Corporate Governance Report

Our Corporate Governance Philosophy

Good corporate governance is about maximizing shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, partners, investors, employees, government and society. Our corporate governance is a reflection of our value system encompassing our culture, policies and relationships with our stakeholders.

We are committed to defining, following and practising the highest level of corporate governance across all our business functions.

Our Corporate Governance structure is based on the Code of Corporate Governance issued by the Capital Market Authority (CMA).

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 standards of corporate governance.

The Board's main responsibilities include:

- Reviewing the strategic plans and operational performance
- Reviewing the 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

The Board of directors is elected by the shareholders of the Company at the Annual General Meeting of the Company.

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 General Meeting held on 22 March 2016.

As at 31 December, 2018, 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	Dependent	6	YES	HSBC Bank Oman SAOG
2)	**His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan** (appointed on 25 March 2018)	Deputy Chairman	Dependent	5	N/A	-
3)	**Gamal Aly Aly Al-Gamal**	Director	**Independent**	7	YES	-
4)	**Mohammed Ali Said Al-Qassabi**	Director	**Independent**	7	YES	-
5)	**Sultan Khalifa Saleh Al-Tai**	Director	Dependent	7	YES	Al Batinah Hotels Co. SAOG
6)	**Saleh Nasser Juma Al-Araimi**	Director	**Independent**	7	YES	Al Izz Islamic Bank SAOG, Oman Fisheries SAOG
7)	**Saif Salim Saif Al-Harthi**	Director	**Independent**	7	YES	Al Omaniya Financial Services SAOG

Previous member:

1)	**Abdullah Khalifa Khamis Al Majali** (until 15 March 2018)	Director	Dependent	1	NO	-

Number of Board meetings in 2018:

The Board held seven meetings in 2018 as detailed below:

1) 08 Feb 2018	2) 15 Mar 2018	3) 29 Apr 2018
4) 10 May 2018	5) 25 Jul 2018	6) 29 Oct 2018
7) 30 Oct 2018		

The intervals between the board meetings are in line with the CMA requirement of a maximum interval of four months.

External evaluation of the Board of Directors

The shareholders, in the AGM of the Company held on 15 March 2018, appointed KPMG as an external consultant to conduct evaluation of the Board of Directors' performance. Their evaluation process is in progress and their report will be submitted to the AGM to be held on 17 March 2019.

Audit Committee

Role of Audit Committee

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

- Ensuring compliance with CMA regulations and Code of Corporate Governance.
- Review quarterly and annual financial statements.
- Considering external audit fees and terms of engagement.
- Reviewing and approving 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.
- Reviewing proposed specific transactions with related parties and making recommendations to the Board.
- Conduct any special investigations and report to the Board.

The Audit Committee approved the Internal Audit Charter and issued the Audit Committee Charter which was later approved by the Board of Directors.

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 9 times in 2018 as detailed below:

1) 14 Jan 2018	2) 07 Feb 2018	3) 23 Apr 2018
4) 15 May 2018	5) 24 Jul 2018	6) 05 Aug 2018
7) 24 Sep 2018	8) 03 Oct 2018	9) 25 Oct 2018

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**	9
2)	Mohammed Ali Said Al-Qassabi	Member	**Independent**	9
3)	Sultan Khalifa Saleh Al-Tai	Member	Dependent	9

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 consider that it requires detailed attention . The Committee's main areas of competence are as follows:

- 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 of two independent directors and two dependent directors.

Executive Committee meetings

The Executive Committee met on 08 Feb 2018.

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 (appointed on 29 April 2018)	Chairman	Dependent	N/A
2)	Dr. Juma Ali Juma Al-Juma	Member	Dependent	1
3)	Gamal Aly Aly Al-Gamal	Member	**Independent**	1
4)	Saif Salim Saif Al-Harthi	Member	**Independent**	1
	Previous member:			
1)	Abdullah Khalifa Khamis Al Majali (until 15 March 2018)	Member	Dependent	1

Nomination & Remuneration Committee

The Board constituted "Nomination and Remuneration Committee" during 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 two Directors, all of whom are non-executive and two of them are independent.
The Committee met on 08 Feb 2018 and 15 Mar 2018.
The attendance record of the Committee meetings was as follows:-

Sl No	Director's name	Designation	Status	Meetings attended
1)	Gamal Aly Aly Al-Gamal	Chairman	**Independent**	2
2)	His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan (appointed on 29 April 2018)	Member	Dependent	N/A
3)	Mohammed Ali Said Al-Qassabi	Member	**Independent**	2
	Previous member:			
1)	Abdullah Khalifa Khamis Al Majali (until 15 March 2018)	Member	Dependent	1

Corporate Social Responsibility (CSR)

During the year several projects benefitting Society were undertaken. The Company is committed to continue these initiatives with more vigour in the years ahead.

Remuneration of Directors

Sitting fees are paid to the Board and committees 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 31,600
2)	Total sitting fees of the Audit Committee meetings	RO 16,200
3)	Total sitting fees of the Executive Committee meetings	RO 2,400
4)	Total sitting fees of the Nomination & Remuneration Committee meetings	RO 1,800
	Total sitting fees	**RO 52,000**

The proposed directors' remuneration for the year 2018 is RO 148,000 subject to the approval of the Annual General Meeting, to be held on 17 March 2019.

The details of amounts paid to / proposed for directors for 2018 are shown below:

Director's name	**Sitting fees RO**	**Proposed remuneration RO**	**Total RO**
1) Dr. Juma Ali Juma Al-Juma	4,600	21,143	**25,743**
2) His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan (appointed on 25 March 2018)	4,000	15,857	**19,857**
2) Gamal Aly Aly Al-Gamal	6,000	21,143	**27,143**
3) Mohammed Ali Said Al-Qassabi	10,000	21,143	**31,143**
4) Saleh Nasser Juma Al-Araimi	10,000	21,143	**31,143**
5) Sultan Khalifa Saleh Al-Tai	10,000	21,143	**31,143**
6) Saif Salim Saif Al-Harthi	5,400	21,143	**26,543**
Previous Member:			
1) Abdullah Khalifa Khamis Al Majali (until 15 March 2018)	2,000	5,285	**7,285**
Total	**52,000**	**148,000**	**200,000**

The total sitting fees for each director and the total sitting fees and remuneration for all directors are within the provisions of the amendments made to the Commercial Companies Law in November 2005.

Executive Management Team

The names, positions and profiles of the key members of the executive management are as follows:

1. Mohammed Fareed Hussain Al Darwish (Chief Executive Officer)

- 4 years experience in the field of technical support for assets management
- Senior Engineer – Assets development in Abu Dhabi Polymers Company Ltd (Borouge-Adnoc) from 2009 until 2012
- Team Leader - Supply Chain Management in Borouge from 2012 until 2014
- Manager - Supply Chain Management in Borouge from 2014 until 2015
- Managing Director in Al Maha Petroleum Products Marketing Co. SAOG from August 2015 to Aug 2016.
- Chief Executive Officer (CEO) in Al Maha Petroleum Products Marketing Co. SAOG since Sep 2016 to Jan 2019.

2. Ahmed Bakhit Al Shanfari (General Manager -Marketing and Operations)

- 7 years experience in marketing of petroleum products.
- 6 years as Marketing Manager in Al Maha Petroleum Products Marketing Co. SAOG until May 2006.
- Deputy GM – Marketing and Operations in Al Maha Petroleum Products Marketing Co. SAOG from May 2006 handling Marketing, Operations and Engineering departments until May 2008.
- General Manager – Marketing and Operations in Al Maha Petroleum Products Marketing Co. SAOG from May 2008 to May 2016.
- General Manager – Sales, Marketing and Business Development in Al Maha Petroleum Products Marketing Co. SAOG since 01 June 2016.

3) Hamdi Mohamed El Sayed (General Manager - Finance)

- Over 15 years experience in the field of Financial Management, Treasury Management etc.
- Chief Financial Officer, The Private Office of HH Dr Sheikh Sultan Bin Khalifa Al Nahyan, Abu Dhabi, UAE , from 2007 to 2015.
- Board Member, Executive Committee Member, Audit Committee Member - Al Maha Petroleum Products Marketing Co. SAOG from 2011 to 2015.
- General Manager – Finance in Al Maha Petroleum Products Marketing Co. SAOG since Feb 2016.

4) Abdulhaleem Ali Issa Al Sabbagh (General Manager - Corporate Services)

- 18 years experience in Omantel in various capacities including Director of Corporate Services.
- Manager Customer Services in Al Maha Petroleum Products Marketing Co. SAOG from 2013 to 2014
- HR & Administration Manager in Al Maha Petroleum Products Marketing Co. SAOG from 2014 to 2016
- Acting GM- Corporate Services in Al Maha Petroleum Products Marketing Co. SAOG from June 2016 to December 2017
- GM- Corporate Services in Al Maha Petroleum Products Marketing Co. SAOG since January 2018.

5) Hafidh Awadh Al Hadeed (Senior Manager - Aviation Business)

- 10 years in Al Maha Petroleum Products Marketing Co. SAOG as Manager of Salalah Office until Feb 2007.
- Assistant Manager Aviation Business in Al Maha Petroleum Products Marketing Co. SAOG until Jan 2008.
- Senior Manager Aviation Business in Al Maha Petroleum Products Marketing Co. SAOG since Jan 2008.

6) Osama Mirghani A. Rahim (Senior Manager - Internal Audit)

- 15 years experience in accounting and finance
- 10 years experience in internal audit.
- Senior Manager – Internal Audit in Al Maha Petroleum Products Marketing Co. SAOG since January 2003.

Remuneration of top five Executives

The total cost of the top five Executives was approximately RO 520,767 in 2018. The total cost comprises salaries, pension, end of service benefits, annual bonus, travel expenses incurred for business travels and other benefits.

The annual bonus payable to employees is based on annual performance and profit achieved and is decided by the Board of Directors.

Employment contracts meet the requirements of the Omani labor law and they include additional benefits.

The severance notice periods are 3 months for employees in management grades and one month for other employees.

The end of service benefits payable to the expatriate employees is one month basic salary for each year of service for the first 10 years, one month and quarter basic salary for each service year of the following 10 years and one month and half basic salary thereafter. The basic salary used in calculating the end of service benefits, is the last basic salary paid to the employee.

Shareholders

The shareholders who owned 5% or more of the share capital of the Company at 31 December 2018 were as follows:

Shareholder's name	% of shareholding	Number of shares held
1) ABS Lubricants	40.0%	27,600,000
2) Civil Service Employees Pension Fund	12.9%	8,895,910
3) Public Authority for Social Insurance	6.5%	4,457,512
4) Ministry of Defense Pension Fund	5.4%	3,718,430
Total	**64.8%**	**44,671,852**

Distribution of shareholding

Category of shares	Number of shareholders	Number of shares	% of shareholding
Up to 5,000	954	1,560,624	2%
5,001 – 30,000	373	2,984,439	4%
30,001 -50,000	31	1,260,301	2%
50,001 – 100,000	15	1,029,468	1%
100,001 – 400,000	20	3,324,224	5%
Above 400,000	16	58,840,944	86%
Total	**1,409**	**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.

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.

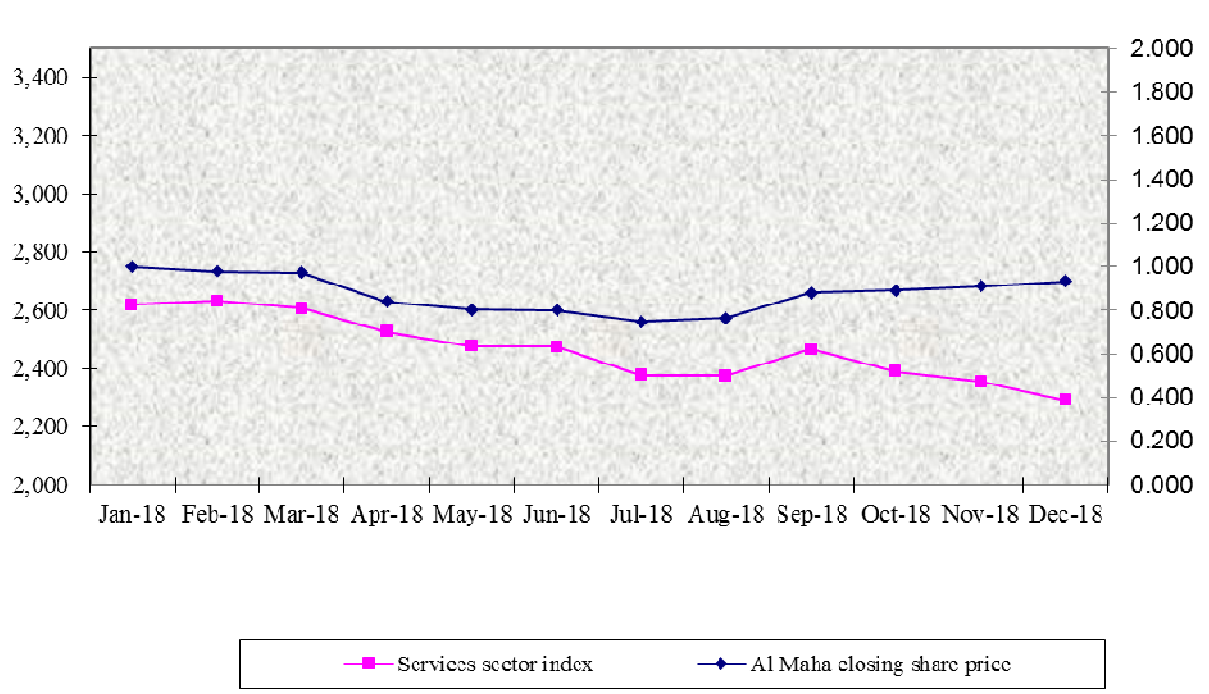
The Company did not have any GDRs/ADRs/Warrants or any other convertible warrants as on 31 December 2018 and hence the likely impact on equity is Nil.

Market price data

The monthly market prices during 2018 are shown in the following table:-

Month	High RO/ share	Low RO/ share	Close RO/ share
January	1.030	1.000	1.000
February	1.000	0.972	0.976
March	0.980	0.940	0.972
April	0.940	0.824	0.840
May	0.840	0.800	0.804
June	0.804	0.800	0.800
July	0.748	0.716	0.748
August	0.768	0.740	0.764
September	0.880	0.768	0.880
October	0.924	0.888	0.892
November	0.912	0.900	0.912
December	0.952	0.908	0.932

Performance in comparison to MSM services sector index:



Statutory auditors

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 5,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,000 partners and 100,000 professionals. Globally, EY operates in more than 150 countries and employs 212,000 professionals in 728 offices. Please visit ey.com for more information about EY.

The fees payable to EY for the year 2018 amounts to RO 11,200 towards professional services rendered to the Company (RO 10,000 for audit and RO 1,200 for tax services).

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 or any other statutory authority during the period of this report.

Acknowledgement by the Board of Directors

1) The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the disclosure requirements issued by the Capital Market Authority.

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 2018.

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