Corporate Governance Report

Our Corporate Governance Philosophy

The Company is committed to implement the Code of Corporate Governance issued by the Capital Market Authority (CMA) to sustainably maximize shareholder value while ensuring fairness to all stakeholders: customers, partners, investors, employees, government, and society. Our corporate governance reflects our value system encompassing our culture, policies and relationships with our stakeholders.

Board of Directors

The Board of Directors ('the Board') is at the core of our corporate governance practice and oversees how the Management serves and protects the long-term interests of all our stakeholders. We believe that an active, well-informed, and independent Board is necessary to ensure the highest corporate governance standards.

The Board's main responsibilities include:

- Review the strategic plans and operational performance
- Review effectiveness of internal controls
- Approval of business plans and budgets
- Approval of quarterly and annual financial statements
- Approval of policies and procedures

Election of the Board of Directors

Elections of the members of the Board of Directors are carried out in the Annual Ordinary General Meetings of the Company in accordance with the provisions of the Commercial Companies Law and the guidelines issued by the Capital Market Authority.

If the office of a director becomes vacant in the period between two annual ordinary general meetings, the board appoints a temporary director to assume his office until the next ordinary general meeting in accordance with the provisions of the Commercial Companies Law.

Current Board

The current Board was elected in the Annual Ordinary General Meeting held on 25 March 2019. As at 31 December 2020, the Board consists of **seven** members, of which **four** are independent directors.

Sl No	Director's name	Designation	Status	Board meetings attended	AGM Attended	Directorships in other SAOG Companies
1)	**Dr. Juma Ali Juma Al-Juma**	Chairman	Non-independent	5	YES	HSBC Bank Oman SAOG
2)	**His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan**	Deputy Chairman	Non-independent	5	No	-
3)	**Faisal Ali Saleh Al Ahmed Al Ali**	Director	Independent	5	No	-
4)	**Mohammed Ali Said Al-Qassabi**	Director	Independent	5	YES	-
5)	**Sultan Khalifa Saleh Al-Tai**	Director	Non-independent	5	YES	-
6)	**Saleh Nasser Juma Al-Araimi**	Director	Independent	5	YES	Oman Fisheries SAOG
7)	**Saif Salim Saif Al-Harthi**	Director	Independent	5	YES	1) Bank Muscat 2)Al Omaniya Financial Services SAOG

Number of Board meetings in 2020:

The Board held five meetings in 2020 as detailed below:

1) 12 Feb 2020	2) 26 Jun 2020	3) 29 Jul 2020
4) 29 Oct 2020	5) 16 Dec 2020	

The intervals between the board meetings are in line with the CMA requirements of a maximum interval of four months, with the exception of the second meeting that was postponed due to the situation of the Covid-19 pandemic.

Audit Committee

Role of Audit Committee

The Audit Committee Charter defines the duties and responsibilities of the Committee, which are concisely:

- Ensuring compliance with the CMA regulations and Code of Corporate Governance
- Review quarterly and annual financial statements
- Recommend external audit fees and terms of engagement to the Board of Directors
- Review and approve the annual internal and external audit plans and ensuring that auditors have full and unrestricted access to all relevant documents and staff
- Oversight of all audit activities and internal control evaluation
- Review proposed specific transactions with related parties and making recommendations to the Board
- Conduct any special investigations and report to the Board

The Company has an internal audit function that reports to the Audit Committee.

Composition of Audit Committee

The Audit Committee comprises a Chairman and two Directors, all of whom are non-executive and two of them are independent directors. The Committee members are knowledgeable in finance, industry, and laws and regulations governing SAOG companies.

Audit Committee meetings

The Audit Committee met 8 times in 2020, as detailed below:

1) 11 Feb 2020	2) 18 Mar 2020	3) 14 Jun 2020
4) 26 Jul 2020	5) 7 Sep 2020	6) 21 Oct 2020
7) 23 Nov 2020	8) 29 Dec 2020	

The attendance record of the Audit Committee meetings was as follows:

Sl No	Director's name	Designation	Status	Meetings attended
1)	Saleh Nasser Juma Al-Araimi	Chairman	Independent	8
2)	Mohammed Ali Said Al-Qassabi	Member	Independent	8
3)	Sultan Khalifa Saleh Al-Tai	Member	Non-independent	8

Executive Committee

Role of Executive Committee

The Executive Committee is delegated the powers and authority to facilitate the smooth running of the operations of the Company and to provide the Board with a mechanism for considering in-depth, any issue that the Board considers that requires detailed attention. The Committee's main areas of competence are to review the following points:

- Strategic issues
- Investment decisions
- Treasury and liquidity management
- Business plans and budgets
- Major changes in policies and procedures
- Proposals for new business areas
- Progress reviews
- Staff matters
- Other matters referred by the Board to the Committee

Composition of Executive Committee

The Executive Committee comprises two independent directors and two non-independent directors.

Executive Committee meetings

The Executive Committee met 2 times in 2020 as detailed below:

1) 12 Feb 2020	2) 16 Dec 2020

The attendance record of the Executive Committee meetings was as follows:

Sl No	Director's name	Designation	Status	Meetings attended
1)	His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan	Chairman	Non-independent	2
2)	Dr. Juma Ali Juma Al-Juma	Member	Non-independent	2
3)	Faisal Ali Saleh Al Ahmed Al Ali	Member	Independent	2
4)	Saif Salim Saif Al-Harthi	Member	Independent	2

Nomination & Remuneration Committee

The Board constituted "Nomination and Remuneration Committee" in 2016 to assist and advise the Board on the following matters:

1) Establishing remuneration & incentive policy for Directors & Executive Management
2) Defining bonus policy for Executive Management
3) Appointment of skilled persons to the Board & Executive Management
4) Succession planning for Directors & Executive Management

The Remuneration and Nomination Committee comprises a Chairman and three Directors; one is non-independent and three are independent.

The Nomination & Remuneration Committee met 2 times in 2020 as detailed below:

1) 24 Feb 2020	2) 25 Feb 2020	

The attendance record of the Committee meetings was as follows:

Sl No	Director's name	Designation	Status	Meetings attended
1)	Saif Salim Saif Al-Harthi	Chairman	Independent	2
2)	Sultan Khalifa Saleh Al-Tai	Member	Non independent	2
3)	Mohammed Ali Said Al-Qassabi	Member	Independent	2
4)	Faisal Ali Saleh Al Ahmed Al Ali	Member	Independent	1

Corporate Social Responsibility (CSR)

During the year 2020, several projects benefitting Society were undertaken. As a responsible corporate citizen, we responded to the need of the hour by contributing to various social responsibility activities, including contribution to the Government fund to fight Covid-19 in early March 2020.

Remuneration of Directors

Sitting fees are paid to the Board and committee members to take account of the additional work involved. The details of sitting fees are shown below:

- Board Meetings-RO 800 per meeting.
- Audit Committee Meetings-RO 600 per meeting.
- Executive Committee Meetings-RO 600 per meeting.
- Nomination & Remuneration Committee sitting fee - RO 600 per meeting.

Details of total sitting fees for the year are given below:

1)	Total sitting fees of the Board of Directors meetings	RO 28,000
2)	Total sitting fees of the Audit Committee meetings	RO 14,400
3)	Total sitting fees of the Executive Committee meetings	RO 4,800
4)	Total sitting fees of the Nomination & Remuneration Committee meetings	RO 4,200
	Total sitting fees	**RO 51,400**

The details of amounts paid to / proposed for directors for 2020 are shown below:

Director's name	**Sitting fees RO**	**Proposed remuneration RO**	**Total RO**
1) Dr. Juma Ali Juma Al-Juma	5,200	-	**5,200**
2) His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan	5,200	-	**5,200**
3) Faisal Ali Saleh Al Ahmed Al	5,800	-	**5,800**
4) Saif Salim Saif Al-Harthi	6,400	-	**6,400**
5) Saleh Nasser Juma Al -Araimi	8,800	-	**8,800**
6) Sultan Khalifa Saleh Al-Tai	10,000	-	**10,000**
7) Mohammed Ali Said Al-Qassabi	10,000	-	**10,000**
Total	**51,400**	-	**51,400**

The total sitting fees for each director and the total sitting fees and remuneration for all directors are within the provisions of the Articles of Association and the Commercial Companies Law (18/2019).

Shareholders

The shareholders who owned 5% or more of the share capital of the Company at 31 December 2020 were as follows:

Shareholder's name	% of shareholding	Number of shares held
1) ABS Lubricants	40 %	27,600,000
2) Civil Service Employees Pension Fund	13.2 %	9,081,781
3) Public Authority for Social Insurance	6.5 %	4,497,909
4) Ministry of Defense Pension Fund	5.4 %	3,718,430
5) Mohammed Hamed Mohammed Al Harthy	5.2 %	3,630,000
Total	**70.3 %**	**48,528,120**

Distribution of shareholding

Category of shares	Number of shareholders	Number of shares	% of shareholding
Up to 5,000	986	1,625,597	2%
5,001 – 30,000	362	2,887,206	4%
30,001 -50,000	31	1,271,269	2%
50,001 – 100,000	17	1,097,537	2%
100,001 – 400,000	18	3,283,142	5%
Above 400,000	15	58,835,249	85%
Total	**1,429**	**69,000,000**	**100%**

Dividend policy

The Board of Directors will maintain a sustainable dividend policy which will address the financial strength of the Company, support its long-term strategies and at the same time, will pay a reasonable dividend to the shareholders and in compliance with the Commercial Companies Law (18/2019).

Communication with shareholders

The annual and quarterly financial statements are published in two newspapers (Arabic and English).

All the information relating to the Company, news and the financial results are available in the Company's website and in Muscat Securities Market website. The Annual General Meeting offers a further opportunity for the directors to meet with shareholders.

The Annual Report includes the Management Discussions and Analysis Report.

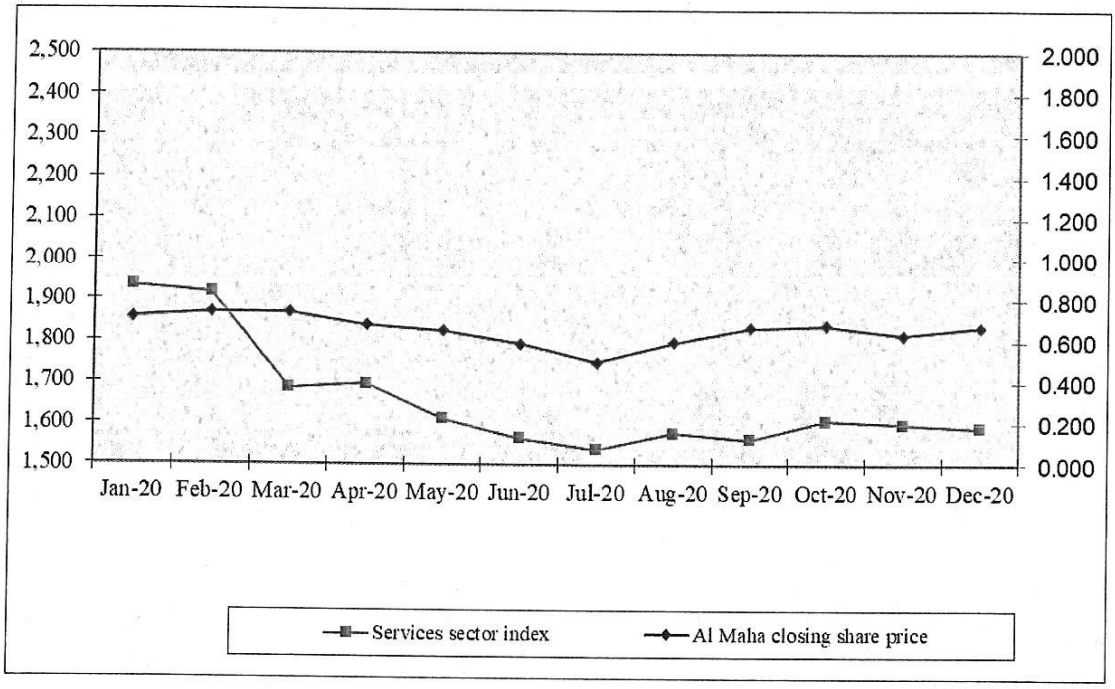
The Company did not have any GDRs/ADRs/Warrants or any other convertible warrants as on 31 December 2020 and hence the likely impact on equity is Nil.

Market price data

The monthly market prices during 2020 are shown in the following table

Month	High RO/ share	Low RO/ share	Close RO/ share
January	0.732	0.716	0.716
February	0.744	0.700	0.740
March	0.760	0.732	0.740
April	0.692	0.668	0.680
May	0.680	0.612	0.652
June	0.652	0.588	0.588
July	0.540	0.494	0.500
August	0.600	0.490	0.596
September	0.680	0.600	0.668
October	0.688	0.672	0.680
November	0.672	0.628	0.632
December	0.680	0.612	0.672

Performance in comparison to MSM services sector index



Statutory auditors

Moore Stephens LLC, Oman is part of the Moore Global network, which is regarded as one of the world's major accounting and consulting networks, with its headquarters in London, consisting of more than 260 independent firms with 609 offices and more than 30,000 people across 112 countries.

The Oman office commenced practice in the Sultanate of Oman in 1988. Over the years, the practice has developed considerably and now services a number of clients, including major listed companies, Groups, government organisations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 60, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

Details of non-compliance with the provisions of Corporate Governance

The Company complies with the provisions of the Code of Corporate Governance. Therefore, there are no penalties imposed on the Company by CMA/MSM during the period of this report.

However, during the year due to the Covid 19 pandemic, there were instances of delay in preparing, circulating and getting the approval of minutes of meetings and the related agenda.

Acknowledgement by the Board of Directors

1) The Board of Directors is responsible for the approval of the financial statements related to the activities of the Company and the results of its business, presented thereto by the executive management, which reveal the actual financial status of the Company.

2) The Board has overall responsibility for the Company's internal controls which are designed to manage rather than eliminate risk to which the Company is exposed and provides reasonable rather than absolute assurance against material misstatement or loss.

   The Board of Directors has reviewed the internal controls and is satisfied that appropriate controls are in place to implement the Code's requirements.

3) The Board of Directors believes to the best of its knowledge that there are no material issues which might affect the continuity of the Company's operations in the financial year which shall end on 31 December 2021.

Juma Ali Juma Al-Juma	**Saleh Nasser Juma Al-Araimi**
Chairman	**Director**