providing leadership and direction to the Chief Executive Officer and the Executive Management team in respect of the Company's overall strategic management and acting as the principal point of contact and liaison between the Chief Executive Officer and the Board in respect of strategic and operational matters; and
- (c) the Chief Executive Officer is responsible for the management of the business and implementation of the Company's overall strategy and policy.

## Board Committees

Vodafone Qatar currently has an Audit Committee, Remuneration Committee and Nomination Committee, each of which is operated in accordance with a specific and detailed Terms of Reference approved by the Board. The Terms of Reference for each committee are available online ([www.vodafone.qa](http://www.vodafone.qa)). Members of these committees are not remunerated separately for membership of each committee.

### Audit Committee

The membership of the Audit Committee of Vodafone Qatar was re-constituted following the Company's Board election at the AGA of the company held on 4 March 2019. The Audit Committee of Vodafone Qatar currently consists of the following four (4) members who have the necessary expertise to fulfil the responsibilities of the committee:

Board Member	Position	Board Member Type
H.E. Sheikh Hamad bin Faisal Thani Jassim Al-Thani	Chairman	Independent and Non-Executive
Mr. Rashid Fahad Al-Naimi	Member	Non-Independent and Executive
Mr. Nasser Al-Marri	Member	Non-Independent and Non-Executive
H.E. Sheikh Saoud Abdul Rahman H.A Al-Thani	Member	Non-Independent and Non-Executive

Article 18.3 of the QFMA Corporate Governance Code suggests that a company's Audit Committee should be comprised of at least three (3) members, the majority of whom should be independent and the Chairman shall be independent. Vodafone Qatar's Board believes the current composition of the Audit Committee is appropriate for its effective operation. Please see below for further information on the rationale for the current membership of the Audit Committee.

The Audit Committee responsibilities include:

- (a) preparing and presenting to the Board a proposed internal control system for the Company upon constitution, and conducting periodic audits whenever necessary;
- (b) setting the procedures of contracting with and nominating External Auditors, and ensuring their independence while performing their work;
- (c) overseeing the Company's internal controls following review by the External Auditors to ensure compliance with the implementation of the best International Standards on Auditing (ISA) and preparing the financial reports in accordance with International Financial Reporting Standards (IFRS) and ISA and their requirements;
- (d) overseeing and reviewing the accuracy and validity of the financial statements and the yearly, half-yearly and quarterly reports;
- (e) considering, reviewing and following up the External Auditor's reports and notes on the Company's financial statements;
- (f) reviewing the disclosed numbers, data and financial statements and relevant company information submitted to the general assembly to ensure accuracy and completeness;
- (g) facilitating co-ordination between the Board and Senior Executive Management to ensure there is full alignment on the effectiveness of the internal controls of the Company;
- (h) reviewing the systems of financial and internal control and risk management;
- (i) conducting investigations into any financial control matters requested by the Board;
- (j) co-ordinating between the Internal Audit unit in the Company and the External Auditor;
- (k) reviewing the financial and accounting policies and procedures of the Company and expressing an opinion and recommendation to the Board in this regard;

- (l) reviewing the Company's dealings with related parties (if applicable), and making sure that any such dealings are subject to and comply with the relevant controls;
  - (m) developing and reviewing regularly the Company's policies on risk management, taking into account the Company's business, market changes, investment trends and expansion plans of the Company;
  - (n) supervising the training programmes on risk management prepared by the Company and the relevant business stakeholders;
  - (o) preparing and submitting periodic reports about risks and their management in the Company to the Board - at a time determined by the Board - including its recommendations, and preparing reports of certain risks at the request of the Board and / or the Chairman;
  - (p) implementing the instructions of the Board and relevant Sub-Committees regarding the Company's Internal Controls;
  - (q) engaging with the External Auditor and Senior Executive Management regarding risk audits with a focus on the appropriateness of the accounting decisions and estimates and submitting them to the Board to be included in the annual report;
  - (r) assessing the Company's processes to comply with governance requirements with regard to applicable laws, regulations, Code of Business Conduct and Ethics;
  - (s) reviewing and monitoring the procedures by which the Company complies with the governance requirements in respect of: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
  - (t) reviewing reports and disclosures of significant conflicts of interest; and
  - (u) overseeing the activity and credentials of the Company's Internal Auditors, including the review of the Internal Audit Terms of Reference, plans, resource requirements, staffing and organizational structure, ensuring consistency and compliance with the Vodafone Internal Audit methodology and approach.
- Article 19 of the QFMA Corporate Governance Code requires the Audit Committee of a listed company to meet at least six (6) times per year. During the year 2019, the Audit Committee met on six (6) occasions as follows:

Committee Members	Attendance					
	Dates of Audit Committee Meeting	11 February 2019 (Before Audit Committee Reconstitution)	29 July 2019	27 October 2019	11 November 2019	27 November 2019
H.E. Sheikh Hamad bin Faisal Thani Jassim Al-Thani	✓	✓	✓	✓	✓	✓
Mr. Rashid Fahad Al-Naimi	✓	✓	✓	✓	✓	✓
Mr. Nasser Al-Marri	✓	✓	✓	✓	✓	✓
H.E. Sheikh Saoud Abdul Rahman H.A Al-Thani	✓	✓	✓	✓	✓	✓

As noted in the Company's Governance Report for 2018, due consideration was given to the requirements of the QFMA Corporate Governance Code and in particular, the requirement for a majority of the members of the Audit Committee to be independent Board members when re-constituting the committee. Vodafone Qatar was restricted by the fact that its Chairman is an independent Board member (as provided for under Article 29.3 of the Company's Articles of Association) and is prohibited from acting as a member of any Board committee (Article 7 of the QFMA Corporate Governance Code). Accordingly, only two (2) Independent Board members were available for membership of the Audit Committee, one (1) of whom was H.E. Akbar Al Baker, the Vice Chairman, who was appointed by the Board as the Chairman of the Remuneration Committee. Accordingly, to ensure the Audit Committee could operate effectively and was not adversely impacted by attendance issues arising from the other business commitments of its members, the Board took the decision to appoint only one (1) Independent Board Member to the Audit Committee, H.E. Sheikh Hamad bin Faisal Thani Jassim Al-Thani, who was nominated as Chairman of the Audit Committee (as per the requirement to appoint an independent Board member as Chairman under Article 18 of the QFMA Corporate Governance Code). Given the significant experience of the members of the Audit Committee, the Board believes that all members of the Audit Committee will continue to exercise their roles in an independent and impartial manner to protect the best interests of the Company.

The main recommendations of the Audit Committee to the Board of Vodafone Qatar in 2019 were as follows:

- (a) approval of the Company's full-year financial statements for the year ended 31 December 2018, following the review of the report from the External Auditors;
- (b) approval of the financial statements for the half-year ended 30 June 2019, following the review of the report from the External Auditors;
- (c) approval of the financial statements for the nine (9) months ended 30 September 2019;
- (d) approval of several items related to the Company's activities, including, but not limited to, approval of new and updated policies and enhancing governance practices; and
- (e) approval of the appointment of the Company's Internal Auditor, his functions and remuneration.

All recommendations and decisions taken by the Audit Committee are presented to the full Board for endorsement and approval.

### Remuneration Committee

The Remuneration Committee of Vodafone Qatar currently consists of the following members who have the necessary expertise to fulfil the responsibilities of the committee:

Board Member	Position	Board Member Type
H.E. Mr. Akbar Al Baker	Chairman	Independent and Non-Executive
Mr. Rashid Fahad Al-Naimi	Member	Non-Independent and Executive
Mr. Nasser Al-Naimi	Member	Non-Independent and Non-Executive

Article 18.2 of the QFMA Corporate Governance Code requires that a company's Remuneration Committee be comprised of at least three (3) Board members. Vodafone Qatar's Remuneration Committee comprises of three (3) members, one (1) of whom is an independent Board member.

The purpose of the Remuneration Committee is to determine and have oversight of the Company's remuneration policy and principles, in particular, as they apply to the members of the Board and Senior Executive Management. The Remuneration Committee is responsible for:

- (a) setting the Company's remuneration policy yearly including the way of identifying remuneration of the Chairman and all Board members. The Board's yearly remuneration shall not exceed 5% of the Company's net profit after deduction of reserves, legal deductions, and the distribution of dividends not less than 5% of the Company's share capital (in cash and in kind) to shareholders; and
- (b) setting the foundations of granting allowances and incentives in the Company, including possible issuance of incentive shares for its employees.

The Remuneration Committee met once during 2019 as follows:

Committee Members	Attendance
Date of Remuneration Committee Meeting	11 February 2019
H.E. Mr. Akbar Al Baker	✓
Mr. Rashid Fahad AL-Naimi	✓
Mr. Nasser Al-Naimi	✓

The main recommendations put forward to the Board in 2019 by the Remuneration Committee were as follows:

- (a) approval of the proposed salary increase for the Company’s employees for the financial year 2019;
- (b) approval of the Company’s Short Term Incentive Plan (“STIP”) for the financial year 2018;
- (c) approval of the Company’s STIP targets for the financial year 2019;
- (d) approval of the Company’s Long Term Incentive Scheme for the financial year 2019; and
- (e) approval of the Board remuneration for the financial year 2018.

The Remuneration Committee provides an update and a summary of its recommendations to the Board. This happens on an annual basis during the Board meeting to approve the Company’s full year results and in some cases, more frequently, depending on the nature of the matters reviewed by the Remuneration Committee.

The full Terms of Reference for the Remuneration Committee are publicly available on Vodafone Qatar’s website [www.vodafone.qa](http://www.vodafone.qa).





## Nomination Committee

The membership of the Nomination Committee of Vodafone Qatar was re-constituted following the Company's Board election at the AGA of the company held on 4 March 2019. The Nomination Committee of Vodafone Qatar currently consists of the following three (3) members who have the necessary expertise to fulfil the Committee's tasks:

Board Member	Position	Board Member Type
Mr. Rashid Fahad Al-Naimi	Chairman	Non-Independent and Executive
H.E. Sheikh Saoud Abdul Rahman Al-Thani	Member	Non-Independent and Non-Executive
Mr. Nasser Al-Marri	Member	Non-Independent and Non-Executive

The Nomination Committee primarily has oversight of the nomination and appointment of Board members and ensures the proper application of formal, rigorous and transparent procedures in this context.

The Nomination Committee is responsible for:

- (a) developing general principles and criteria used by the General Assembly to elect the fittest among the candidates for Board membership;
- (b) nominating whom it deems fit for Board membership when any seat is vacant;
- (c) developing and drafting a succession plan for managing the Company to ensure there is a clear plan for filling vacant positions in the Company with suitably qualified individuals to minimise and avoid any potential operational disruption;
- (d) nominating whom it deems fit to fill any job at the level of Senior Executive Management;
- (e) receiving candidacy requests for the Board membership;
- (f) submitting the list of Board membership candidates to the Board, including its recommendations in this regard, and sending a copy to the QFMA; and
- (g) submitting an annual report to the Board including a comprehensive analysis of the Board performance to identify the strengths, weaknesses, and proposals in this regard.

The main recommendations put forward to the Board in 2019 by the Nomination Committee were as follows:

- (a) approval of the list of independent Board membership candidates applying for election to the Vodafone Qatar Board by the AGA;
- (b) approval of the four (4) Board members appointed by Vodafone and Qatar Foundation LLC to the Board of Directors pursuant to Article 29 of Vodafone Qatar's Articles of Association; and

- (c) submitting an annual report to the Board on the performance of the Board and its Sub-Committees for the financial year 2019.

All recommendations and decisions taken by the Nomination Committee are presented to the full Board for endorsement and approval.

The full Terms of Reference for the Nomination Committee are publicly available on Vodafone Qatar's website [www.vodafone.qa](http://www.vodafone.qa).

## Company Secretary

The Company Secretary acts as secretary to the Board and Sub-Committees of the Board and, with the consent of the Board, may delegate responsibility for the administration of both the Audit and Remuneration committees to other suitably qualified staff. The Company Secretary is responsible for:

- (a) recording the minutes of the Board meetings, setting out names of the attending and absent members and the meeting discussions and noting members' objections to any decision issued by the Board;
- (b) recording the Board decisions in the register prepared for this purpose as per issuance date;
- (c) recording the meetings held by the Board in a serial numbered register prepared for this purpose and arranged as per the holding date setting out names of the attending and absent members, the meeting discussions and the members' objections, if any;
- (d) safekeeping the Board meetings' minutes, decisions, reports, all Board records and correspondence, and its writings in paper and electronic records;
- (e) sending to the Board members and participants (if any) the meeting invitations accompanied with the agenda at least one (1) week prior to the meeting's specified date, and receiving members' requests to add any items to the agenda with submission date;

- (f) making full co-ordination between the Chairman and the members, among members themselves, as well as between the Board and related parties and stakeholders in the Company including shareholders, management, and employees;
- (g) enabling the Chairman and the members to have timely access to all information, documents, and data pertaining to the Company; and
- (h) safekeeping the Board members' acknowledgments of not combining prohibited positions pursuant to the Commercial Companies Law and the provisions of the QFMA Corporate Governance Code.

The appointment or removal of the Company Secretary is a matter for the Board as a whole. The current Company Secretary of Vodafone Qatar is Pauline Abi Saab, Head of Investor Relations for the Company. Ms. Abi Saab joined Vodafone Qatar in February 2017 and has held the role of Company Secretary since 1 April 2019 taking over from Mr. Ian Quigley, Legal Director for the Company who was Company Secretary from 22 October 2018. Ms. Abi Saab has been closely involved in the execution and management of company secretarial and governance related matters of the Company for a few years as part of her previous role as the Company's Head of Investor Relations. Ms. Abi Saab has over 12 years' experience in corporate governance matters and held senior positions in corporate affairs and investor relations at a Qatari national bank prior to joining Vodafone Qatar. In addition to her role as Company Secretary, Ms. Abi Saab continues to head up and be responsible for the investor relations function within Vodafone Qatar.





## Executive Management Team

### **Sheikh Hamad Abdulla Jassim Al-Thani**

Chief Executive Officer (CEO)

Shares held in Vodafone Qatar as of 31 December 2019: 25,000 shares

Hamad Al-Thani is responsible for the overall creation, implementation, and integration of the long range strategic, financial, commercial and operational direction of the Company. Hamad Al-Thani also oversees key internal and external stakeholder engagement to influence the environment in which the Company operates by liaising with the employees, the Board, and key Government entities. He chairs the Company's operational governance framework which includes committee oversight of the following: Strategy, Budget, CAPEX allocation, Commercial Approval, Trade Review, Brand Review and Assurance committees.

### **Khames Mohammed Al Naimi**

Chief Human Resources Officer (CHRO)

Shares held in Vodafone Qatar as of 31 December 2019: 0 shares

Khames Al Naimi is responsible for the coordination and implementation of the overall human resources strategy of the Company. Within the scope of his role, he is responsible for ensuring the success of the Company's HR programmes, embedding best practices within the Company's Human Resources functions.

### **Diego Camberos**

Chief Operating Officer (COO)

Shares held in Vodafone Qatar as of 31 December 2019: 0 shares

Diego Camberos, as Chief Operating Officer, is responsible for the coordination and implementation of the Company's overall strategy for commercial, enterprise, digital, and customer operations.

### **Brett Goschen**

Chief Financial Officer (CFO)

Shares held in Vodafone Qatar as of 31 December 2019: 0 shares

Brett Goschen heads the Financial Operations, Financial Planning, Reporting & Analysis, Supply Chain Management and Business Partnering functions of the Company. He is responsible for the accounting and disclosure of the assets, liabilities, financial position and profit and loss of the Company and ensures that the financial statements of the Company comply with the local and global accounting policies. Brett Goschen also oversees the Treasury, Investor Relations and Business Intelligence functions of the Company.



**Ramy Boctor**

Chief Technology Officer (CTO)

Shares held in Vodafone Qatar as of 31 December 2019: 0 shares

Ramy Boctor is responsible for the development and implementation of the overall technology strategy of the Company. Ramy Boctor oversees all aspects of the Design, Planning and Rollout and Optimization of the Radio and Fixed access network and Technology Strategic relationships. He is also responsible for the Technology Security, Service Delivery, and IT functions of the Company.

**Senior Management Performance and Remuneration for 2019**

Vodafone Qatar assesses the performance of Senior Management and all employees through a Performance Development system. Performance Development is designed to enable employees and managers to engage in continuous, ongoing dialogue about performance, feedback, development, and potential, in order to identify and develop high performing individuals and teams in current and future roles. In 2019, Vodafone Qatar worked on a 12-month cycle from setting breakthrough goals aligned with the functional goals and the corporate strategy at the start of the financial year in January/February, to the end of year reviews in November/December. A formal review process to assess and calibrate performance was carried out at both a functional and company level.

Please refer to the Executive Summary in the Company's Annual Report for a summary of the key achievements delivered by the Executive Management during the financial year ended 31 December 2019.

For details of remuneration paid to the Executive management team of Vodafone Qatar, please refer to the Company's financial statements as of 31 December 2019, which are also included in the Vodafone Qatar Annual Report. The Financial Statements are pending the endorsement of the Annual General Assembly meeting.

## Internal Control and Risk Management

**(a) Internal Control Processes**

The Board has overall responsibility for internal risk management and control processes. Based on management's assessment of the design, implementation, and operating effectiveness of internal controls relating to financial reporting, no material weaknesses were identified by the Company during the financial year ended 31 December 2019.

In addition, Vodafone Qatar's External Auditors carried out a reasonable assurance engagement over The Board of Directors' Report on the evaluation of Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting (the "Directors' ICFR Report") as of 31 December 2019 to ensure compliance with Article 24 of the QFMA Corporate Governance Code. The report from the External Auditors expresses a reasonable assurance opinion on the fairness of the presentation of the Directors' ICFR Report forming part of the Corporate Governance report based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as at 31 December 2019. The report from the External Auditors and the Directors' ICFR Report are included at the end of the Corporate Governance report for the year ended December 31, 2019.

**(b) Compliance Programme**

Vodafone Qatar has implemented a dedicated and robust compliance programme in accordance with international best practice. As part of the compliance programme, Vodafone Qatar applies and monitors specific compliance policies and controls across all high-risk activities, including economic sanctions and trade controls, network and information security and resilience and anti-bribery, designed to ensure that all material financial and business risks for the Company are identified and managed appropriately.

The existence and effectiveness of Vodafone Qatar's internal controls and processes to achieve and maintain compliance with all governance policies is primarily the responsibility of Vodafone Qatar's management and is monitored through the compliance and Internal Audit teams. Internal Audit provides an independent assurance over the internal control system and reports significant issues to the Audit Committee in relation to the risk based yearly audit plan.



## **(c) Business Continuity Management**

Vodafone Qatar has an established business resilience framework that addresses and mitigates the risk of the business being unable to resume its operational activities within a reasonable time following the occurrence of any events leading to business interruption. The Company has established a dedicated Business Continuity Management (“BCM”) Steering Committee comprising of Executive Committee Members who meets on a bi-annual basis to review the BCM Program implementation, maintenance and improvement. The scope of the BCM Steering Committee and its main areas of responsibility are as follows:

- (a) ensure compliance with the BCM policy and its procedures;
- (b) approve BCM procedures and all related processes, rules and documents;
- (c) monitor continuous improvement of the BCM program and procedures;
- (d) ensure that all members of the business are aware of their responsibilities related to BCM;
- (e) define, drive and support the implementation of BCM Strategy within Vodafone Qatar;
- (f) approve and prioritize BC Strategies for critical business processes and systems prior to implementation;
- (g) monitor the development, review and implementation of BCM plans;
- (h) approve and monitor the review of the Company’s crisis management plan;
- (i) define recommendations to improve BCM strategies and operations within the Company; and
- (j) support and promote awareness actions.

The Business Continuity, Crisis Management, Technology Resilience and Site Emergency Response Plans set out the requirements to protect the Company against the impact of emergencies and disruptions to critical business operations through effective and timely response (within predetermined timeframes) to an emergency or crisis.

## **(d) Enterprise Risk Management**

Vodafone Qatar operates a comprehensive ongoing risk management and assessment programme within the business. The primary objectives are to balance the risks the business takes with potential reward, support the achievement of corporate strategy and anticipate any future threats. The Company believes a vigilant and robust approach to risk management enables informed decision making, provides senior management with appropriate visibility of relevant business risks, defines the level of risk the Company is willing to take and facilitates risk based assurance activity. On a bi-annual basis, the risk

management function reports to the Audit Committee on the top 10 enterprise risks that the Company believes would have the greatest impact on the Company’s strategic objectives, operating model, viability or reputation. These risks, plus relevant mitigating actions, are catalogued and tracked in the Company’s ‘Risk Register’ and are then subject to additional reporting, oversight and assurance on an ongoing basis.

## **Internal Audit**

Vodafone Qatar’s Internal Audit Department provides objective and independent assurance over critical business processes and projects. The Internal Audit Department reviews business and technology processes to identify the risks, review the controls, make recommendations and track management action plans until completion to enable better management of the business by identifying those aspects of the business that could be controlled more effectively. The Internal Audit team has the independence to report objectively on any function without being constrained by line management through reporting to the Audit Committee functionally and to the Chief Executive Officer of the Company administratively. The Internal Audit team monitors and supports key governance structures and activities to ensure ongoing effectiveness. The team also identifies and promotes good business practices and reviews the Company’s financial and accounting policies and processes to evaluate and assess any relevant risks in that context.

The Internal Audit Department provides reports to the Audit Committee in every meeting which includes, but is not limited to, compliance with internal control and risk management, fraud incidents, and risks faced by the company along with actions taken.

In addition, Internal Audit operates in co-operation with and has full access to, the Vodafone Qatar Audit Committee. Internal Audit provides a detailed report, together with a series of recommendations, on the internal control, risk and compliance performance of the Company directly to the Audit Committee during the Audit Committee meetings that take place at half year and full year, and separately on particular issues as required. Vodafone Qatar notes that Article 22 of the QFMA Corporate Governance Code requires Internal Audit to submit a report every three (3) months to the Audit Committee. Vodafone Qatar is now compliant with these requirements as the audit committee meets 6 times a year.

Article 21 of the QFMA Corporate Governance Code prescribes that a company’s Internal Audit function should be independent from the day-to-day functioning of the company. The Board considers the Internal Audit Department as being independent from Vodafone Qatar. This independence is reinforced by the reporting line of the Internal Audit function into the Audit Committee and a secondary reporting line to the Chief Executive Officer of the Company.

## External Auditor

The decision to appoint the External Auditors including a review of the External Auditor's remuneration is made at the Annual General Assembly by the shareholders. The External Auditors attend the Annual General Assembly to present their report and to answer queries from shareholders.

The purpose of appointing an External Auditor is to provide objective assurance to the Board and shareholders that the financial statements have been prepared in accordance with all related laws, regulations and IFRS and that they fairly represent the financial position and performance of the Company in all material aspects.

Deloitte and Touche ("Deloitte") currently holds the position of Vodafone Qatar's External Auditors and they conduct a full audit at the end of the Company's financial year in addition to a review of the Company's half-year results. Article 23 of the QFMA Corporate Governance Code provides that External Auditors shall be appointed by the General Assembly each year which may be renewed for one or more terms provided this does not exceed five years which is in line with Article 141 of the Commercial Companies Law. Vodafone Qatar's Articles of Association (Article 66) are aligned to the Commercial Companies Law and state that an auditor can be appointed for a period not exceeding five consecutive years.

The decision to appoint Deloitte as the External Auditors of Vodafone Qatar was approved by the shareholders of the Company at the Annual General Assembly which took place on 04 March 2019.

## Disclosure and Transparency

### Disclosure obligations

Vodafone Qatar has throughout 2019 complied with the disclosure requirements set out in the rules and regulations of the QFMA and the QSE.

Vodafone Qatar conforms to all disclosure requirements of Article 25 of the QFMA Corporate Governance Code. It has disclosed its quarterly financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) to the QSE, the QFMA and the Qatar Central Securities Depository ("**QCSD**") within the deadlines and rules stipulated. Furthermore, Vodafone Qatar has ensured that all sensitive and material information and announcements were disclosed to the market, its shareholders, the investment community and the general public in a timely, accurate, complete and transparent manner as required by the applicable laws and regulations. Material information includes, but is not limited to, Board meetings dates, results announcements, Annual General Assembly invitation, agenda and resolutions, press releases and any other material matters impacting and / or related to the ongoing performance and operation of Vodafone

Qatar that has the potential to affect the Company's share price.

Vodafone Qatar has ensured that all financial results, approved presentations, official announcements and press releases of significance are available on the Company's website on the day of publication.

In addition, all information about the Chairman, Board members, Senior Executive Management and major shareholders holding 5% and above of the Company's share capital are disclosed on the Company's website and in the Annual Corporate Governance report.

As a general principle, Vodafone Qatar does not comment, affirmatively or negatively, on rumours. If undisclosed material information has been publicly leaked and appears to be affecting trading activity in the Company's stock, or the QFMA or the QSE requests that the Company makes a definitive statement in response to a market rumour that is causing unusual activity in the stock, the authorised spokespersons will consider the matter and determine if a notice / press release should be issued disclosing the relevant material information or confirming there is no undisclosed material information. No such Market Rumours arose in the financial year ended 31 December 2019.

In 2019, the Board has approved a Disclosure Policy that includes, without limitation, the designated spokespersons for Vodafone Qatar, the procedures for dealing with market rumours, disclosure control and obligations and procedures for maintaining confidentiality.

### Sharia Advisor

At the Company's EGA held on 4 March 2019, the shareholders of the Company approved that Vodafone Qatar is no longer required to appoint a Sharia advisor or facilitate and undertake quarterly Sharia compliance audits in respect of its business and operations. In addition, the shareholders approved that the Company reviews its current financing arrangements (including Islamic and conventional financing facilities) to explore options for the Company to avail itself of more flexible financing arrangements. Accordingly, the Company entered into a secured facility arranged by Al Khalij Commercial Bank P.Q.S.C. ("**al khaliji Facility**") for the Company to refinance the existing Wakala financing facility dated 18 November 2014 with Vodafone Finance (the "**Wakala Facility**"). Details of the Wakala Facility and al khalij Facility are more particularly set out in the financial statements included in the Company's Annual Report.

## Subsidiary

During the year, the Company established a fully owned subsidiary, Infinity Solutions LLC (the “**Subsidiary**”). The Subsidiary will provide various operational and administrative services directly to its parent company Vodafone Qatar P.Q.S.C. in specific business areas. The Subsidiary is yet to commence its commercial operations.

Details of the subsidiary is more particularly set out in the financial statements included in the Company’s Annual Report.

## Conflicts of Interest and Insider Trading

### Conflicts of Interest and related Party Transactions

Vodafone Qatar has an established Conflicts of Interest Policy that forms part of its Governance Policy framework and Code of Conduct. The purpose of this policy is to promote and maintain transparency and proper management of any potential conflicts of interest relating to employees and their personal interests outside Vodafone Qatar. Application of this policy is in accordance with international best practice and serves to protect the interests of both the Company and its employees from any impropriety.

The Vodafone Executive Management Team and all staff in positions of key responsibility or influence are required to declare any potential conflicts and to obtain formal approval prior to entering into any business related arrangements that may give rise to a conflict. Where relevant, protective measures are put in place to ensure no conflict arises and any associated risk is properly mitigated. It is the responsibility of each Vodafone Qatar employee to notify their line manager and the Rewards and Services team of any changes in personal circumstances that may give rise to a conflict of interest. Any failure by an employee to follow the above process is treated as violation of policy.

Vodafone Qatar did not enter into any transactions with Related Parties (as defined in the QFMA Governance Code) during the financial year ended 31 December 2019.

### Anti-Bribery

As noted in the ‘Compliance Programme’ section of this report set out above, Vodafone Qatar operates to an established and comprehensive framework that is in accordance with global best practice and designed specifically to manage a number of areas of compliance and business risk. This framework extends to include customer and data privacy, network and information security and resilience and anti-bribery.

As part of the anti-bribery programme specific actions and measurements are taken to actively manage identified sources of risk. Measures taken include:

- (a) mandatory training for all staff in key positions of responsibility or influence;
- (b) creating and maintaining an official register in which all employees are required to record all corporate gifts or hospitality whether given or received.

Breaches of this policy are treated as a serious disciplinary offence.

### Insider Trading

Vodafone Qatar has in place a policy summarising share trading guidelines and specifically, the insider trading rules and regulations applicable in Qatar. This policy, together with relevant share trading black-out dates, is communicated to the Vodafone Qatar Board, Executive Management Team and all employees prior to the commencement of each trading black-out period (i.e. at least fifteen (15) days prior to the disclosure of any financial results to the QSE). Vodafone Qatar has provided the QSE, the QFMA and the QCSD with a list of Insiders within the Company – the list of Insiders is continuously reviewed and updated as necessary. In addition, Vodafone Qatar monitors the direct trading activities related to the Company’s shares by its Directors and Executive Management Team.

### Litigation and Disputes

Vodafone Qatar is currently engaged in litigation in the Court of Appeal with the General Tax Authority in respect of certain tax matters relating to the Company. This is the only material litigation involving the Company in 2019.

## Our Shareholders

Vodafone Qatar is compliant with Article 29 of the QFMA Corporate Governance Code. Shareholders have all the rights conferred upon them by related laws and regulations, including the QFMA Corporate Governance Code and the Company’s Articles of Association. Further, the Board ensures that shareholders’ rights are respected in a fair and equitable manner.

### Investor Relations

Vodafone Qatar has a dedicated Investor Relations function and is committed to communicating to shareholders, investors and financial analysts the Company’s strategy, activities and financial and business performance as permitted by applicable QSE rules and regulations. The Investor Relations function as part of its primary purpose and function acts to maintain an active and transparent dialogue with investors through a planned programme of

investor relations activities and disclosures throughout the year, including (but not limited to):

- (a) publication of financial statements, earning releases and investor presentations of quarterly, half-year and full-year results;
- (b) publication of an Annual Report of the Company that provides a comprehensive overview of the company's financial and business performance for the year;
- (c) hosting of investors and analysts calls to coincide with the release of the Company's financial results at which senior executive managers provide an overview of business and financial performance;
- (d) hosting of the Annual General Assembly meeting which all shareholders are invited to attend, actively participate and to exercise their voting rights;
- (e) ongoing meetings with institutional investors and analysts, attended by the Chief Executive Officer and/or the Chief Financial Officer to discuss the business and financial performance;
- (f) fair and complete disclosure of material information;
- (g) answering shareholders' and analysts' queries and concerns in a timely manner;
- (h) attending ongoing conferences and roadshows throughout the year; and
- (i) enhancing and updating the Investor Relations website dedicated to the Company's shareholders, investors and analysts.

### **General Assembly Meeting**

In compliance with Article 32 of the QFMA Corporate Governance Code, the Company's Articles of Association affirm the right of shareholders to call Annual General Assembly and Extraordinary General Assembly meetings ("AGA" and "EGA" respectively) for the purposes of affording shareholders the opportunity to discuss and raise questions to the Chairman and Board members with respect to any items on the agenda of the relevant General Assembly.

The Company endeavours to hold its AGA or any EGA at an appropriate time and place to enable the majority of shareholders to participate in such meeting. The Company further ensures that shareholders are entitled to appoint a proxy to attend the AGA and EGA on their behalf and details in this regard are contained in the AGA and EGA notices. Vodafone Qatar sets out the agenda items for the AGA and EGA in its notice to the shareholders and details of the proposed resolutions are presented to the shareholders at the AGA and EGA meetings. The resolutions are disclosed immediately after the meeting to the QSE and the QFMA. The minutes of meeting are disclosed immediately after approval. The resolutions and the minutes are available to view on the Company's website.





## Access to information

Vodafone Qatar has a dedicated “Investor Relations” page on its website which provides shareholders and other stakeholders with information relating to the Company. The information is regularly updated to ensure that shareholders have most up to date information.

Additionally, as per Article 12 of the Vodafone Qatar’s Articles of Association shareholders have access to the Company’s shareholder register for free.

## Major Shareholders

The Company’s major shareholders as at 31 December 2019 holding 5% and above of the Company’s share capital are as set out in the table below:

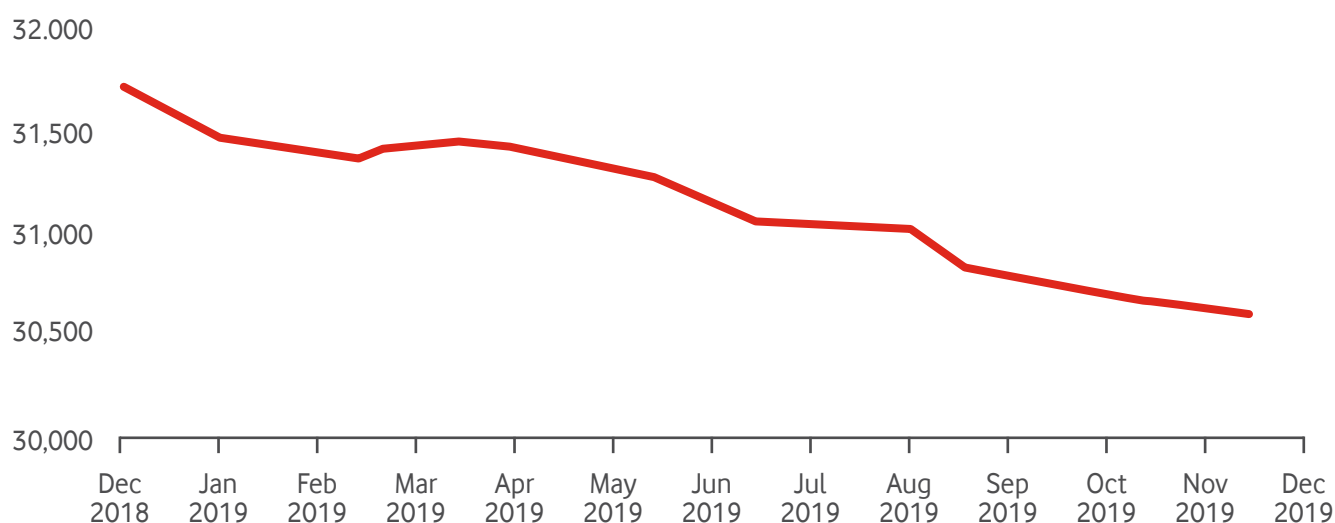
Name	Category	Domicile	Shares	Percent
Vodafone and Qatar Foundation LLC <sup>(1)</sup>	Corporation	Qatar	1,902,150,000	45.00%
Pension Fund - General Retirement and Social Insurance Authority	Government	Qatar	285,199,356	6.75%
Military Pension Fund - General Retirement Authority	Government	Qatar	218,770,020	5.18%
Qatar Foundation for Education Science and Community Development <sup>(2)</sup>	Corporations	Qatar	211,350,000	5.00%
<b>Total</b>			<b>2,617,469,376</b>	<b>61.92%</b>

(1) Vodafone and Qatar Foundation LLC owns 45% of the Company’s capital and is itself 100% owned by Qatar Foundation.

(2) Accordingly, Qatar Foundation’s ownership interest in the Company (both directly held and indirect through Vodafone and Qatar Foundation LLC) totals 50% of the Company’s capital.

## Number of Shareholders

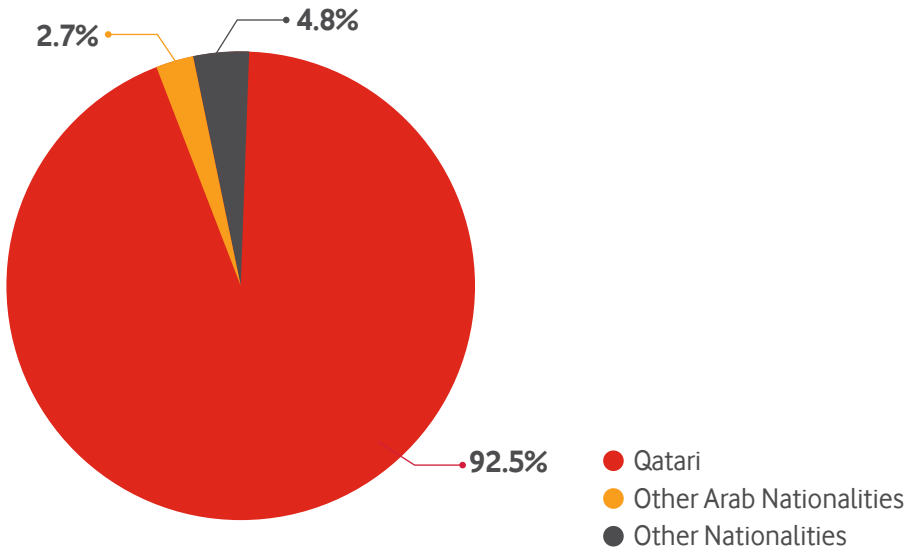
On 31 December 2019, the total number of shareholders in Vodafone Qatar reached 30,607 down from 31,701 as end of December 2018.



### Shareholder Base by Nationality

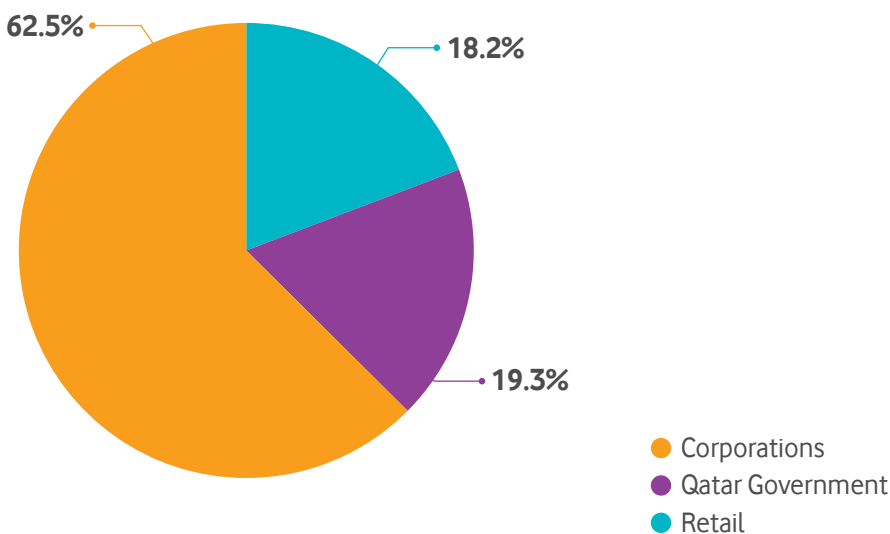
The percentage of shares held by Qatari shareholders (being shareholders, either citizens or entities incorporated in Qatar) fell to reach 92.5% of the Company's share capital (including the 45% equity stake held by Vodafone and Qatar Foundation LLC) down from 93.7% as at 31 December 2018.

Shares owned by shareholders from other Arab nationalities and other nationalities reached respectively 2.7% (up from 2.4% last year) and 4.8% (up from 3.9% last year) of the Company's share capital.



### Shareholder Base by Category

On 31 December 2019, the percentage of the Company's issued and paid up share capital owned by corporations reached 62.5% (62.6% last year) whilst the percentage owned by Qatar Government reached 19.3% (19.6% last year) and Retail shareholders reached 18.2% (17.8% last year).



## Share Price Movement

As mentioned above in the “Major Changes at Vodafone Qatar” section, the 5-for-1 Stock Split undertaken by Vodafone Qatar was completed and effective from Thursday, 4 July 2019. Relevant details are as follows:

### After the Vodafone Qatar Stock Split

New number of shares: 4,227,000,000 shares

Adjusted closing price: QR 1.42

Reduced nominal value: QR 1 / share

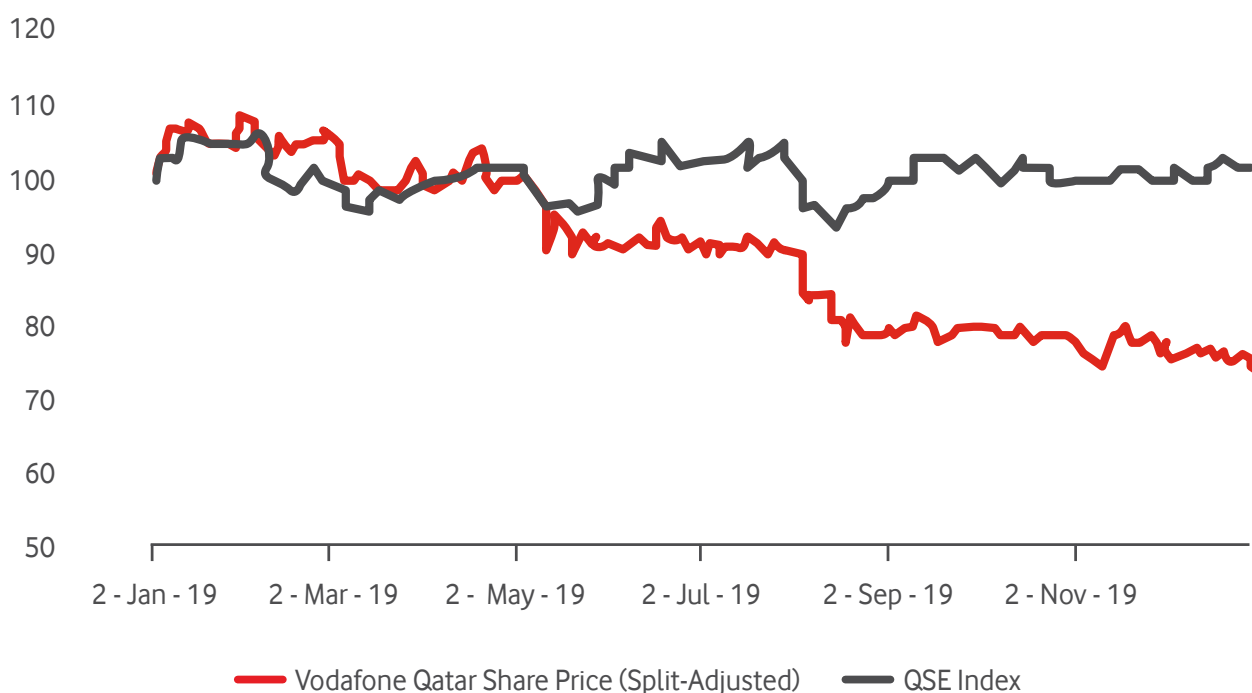
### Before Vodafone Qatar Stock Split:

Previous number of shares: 845,400,000 shares

Previous closing price: QR 7.08

Previous nominal value: QR 5 / share

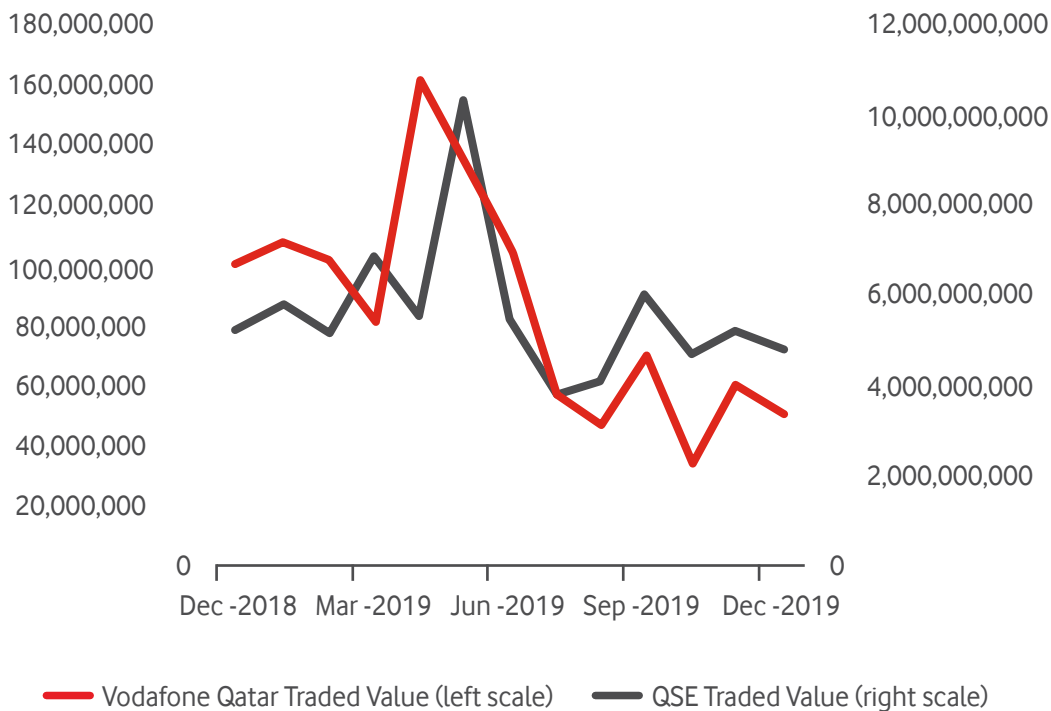
In the financial year ended 31 December 2019, Vodafone Qatar’s share price decreased by 25.7% to reach QR 1.16 on 31 December 2019 from QR 1.56 on 31 December 2018 (adjusted price).



## Share Trading Activity

### Traded Value

In December 2019, Vodafone Qatar monthly traded value reached QR 50.8 million down from QR 100.5 million in December 2018.



## Major Transactions

Vodafone Qatar was not involved in any Major Transaction(s) in the financial year ended 31 December 2019.

## Employee Rights

The Board ensures that all employees are treated equally without any discrimination whatsoever on the basis of race, gender or religion. Remuneration policy and packages have been established to incentivise employees to perform in the best interests of the Company and retain and reward employees who demonstrate exceptional performance.

Appropriate mechanisms are in place to enable all employees to report known or suspected breaches of Company policies confidentially and without the risk of a negative reaction from other employees or their superiors.

## Corporate Social Responsibility

We believe that the true value of a business lies in how it creates economic, environmental and social value. We incorporate our core competencies to engage with communities where we live and work. Through this engagement we seek to deepen personal links, enhance the quality of life and create opportunities for a better future for all people in Qatar.

Our social investments focus on three key areas:

1. Digital literacy
2. Community giving
3. Environmental protection

For further details, please refer to the Corporate Social Responsibility's section of the annual report.



# EXTERNAL AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

## Independent Assurance Report, to the Shareholders of Vodafone Qatar P.Q.S.C., on the Board of Directors' Report on the Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting.

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority ("QFMA") Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over The Board of Directors' Report on the evaluation of Design, Implementation and Operating Effectiveness of Internal Control over Financial Reporting (the "Directors' ICFR Report") as of December 31, 2019.

### Responsibilities of the directors and those charged with governance

The Board of Directors of Vodafone Qatar P.Q.S.C (the "Company") and its subsidiary (the "Group") is responsible for implementing and maintaining effective internal control over financial reporting. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates and judgements that are reasonable in the circumstances.

The Group has assessed the design, implementation and operating effectiveness of its internal control system as at December 31, 2019, based on the criteria established in the Internal Control — Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework").

The Group's assessment of its internal control system is presented by Management to the Board of Directors in the form of the Directors' ICFR Report, which includes:

- A description of the controls in place within the Components of Internal Control as defined by the COSO Framework;
- A description of the scope covering material business processes and entities in the assessment of Internal Control over Financial Reporting;
- A description of control objectives;
- Identification of the risks that threaten the achievement of the control objectives;
- An assessment of the design, implementation and operating effectiveness of Internal Control over Financial Reporting; and
- An assessment of the severity of design, implementation and operating effectiveness of control deficiencies, if any noted, and not remediated at December 31, 2019.

### Our Responsibilities

Our responsibility is to express a reasonable assurance opinion on the fairness of the presentation of the "Directors' ICFR Report" forming part of the Annual Corporate Governance Report, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as at December 31, 2019.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB'). This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Directors' ICFR Report is fairly presented. The COSO Framework comprises the criteria by which the Group's Internal Control over Financial Reporting is to be evaluated for purposes of our reasonable assurance opinion.

An assurance engagement to issue a reasonable assurance opinion on the Directors' ICFR Report involves performing procedures to obtain evidence about the fairness of the presentation of the Report. Our procedures on the Directors' ICFR Report included:

- Obtaining an understanding of the Group's components of internal control as defined by the COSO Framework and comparing this to the Directors' ICFR Report;
- Obtaining an understanding of the Group's scoping of significant processes and material entities, and comparing this to the Directors' ICFR Report;
- Performing a risk assessment for all material Account Balances, Classes of Transactions and Disclosures within the Group for significant processes and material entities and comparing this to the Directors' ICFR Report;
- Obtaining Management's testing of the design, implementation and operating effectiveness of internal control over financial reporting, and evaluating the sufficiency of the test procedures performed by management and the accuracy of management's conclusions reached for each internal control tested;
- Independently testing the design, implementation and operating effectiveness of internal controls that address significant risks of material misstatement and reperforming a proportion of management's testing for normal risks of material misstatement.
- Assessing of the severity of deficiencies in internal control which are not remediated at December 31, 2019, and comparing this to the assessment included in the Directors' ICFR Report, as applicable.

The components of internal control as defined by the COSO Framework are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

We performed procedures to conclude on the risk of material misstatement within significant processes considering the nature and value of the relevant account balance, class of transaction or disclosure.

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to affect the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: Entity Level Controls, Revenue – Prepaid, Revenue - Postpaid, Revenue – Equipment, Revenue - Others, Procurement, Treasury, Payroll, Fixed Assets, Financial reporting and disclosures, Operating expenses, Cost of sales and Information Technology Controls.

The procedures to test the design, implementation and operating effectiveness of internal control depend on our judgement including the assessment of the risks of material misstatement identified and involve a combination of inquiry, observation, reperformance and inspection of evidence.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on the fairness of the presentation of the Directors' ICFR Report.

### ***Meaning of Internal Control over Financial Reporting***

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. An entity's internal control over financial reporting includes those policies and procedures that:

- 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;
- 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of the management of the entity; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements, which would reasonably be expected to impact the decisions of the users of financial statements.

### ***Inherent Limitations***

Because of the inherent limitations of Internal Control over Financial Reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Therefore, Internal Control over Financial Reporting may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met.

In addition, projections of any evaluation of the Internal Control over Financial Reporting to future periods are subject to the risk that the internal control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Opinion

In our opinion the Directors' ICFR Report forming part of the Annual Corporate Governance Report, is fairly stated, in all material respects, based on the criteria established in the COSO Framework, including its conclusion on the effectiveness of design, implementation and operating effectiveness of Internal Control over Financial Reporting as of December 31, 2019.

**Doha – Qatar** For **Deloitte & Touche**  
**February 03, 2020** **Qatar Branch**

**Walid Slim**  
**Partner**  
**License No. 319**  
**QFMA Auditor License No.**  
**120156**

# BOARD OF DIRECTORS' ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

## General

The Board of Directors of Vodafone Qatar P.Q.S.C. (the "Company") and its consolidated subsidiary (together "the Group") is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") as required by Qatar Financial Markets Authority ("QFMA"). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICFR also includes our disclosure controls and procedures designed to prevent misstatements.

We have conducted an evaluation of the design, implementation and operating effectiveness of internal controls over financial reporting as of 31 December 2019, based on the framework and the criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Group has excluded Infinity Solutions LLC (the "Subsidiary") from the assessment of ICFR as of 31 December 2019, as the Subsidiary is yet to commence its commercial operations. The subsidiary had total assets of QR 0.1 million but no revenue or net profit, which are excluded from the assessment and has no significant impact on Group's consolidated financial statements as at and for the year ended 31 December 2019.

The Group implemented Oracle Fusion ERP system during the year with Go-Live in September 2019. This required the Group to migrate the data and processes from the previous used SAP system, which was managed by Vodafone Group. The newly implemented Oracle Fusion is still under hyper-care with the System Integrator (SI) and the management is currently working on enhancing the usage of the system with more reporting features and automation of processes. As a newly implemented ERP system still under hyper-care, the below scope of work is performed as part of ICFR testing:

- All financial and non-financial processes are tested for adequacy of controls and its operating effectiveness
- The access level controls to prevent unauthorized access to Oracle cloud database is tested by independent auditors of Oracle as part of their standard audit procedures and these reports were reviewed to ensure adequacy of controls
- Controls relating to user access management, change management and administration of the system will be tested by the management of the Group upon conclusion of the hyper-care period and once the system ownership is completely transferred from SI to IT department of the Group.
- Existence / Occurrence - assets and liabilities exist and transactions have occurred;
- Completeness - all transactions are recorded; account balances are included in the consolidated financial statements;
- Valuation / Measurement - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts;
- Rights and Obligations and ownership - rights and obligations are appropriately recorded as assets and liabilities; and
- Presentation and disclosures - classification, disclosure and presentation of financial reporting is appropriate.

The Company's auditor, Deloitte and Touche – Qatar Branch, an independent accounting firm, has issued a reasonable assurance report on Group's assessment of ICOFR.

### **Risks in Financial Reporting**

The main risks in financial reporting are that either the consolidated financial statements are not presented fairly due to inadvertent or intentional errors or the publication of consolidated financial statements is not done on a timely basis. A lack of fair presentation arises when one or more financial statement accounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the consolidated financial statements.

To confine those risks of financial reporting, the Group has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements. The Group has also assessed the design, implementation and operating effectiveness of the Group's ICOFR based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate the adequacy of a control system. As a result, in establishing ICOFR, management has adopted the following financial statement objectives:

However, any internal control system, including ICOFR, no matter how well designed and operated, can provide only reasonable, but not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICOFR may not prevent all errors and fraud. Furthermore, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

### **Organization of the Internal Control System**

#### **Functions Involved in the System of Internal Control over Financial Reporting**

Controls within the system of ICOFR are performed by all business and support functions with an involvement in reviewing the reliability of the books and records that underlie the consolidated financial statements. As a result, the operation of ICOFR involves staff based in various functions across the organization.

#### **Controls to Minimize the Risk of Financial Reporting Misstatement**

The system of ICOFR consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the consolidated financial statements. Such controls are integrated into the operating process and include those which:



- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties;
- operate on a periodic basis such as those which are performed as part of the annual consolidated financial statement preparation process;
- are preventative or detective in nature;
- have a direct or indirect impact on the consolidated financial statements themselves. Controls which have an indirect effect on the consolidated financial statements include entity level controls and Information Technology General Controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item; and
- feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

### **Measuring Design, Implementation and Operating Effectiveness of Internal Control**

For the financial year 2019, the Group has undertaken a formal evaluation of the adequacy of the design, implementation and operating effectiveness of the system of ICOFR considering:

- The risk of misstatement of the consolidated financial statement line items, considering such factors as materiality and the susceptibility of the financial statement item to misstatement; and
- The susceptibility of identified controls to failure, considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature, timing and extent of evidence that management requires in order to assess whether the design, implementation and operating effectiveness of the system of ICOFR is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICOFR evaluation. Information from other sources also form an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings.

The evaluation has included an assessment of the design, implementation, and operating effectiveness of controls within various processes including Treasury, Human Resources & Payroll, Fixed Assets, Inventory, Revenue & cost, General Ledger and Financial Reporting. The evaluation also included an assessment of the design, implementation, and operating effectiveness of Entity Level Controls, Information Technology General Controls, and Disclosure Controls. As a result of the assessment of the design, implementation, and operating effectiveness of ICOFR, management did not identify any material weaknesses and concluded that ICOFR is appropriately designed, implemented, and operated effectively as of 31 December 2019.

This report on Internal Control over Financial Reporting was approved by the Board of Directors of the Group on 03 February 2020 and were signed on its behalf by:

**Abdulla bin Nasser  
Al Misnad**  
Chairman

**Rashid Al-Naimi**  
Managing Director



