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 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:

- 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

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 25 March 2019.

As at 31 December, 2019, 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	6	YES	HSBC Bank Oman SAOG
2)	**His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan**	Deputy Chairman	Non independent	7	N/A	-
3)	**Faisal Ali Saleh Al Ahmed Al Ali** (appointed on 25 March 2019)	Director	**Independent**	4	YES	-
4)	**Mohammed Ali Said Al-Qassabi**	Director	**Independent**	7	YES	-
5)	**Sultan Khalifa Saleh Al-Tai**	Director	Non independent	6	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)	**Gamal Aly Aly Al-Gamal** (until 25 March 2019)	Director	**Independent**	2	NO	-

Number of Board meetings in 2019:

The Board held seven meetings in 2019 as detailed below:

1) 09 Jan 2019	2) 14 Feb 2019	3) 25 Mar 2019
4) 27 Apr 2019	5) 29 Jul 2019	6) 29 Oct 2019
7) 10 Dec 2019		

The intervals between the board meetings are in line with the CMA requirement of a maximum

interval of four months.

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 7 times in 2019 as detailed below:

1) 12 Feb 2019	2) 10 Mar 2019	3) 25 Apr 2019
4) 24 Jul 2019	5) 07 Aug 2019	6) 07 Oct 2019
7) 23 Oct 2019		

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**	7
2)	Mohammed Ali Said Al-Qassabi	Member	**Independent**	7
3)	Sultan Khalifa Saleh Al-Tai	Member	Non independent	7

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 Non-independent directors.

Executive Committee meetings

The **Executive** Committee met 4 times in 2019 as detailed below:

1) 08 Jan 2019	2) 14 Feb 2019	3) 29 Jul 2019
4) 10 Dec 2019		

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	4
2)	Dr. Juma Ali Juma Al-Juma	Member	Non independent	3
3)	Faisal Ali Saleh Al Ahmed Al Ali (appointed on 25 March 2019)	Member	**Independent**	2
4)	Saif Salim Saif Al-Harthi	Member	**Independent**	4

Previous member:

1)	Gamal Aly Aly Al-Gamal (until 25 March 2019)	Member	Independent	2

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 three Directors, one of them is non-independent and three of them are independent.

The Nomination & Remuneration Committee met 8 times in 2019 as detailed below:

1) 08 Jan 2019	2) 13 Feb 2019	3) 16 Apr 2019
4) 23 Apr 2019	5) 24 Apr 2019	6) 29 Jul 2019
7) 16 Oct 2019	8) 05 Dec 2019	

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**	6
2)	Sultan Khalifa Saleh Al-Tai	Member	Non independent	6
3)	Mohammed Ali Said Al-Qassabi	Member	**Independent**	8
4)	Faisal Ali Saleh Al Ahmed Al Ali (appointed on 25 March 2019)	Member	**Independent**	6

Previous member:

1)	His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan (Until 25 Mar 2019)	Chairman	Non independent	2
2)	Gamal Aly Aly Al Gamal (Until 25 Mar 2019)	Member	Independent	2

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 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 33,600
2)	Total sitting fees of the Audit Committee meetings	RO 10,200
3)	Total sitting fees of the Executive Committee meetings	RO 8,400
4)	Total sitting fees of the Nomination & Remuneration Committee meetings	RO 15,400
	Total sitting fees	**RO 67,600**

The proposed directors' remuneration for the year 2019 is RO 93,627 subject to the approval of the Annual General Meeting, to be held on 15 March 2020.

The details of amounts paid to / proposed for directors for 2019 are shown below:

Director's name	Sitting fees RO	Proposed remuneration RO	Total RO
1) Dr. Juma Ali Juma Al-Juma	6,600	13,375	**19,975**
2) His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan	9,200	13,375	**22,575**
3) Faisal Ali Saleh Al Ahmed Al Ali (appointed on 25 March 2019)	8,000	10,031	**18,031**
4) Saif Salim Saif Al-Harthi	10,000	13,375	**23,375**
5) Saleh Nasser Juma Al-Araimi	9,800	13,375	**23,175**
6) Sultan Khalifa Saleh Al-Tai	10,000	13,375	**23,375**
7) Mohammed Ali Said Al-Qassabi	10,000	13,375	**23,375**
Previous Member:			
1) Gamal Aly Aly Al-Gamal (until 25 March 2019)	4,000	3,344	**7,344**
Total	**67,600**	**93,627**	**161,227**

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

Shareholders

The shareholders who owned 5% or more of the share capital of the Company at 31 December 2019 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	961	1,569,629	2%
5,001 – 30,000	364	2,869,475	4%
30,001 -50,000	34	1,405,349	2%
50,001 – 100,000	17	1,178,103	2%
100,001 – 400,000	17	2,902,034	4%
Above 400,000	16	59,075,410	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 2019 and hence the likely impact on equity is Nil.

Market price data

The monthly market prices during 2019 are shown in the following table:

Month	High RO/ share	Low RO/ share	Close RO/ share
January	0.948	0.864	0.864
February	0.880	0.852	0.864
March	0.904	0.824	0.824
April	0.832	0.816	0.832
May	0.828	0.800	0.808
June	0.840	0.808	0.840
July	0.832	0.832	0.840
August	0.820	0.800	0.800
September	0.800	0.720	0.792
October	0.792	0.780	0.792
November	0.792	0.760	0.776
December	0.776	0.728	0.728

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 organizations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 55, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

The fees payable to Moore Stephens for the year 2019 amounts to RO 10,200 towards professional services rendered to the Company (RO 9,000 for audit and RO 1,200 for tax services).

External Quality Assurance Review of Internal Audit Department

As required by CMA Resolution Number 10/2018, during 2019 Board of Directors appointed M/s Deloitte, as External Quality Assurance Reviewer of Internal Audit Department. Their report is submitted to the Board. Following are the opinion of M/s Deloitte:

"It is our conclusion that Internal Audit Department generally conforms with the IIA's Standards for the Professional Practice of Internal Auditing and the IIA Code of Ethics and Article 27 of the CMA resolution no. 10/2018.

The above statement is in accordance with the requirements stated in Standard 1321 of IPPF and Article 27 of CMA resolution no. 10/2018. The phrase generally conforms means there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives."

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 2020.

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