



Shareholder Guide to the General Assembly of Qatari Shareholding Companies (Public and Private)

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INDEX

Introduction

The Ministry of Commerce and Industry is keen to strengthen the relationship between shareholders and shareholding companies to better serve the public interest. Given the importance of general assemblies, the Ministry issued this guide to activate the role of shareholders in general assemblies and raise awareness of the principals of governance related to public and private shareholding companies.

As the main communication channel between the company's shareholders and its Board of Directors, the general assembly addresses issues that requires the shareholders' agreement. Thus, the participation of shareholders in the general assembly would enhance transparency, support governance frameworks, and cement the role of shareholders in building the administrative system of joint-stock companies, which reflects positively on their performance and contributes to their growth and expansion on the financial and economic levels.



General Assemblies

The Board of Directors invites shareholders to the general assembly to discuss company matters, exchange views, submit proposals and determine the state of the company and potential future challenges. Hence, the active participation of shareholders incentivizes the company by fostering an integral relationship between its management, shareholders and various stakeholders. Despite the differences in prerogatives between general assemblies, each shareholder has the right to attend the assembly and cast a number of votes equal to his shares. Decisions are issued by the absolute majority of shares represented at the meeting. Minors and interdicted persons are represented by their legal proxies. Proxies are allowed to be appointed provided that the proxy is a shareholder and that his representation is written and special. The shareholder cannot authorize a member of the Board of Directors to attend the general assembly on his behalf. In all cases, the number of shares held by the proxy in this capacity shall not exceed 5% of the company's capital.

General assemblies fall under one of the following three categories:

- ◆ Incorporation assembly
- ◆ Extraordinary general assembly
- ◆ Ordinary general assembly

◆ Incorporation assembly

Each subscriber, regardless of the number of shares he/she owns, has the right to attend the Incorporation Assembly.

The Incorporation Assembly shall touch on the following:

1. Determine who is chosen among founders to undertake the company's incorporation and handle related expenses.
2. Set the Articles of Association of the company.
3. Appoint the members of the first Board of Directors, the first auditors, and determine their wages.
4. Approve the evaluation of in-kind shares, if they exist
5. Announce the incorporation of the company

◆ Extraordinary general assembly:

Extraordinary General Assemblies shall convene at any time during the year whenever the need arises. The Extraordinary General Assembly is only convened by the invitation of the Board of Directors and upon the request of shareholders representing at least 25% of the company's capital. In case the Board does not make the invitation within 15 days of the request, they may address the Companies Affairs Department at the Ministry of Commerce and Industry to convene the general assembly at the company's expense.

The Extraordinary General Assembly shall have the following competencies:

Amending the Company's bylaws or Articles of Association.

2. Increasing or decreasing the Company's capital.
3. Extending the term of the Company.
4. Dissolution, liquidation, transformation, merger or acquisition by another company.
5. Selling or disposing of the complete project for which the Company was established.

In case of approving any of the aforementioned issues, the amendments must be registered at the Commercial Register.

The Extraordinary General Assembly shall not amend the Company's Articles of Association to increase the burden on shareholders, or change the main purpose of the Company or its nationality, or move the Company's established headquarter to another country.

◆ Ordinary General Assembly

The Ordinary General Assembly convenes at least once yearly, during the first (4) months following the end of the Company's fiscal year. Other Ordinary General Assemblies may be convened whenever needed. The Ordinary General Assembly shall convene upon an invitation from the Board. The Board could also invite the Ordinary General Assembly to convene, upon the request of the auditor. The auditor may invite the Assembly to convene after obtaining the Board's approval, and the Board has to decide within 15 days from the date of the auditor's request.

The Board of Directors must also convene the General Assembly upon the request of a shareholder/s representing at least 10% of the Company's capital, for good reasons, within 15 days from the date of the receipt of the request. The Board can approve the request of the aforementioned shareholders by inviting the Assembly at the Company's expense within 15 days from the date of the receipt of the request. In both cases, the General Assembly's agenda is limited to the subject matter of the request.

The Companies Affairs Department convenes a Company's General Assembly in the following cases:

1. If the General Assembly is not invited to convene within 30 days of the specified date in Article (123) of the Corporate Law No. (11) of the year 2015, amended by Law No. (8) of the year 2021.
2. If no invitation was sent to convene due to the decrease of the number of members of the Board of Directors failed below what has been stipulated in Article (101) of the regulating Law.
3. Violation of the law or the Articles of Association of the Company or the occurrence of gross mismanagement. In these cases, all procedures prescribed for convening the General Assembly are taken at the expense of the Company.

Ordinary General Assembly competencies:

1. Discussing the Board of Directors' report regarding the activity of the Company and its financial situation during the year, in addition to its future plans. The report must include detailed explanation of the revenue and expenditure items, and a detailed statement of the proposed method of the Board to apportion the year's net profits and the date of disbursement.
2. Discussing the auditors' report regarding the budget and the final accounts provided by the Board.
3. Discussing and approving the annual budget and the profits and losses statement, and approving the profits that will be distributed.
4. Discussing and approving the governance report.
5. Considering the discharge of the Board of Directors' members.
6. Electing the members of the Board of Directors and appointing an auditor, specifying his remuneration for the coming year, unless it is specified in the Articles of Association.
7. Discussing and deciding on any other proposal included by the Board of Directors in the agenda. The General Assembly cannot deliberate on any issue other than the ones on the agenda, yet it may discuss important topics that were raised during the meeting.

If a number of shareholders, representing at least 5% of the Company's capital, requested to list certain topics in the agenda, the Board of Directors is obligated to do so, or the Assembly shall have the right to discuss these topics during the meeting.

Legal quorum and dates:

| Extraordinary General Assembly | Ordinary General Assembly | Incorporation Assembly | Statement |
|--|---|---|---|
| Board of Directors | Board of Directors | Founders | Who sends the invite |
| Announcement before 25 days of the general assembly | Invitation sent before 3 days at least of the date | Within 10 days of the subscription closing date | Time |
| Whenever needed | Once at least per year during the 1st (4) months following the end of the Company's fiscal year | Depending on the conditions that prescribe the invitation and after the approval of management and within 30 days of the invite | Convening |
| Attendance of Shareholders representing at least 75% of the company's capital | Attendance of Shareholders representing at least 50% of the company's capital unless the Articles of Association prescribe more | Attendance of Shareholders representing at least 50% of the company's capital | Quorum |
| Within 30 days of the 1st meeting | Within 15 days of the 1st meeting | | In case the quorum of the 1st meeting was not met |
| Attendance of Shareholders representing at least 50% of the company's capital | Any presence | | Quorum of the 2nd meeting |
| If the quorum is not met during the 2nd meeting, an invitation is sent for a 3rd meeting after 30 days of the 2nd meeting and the quorum is met regardless of the presence | | | 3rd meeting |



Basic elements of the General Assemblies and their roles:

- ◆ 1. Board of Directors
- ◆ 2. Shareholders
- ◆ 3. Auditor
- ◆ 4. Supervisory authorities
- ◆ 5. Rapporteur
- ◆ 6. Chairman of the Assembly

◆ Board of Directors:

The Board of Directors sends an invitation to convene the Ordinary General Assembly once a year, at least, within (4) months following the end of the Company's fiscal year, or as per a request to do so.

The Board's most important responsibilities:

- Preparing, every fiscal year, the Company's budget, statement of profits and losses, statement of financial flows and the needed clarifications in comparison with the previous year, all verified by the Company's auditors, in addition to preparing a report about the Company's activity and its financial situation during the previous year, and future plans for the coming year.

These statements and files need to be prepared within 3 months following the end of the Company's fiscal year, to present them to the General Assembly, which has to convene within 4 months at most following the end of the Company's fiscal year.

- Inviting all shareholders to attend the General Assembly meeting, via an announcement in 2 daily newspapers one of which at least is an Arabic Daily, and on the Exchange's website and the Company's website (If it exists)

The announcement has to be made at least 15 days before the date of the Assembly, and it should include a detailed summary regarding the Assembly's agenda and all the aforementioned statements, with the auditor's report. A copy of the announcement is sent to management once it was sent to newspapers

- Providing a detailed annual statement to be viewed by the shareholders prior to the General Assembly meeting, which calls for reviewing the Company's budget and the Board of Directors' report at least a week before. The report includes the following
 1. All sums received by the Chairman of the Board of Directors' of the Company and each member of the Board during the fiscal year, including wages, fees and compensations for attending Board meetings, allowances and any other sums.
 2. In-kind and cash benefits to the Chairman of the Board and each member during the fiscal year
 3. The remuneration proposed by the Board to be distributed to its members
 4. Sums allocated to each member of the current Board
 5. Transactions in which one of the Board members or managers has an interest that contradicts the Company's interest
 6. Expenditures for the purpose of advertisement with the details pertaining to each sum
 7. Donations with a statement of the donor and the pertaining justifications

With regard to banks and other financial institutions, the aforementioned statements must be attached to a report prepared by the auditor, in which he certifies that cash loans, credits or guarantees provided to the Chairman or members of the Board during the fiscal year do not contradict the provisions of Article (110) of the Law.

- The Chairman of the Board must publish the budget, statement of profits and losses, a detailed summary of the Board's report and the auditors' report in 2 local dailies, one of which at least is published in Arabic, and on the Company's website (if it exists), at least 15 days prior to the convening of the General Assembly. A copy of the aforementioned documents is also provided to management prior to publishing them, to determine the publishing mechanisms.

◆ Chairman of the Assembly:

The Chairman of the Board, his deputy or anyone delegated by the Board chairs and manages the Assembly, and in case the aforementioned cannot attend, the Assembly shall appoint a chairman from amongst the Board of Directors' members or shareholders, in addition to appointing a rapporteur.

If the Assembly is discussing a subject related to the Chairman of the meeting, it must choose another chairman from amongst the shareholders.

◆ The Auditor:

Every shareholding company must have an auditor/s appointed by the General Assembly for one year and it is responsible for specifying his fees and has the right to reappoint him, provided that the appointment period does not exceed 5 consecutive years. The Board of Directors cannot be delegated with regard to the aforementioned, however, the founders of the company are allowed to appoint a temporary auditor until the first General assembly is convened.

The auditor shall perform the following:

1. Audit the accounts of the Company following the recognized auditing principles and its professional, scientific and technical standards
2. Check the Company's budget and its statement of profits and losses
3. Ensure the application of the law and the Articles of Association of the company
4. Examine the financial and administrative systems of the Company and its internal financial controls, and ensure their suitability for the smooth running of the Company and the preservation of its funds
5. Check the assets of the Company and its ownership, and ensure the legality and validity of the Company's obligations
6. View the decisions of the Board of Directors and the instructions issued by the Company
7. Any other obligations to be performed by an auditor as per the Law and the law regulating the auditing profession, and other relevant regulations and principles

The auditor must provide a written report to the General Assembly and he, or whoever he delegates, has to recite the report before the General Assembly, and he send a copy of it to management.

The auditor's report to the General assembly must include:

- 1- That he has obtained the information, data and clarifications deemed necessary to do his job
- 2- That the Company maintains regular accounts and records as per the internationally accepted accounting principles
- 3- That the audit procedures he carried out for the Company's accounts are deemed sufficient for him to express his opinion regarding the Company's financial situation, business results and cash flow, as per the internationally recognized auditing principles
- 4- That the financial statements included in the Board of Directors' report to the General Assembly are in line with the Company's entries and records
- 5- That the inventory was carried out as per approved rules
- 6- Exposing the violations to the Law or the Articles of Associations of the Company that occurred during the year being audited, and which seriously affect the financial results of the Company and its financial situation, and clarifying whether these violations are ongoing, within the limits of the information available to him

If the Company has more than one auditor, they must submit one report and present it to the General Assembly. If the Assembly certified the Board of Directors' report without listening to the auditor's report, its decision is deemed null and void.

The auditor is responsible for the validity of the data included in his report in his capacity as a representative for all shareholders. Each shareholder has the right to discuss with the auditor the content of the report during the convening of the General Assembly.

◆ Rapporteur:

The Assembly appoints a rapporteur for the meeting.

◆ Shareholders:

- Shareholders have the opportunity to participate and vote in general assemblies. Voting is a basic right for a shareholder and it cannot be cancelled under any circumstances
- Every shareholder has the right to discuss the subjects listed on the Assembly's agenda and direct questions to the members of the Board of Directors, and the latter have to answer the questions to the extent that does not harm the interests of the Company
- The shareholder has the right to resort to the General Assembly if he felt that the answer to his query is unsatisfactory, and the Assembly's decision is binding
- The shareholder has the right to nominate himself for membership in the Board of Directors once he fulfills the requirements

◆ Supervisory Authorities:

The representatives of the supervisory authorities perform the following duties:

- Ensuring that relevant laws and regulations are not violated
- Monitoring notes during the General Assembly



General Assemblies work mechanisms:

◆ Voting:

Voting is the tool that protects a shareholder's rights, in addition to his right to attend and participate in the discussions and decision-making. Voting to elect the members of the Board of Directors can be done traditionally or electronically.

◆ Voting mechanisms:

Each shareholder votes on the number of candidates as per the shares he owns, regardless of the distribution of shares among candidates.

◆ Mechanisms for electing members of the Board of Directors:

The election takes place during the ordinary general assembly for a term not exceeding 3 years, with the exception of the first Board of Directors whose members are appointed for no more than 5 years. The Company must make an announcement and open candidacy for a sufficient period of time to everyone wishing to participate to send his CV to the Company.

◆ Prohibited business for the Chairman and members of the Board of Directors:

- The Chairman/members of the Board of Directors shall not participate in any business that may compete with the Company, or conduct business on their own, or on behalf of others in the activities performed by the Company. In case of violation, the Company has the right to request compensation from the Chairman/members of the Board or deem the transactions conducted as its own.
- It's not permissible for the Chairman/members of the Board or the managers to engage in an activity similar to the one performed by the Company, or to have any direct/indirect interest in the contracts or projects undertaken by the Company.
- It's not permissible for the Company to provide any cash loan of any kind to anyone of its members of the Board, or guarantee any loan that one of them concludes with others. Except for this, it's permissible for banks or other credit companies to provide loans to anyone of its members of the Board of Directors, or open a credit for him, or guarantee him a loan with others, as per the terms and conditions specified by Qatar Central Bank. Any disposition that contradicts these provisions is considered null and void, without prejudice to the right of the company to demand compensation from the violator.
- It's prohibited for the chairman/members of the Board or the Company's employees to use any information obtained by virtue of membership/position and benefit from it to their personal interest, whether for the person himself or his wife/children/relatives up to the 4th degree, directly or indirectly, as a result of dealing in the Company's securities. It's not permissible also for any of the aforementioned to have a direct/indirect interest with any party that carry out transactions aiming to affect the prices of the securities issued by the Company, and this prohibition remains valid for 3 years after the end of the membership in the Board of Directors or the termination of his work in the Company.



How can a shareholder maximize his role in general assemblies

Shareholders have an important role to play in general assemblies through their attendance and participation in the decision making via voting. The shareholder can maximize his role in general assemblies by:

- Preparing himself for the assembly and reviewing the Board of Directors' report and the Company's financial statements prior to the meeting
- Familiarizing himself with the meeting agenda
- Benefitting from the opportunity to discuss issues and ask questions in a way that does not harm the Company's interests
- Increasing his awareness of his rights as a shareholder by reviewing relevant laws and regulations

Common mistakes in assemblies:

Some of the common mistakes committed in a general assembly include the following:

- Some companies are late to convene the general assembly
- Lack of sufficient information about the agenda, which may affect the decisions of some shareholders
- Neglecting to discuss all the subjects presented to shareholders, and contenting with what's included in the voting cards, resulting in a lack of information
- Not reviewing the meeting's topics sufficiently
- Participation by the members of the Board of Directors in voting on discharge from responsibility for their terms at the company
- Discussing subjects that are not on the meeting's agenda

Frequent Questions

◆ Does the shareholder have the right to file a lawsuit?

Every shareholder has the right to file a lawsuit individually if the Company didn't, in case his interest as a shareholder was harmed, provided he notifies the Company about it, and every condition in the Company's Articles of Association providing otherwise is null and void.

◆ Who prepares the budget?

Each fiscal year, the Board of Directors prepares the budget, a statement of profits and losses, a statement of financial flows, and clarifications compared to the previous year, certified by the Company's auditors, in addition to a report on the Company's activities and its financial position during the previous fiscal year, and its plans for the coming year. The Board prepares these statements in a period not exceeding 3 months from the end of Company's fiscal year, to present them during the shareholders' General Assembly, which must be held within 4 months of the end of the Company's fiscal year.

◆ Who makes the invitation to the General Assembly, and where and how it is announced?

The Board of Directors invites all shareholders to attend the General Assembly via two daily local newspapers, one of which is in Arabic, and on the website of the financial market, and the Company's electronic website, if available. The announcement must be made at least 15 days prior to the General Assembly, and it should include an adequate briefing about the General Assembly's agenda, all the statements and papers indicated previously, along with the Auditors' report. A copy of the announcement is sent to the Administration at the same time it is sent to newspapers.

◆ Can the Board of Directors invites more than once in one year?

The Board of Directors has the right to invite the General Assembly whenever the need arises.

◆ Is it possible for the auditor to invite the General Assembly?

If the Board of Directors did not invite the General Assembly 15 days prior to its meeting date, the auditor has the right to make the invitation himself after obtaining the approval of the Board of Directors, and the Board of Directors has to decide on this request within 15 days of its receipt.

◆ What's the percentage of shareholders needed to invite the General Assembly?

The Board of Directors has to invite the General Assembly whenever requested to do so by a shareholder/s who own at least 10% of the capital, and for serious reasons, within 15 days of the request. Otherwise, the management will approve the request for a meeting by the aforementioned shareholders at the Company's expense within 15 days of the receipt of the request, and the agenda will be limited to the subject of the request.

◆ **Is the head of the Board of Directors obliged to publish the budget and provide a copy of it before the conclusion of the General Assembly to the Companies Affairs Department?**

The head of the Board of Directors has to publish the budget, the statement of profits and losses and a briefing about the Board of Directors' report and provide a copy of them to the Companies Affairs Department before publication to determine the publication's mechanism.

◆ **What items should be included in the agenda of the General Assembly meeting?**

- Listening to the report of the Board of Directors on the company's activity and its financial position during the year and the auditor's report before ratifying them.
- Discussing and approving the company's budget and profit and loss account and ratifying them.
- Discussing and approving the Governance Report.
- Considering the proposals of the Board of Directors on the distribution and approval of dividends.
- Considering releasing the members of the Board of Directors and determining their remuneration.
- Presenting the tender for the appointment of auditors and the determination of their fees.
- Electing members of the Board of Directors, when needed.

◆ **Who should lead the General Assembly and act if its Chairman is absent?**

- The General Assembly should be chaired by the Chairman of the Board of Directors or his deputy or by the Board of Directors. In case the aforementioned fail to attend the meeting, the Assembly should appoint from among the members of the Board of Directors or shareholders a chairman. The Assembly should also appoint a rapporteur for the meeting. If the Assembly was discussing a matter related to the head of the assembly, then it should choose who shall preside from among the shareholders.

◆ **Does every shareholder have the right to discuss items on the General Assembly's agenda?**

Each shareholder has the right to discuss matters on the general assembly's agenda, and to ask questions to the members of the Board of Directors. Members of the Board are obliged to answer questions provided they don't harm the Company's interest.

◆ **Where are the minutes of the meeting recorded, and what is the deadline for the Company to submit a copy of it to the Companies Affairs Department?**

The minutes of the meetings of the General Assembly should be recorded in a special register. The records and minutes of the General Assembly meeting are subject to the provisions of Article (106) of the Law concerning records and minutes of the General Assembly meetings. A copy of the minutes should be sent to the management within a maximum of 7 days of its conclusion.

◆ **What are the issues that are presented in the Extraordinary General Assembly?**

Matters that may be decided only through an extraordinary general assembly:

- Amendment of the company's memorandum or incorporation or its statutes.
- Increasing or decreasing the company's capital.
- Extending the duration of the company.
- Dissolving, liquidating, converting, or merging into another company or acquiring it.
- Selling the entire project for which the company was established, or disposing it in any other manner.

◆ **When an Extraordinary General Assembly is held, and what's the attendance level for it to be valid?**

The Extraordinary General Meeting shall not be valid unless attended by shareholders representing at least 75% of the Company's capital. If this quorum is not reached, then the Assembly should be invited to a second meeting to be held within 30 days following the first meeting. The second meeting is valid if it was attended by shareholders representing (50%) of the company's capital. If attendance for the second meeting falls short of the quorum, a 3rd meeting should be convened after 30 days have elapsed from the date set for the second meeting. The 3rd meeting is considered valid regardless of the number of attendees. If any decision to be made is related to issues mentioned in Provisions (4) and (5) of Article No. (137) of the Law, the validity of the meeting requires the attendance of shareholders representing at least 75% of the Company's capital. The Board of Directors has to announce the decisions of the Extraordinary General Assembly if it included the amendment of its Articles of Association.

◆ **Are the provisions of the General Assembly applicable to Extraordinary General Assembly?**

The provisions of the extraordinary general Assembly are applicable to the ordinary general assembly.

◆ **Is it allowed for each shareholder during the general Assembly to discuss with the auditor?**

Yes, during the General Assembly, each shareholder may discuss and ask the auditor to clarify what is stated in the report.

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