# Corporate Governance Report for the year 2019

## Introduction:

This corporate governance report has been prepared to satisfy the requirements provided for in the Charter of Corporate Governance for Omani Public Shareholding companies, issued by Capital Market Authority under circular no. (E/4/2015), dated July 22, 2015, adopted by the Board of Directors of the Capital Market Authority (CMA) as per the Administrative Decision No. (5/2007) dated July 27, 2007. The report has been derived from the actual activities of **Dhofar International Development and Investment Holding Company SAOG** (the Company) during 2019.

## 1- The Company's Philosophy:

The Company is one of the leading holding companies that perform investment activities in the Sultanate of Oman by investing in subsidiaries, associates, and other companies. Accordingly, the Company continuously strives to develop, expand and diversify its investment portfolio and exploit all available investment opportunities to achieve the optimal balance while keeping abreast of developments in the business world.

The disclosure requirements provided for in the Charter of Corporate Governance not only enhance the degree of transparency in the sharing of information with stakeholders but also reinforces the Board's role in achieving corporate objectives in the midst of challenges and adversities. The Company's governance system is predicated on ethical business practices and a sound corporate culture associated with values and transparency, as well as the implementation of the company's policies and governance standards on a continuous basis.

## 2- Board of Directors:

The Board of Directors (the Board), as the Company's supreme authority, approves resolutions, policies and investment activities along with the formulation and approval of organizational regulations and the formation of various committees. The Board is also vested with all the authorities and performs all activities mandated by relevant laws and regulations either directly or through its committees to achieve the targeted goals. The Board continuously monitors the efficiency and adequacy of the internal control systems to ensure their compliance with the Company's activities. The Executive Management undertakes the provisioning of information related to the Company's situation and its various investments on the basis of which Board resolutions are approved.

The attendance record for the Board meetings held during the year is tabulated below:

| Names | Category | Designation | Attendance | | | Membership in other listed companies | Representing |
|---|---|---|---|---|---|---|---|
| | | | AGM 30/03/19 | EGM 03/10/19 | Board Meetings | | |
| Sheikh Khalid bin Mustahail Al Mashani | Non-Executive / Independent | Board Chairman/ ENRC Chairman | ✓ | X | 8 | 3 | In personal capacity |
| Mr. Tariq bin Abdulhafidh Salim Al Ujaili | Non-Executive / Non-Independent | Deputy Chairman of the Board \ ENRC Member | X | ✓ | 7 | 3 | In personal capacity |
| Mr. Ahmed bin Mohamed Salim Al Kaf | Non- Executive / Independent | Board Member/ Audit Committee Chairman | ✓ | X | 6 | - | In personal capacity |
| Mr. Omar bin Ahmed Abdulla Mahfoodh Alsheikh | Non-Executive / Non-Independent | Board Member/ Audit Committee Member | X | X | 8 | 1 | In personal capacity |
| Mr. Salim bin Abdullah Faraj Al Awadi | Non-Executive / Independent | Board Member/ ENRC Member | X | ✓ | 7 | 3 | In personal capacity |
| Mr. Faisal bin Mohamed Musa Alyousif | Non-Executive / Non-Independent | Board Member/ ENRC Member | ✓ | ✓ | 7 | 2 | Represents Fincorp Investment |
| Sheikh Hamoud Bin Mustahil AL Mashani | Non-Executive / Independent | Board Member/ Audit Committee Member | ✓ | ✓ | 7 | 1 | In personal capacity |

The Board held ten meetings during the year on the following dates:

1. February 20, 2019
2. March 09, 2019
3. May 11, 2019
4. May 23, 2019 (Urgent)
5. August 1, 2019
6. August 29, 2019 (Urgent)
7. November 14, 2019
8. December 08, 2019

Furthermore, an Annual General Meeting was held on March 30, 2019 and an Extraordinary General Meeting of the Company was held on October 03, 2019.

The shareholders (in the Annual General Ordinary Meeting) have appointed an independent third party to evaluate the performance of board members and its committees for the remaining tenure of the Board (Up to 2021) together with approving the evaluation's criteria.

## 3- The Committees emanating from the Board of Directors:

### (a) Audit Committee (AC):

The Audit Committee, which consists of 3 members, is entrusted with performing the following main duties:

-To follow-up the activities, and work plan of the external auditor together with assessment of its reports and checking the related fees.

-To supervise the activities of the Internal Audit Department Head and to ensure the efficiency of the internal control systems.

-To supervise the preparation of the financial statements and to discuss the accounting rules and amendments.
-To act as a coordinator between the Board of Directors, and the external and the internal auditors.

The Audit Committee held four meetings during 2019 on:
March 4, 2019;
May 11, 2019;
July 28, 2019 and
November 12, 2019

The majority of the Audit Committee members are independent directors. The attendance during above meetings was as follows:

| Names | Designation | Meetings attended |
|---|---|---|
| Mr. Ahmed bin Mohamed Salim Al Kaf | Chairman | 4 |
| Mr. Omar bin Ahmed Abdulla Mahfoodh AL sheikh | Member | 4 |
| Sheikh Hamoud Bin Mustahil Ahmed AL Mashani | Member | 3 |

## (b) Executive, Nomination and Remuneration Committee (ENRC):

The ENRC Committee, which consists of 4 members, supervises the management of the Company's investments and assets of all forms and is responsible for the classification of these assets and investments in accordance with their nature and purpose for acquisition. In addition, it performs duties and responsibilities of nominations, the committee's responsibilities are as follows:

-Supervision and management of the Company's investments and assets in its all forms together with the classification of the investments and assets according to the nature and the purpose of acquisition; it also performs duties and responsibilities of nominations and remunerations provided for in the new Charter of Corporate Governance.
- Review plan and classification of the Company's investments.
- Defining the upper limits of the Company's portfolio to suit capital adequacy standards.
-Periodic revision of the investments and taking appropriate decisions related to it.
-Review of all Executive Management's proposals regarding shareholding, expansion, participation, and re-structuring of projects, locally and abroad.
-Review and provide recommendation for the Executive Management's proposals in respect of investments, subscription and proposals of new companies.
-Revising risk management policies in coordination with the Executive Management.
-Assist the annual general meeting to nominate well qualified members for the board of directors and to elect the best.
-Create regulatory restrictions for annual remunerations for the Board Members and the Executive Management and the allowances earmarked for attending sessions of both Board and Committees.

- Submit to the board an annual plan of action.
- Prepare a detailed job description of the roles and responsibilities of directors including the chairperson.
-Look for and nominate qualified persons to act as members of the Board of Directors in the event of a vacancy.
-Review such polices periodically, taking into account market conditions and the Company's performance.
- Review and recommend to the Board the annual business plan of the Company.

During 2019, the Executive, Nomination and Remuneration Committee held seven meetings on the following dates:

January 29, 2019;
March 09, 2019;
May 01, 2019;
May 11, 2019;
July 06, 2019;
July 21, 2019; and
October 28, 2019.

The attendance during above meetings was as follows:

| Names | Designation | Meetings attended |
|---|---|---|
| Sheikh Khalid bin Mustahail Ahmed Al Mashani | Chairman | 7 |
| Mr. Tariq bin Abdulhafidh Salim AlUjaili | Member | 6 |
| Mr. Salim bin Abdullah Faraj Al Awadi | Member | 6 |
| Mr. Faisal bin Mohamed Musa Alyousif | Member | 7 |

## 4 – Board Members' Nomination Procedures:

The Company complies with all the circulars and instructions issued by the CMA regarding the nomination and election of the members of the Board and its committees which are supervised by the legal department of the CMA and the Company's legal adviser. The terms and conditions of Board membership nomination are included in the Company's Articles of Association. The last Board elections were held in March 27, 2018 for the 3 years 2018 – 2021.

ENRC plays a vital role in recommending and electing new directors to fill up a vacancy position on the Board. ENRC receives applications from candidates who wish to be appointed as a Member of the Board. ENRC evaluates the applications and provides AGM with its recommendations.

The directors are duly briefed and kept regularly informed on matters concerning the business environment of the Company's activities as well as specific corporate governance elements. The Board strives to continuously enhance the level of awareness amongst its members on the above aspects.

## 5- Remunerations during the year:

(a) Board members are not granted any salaries or permanent payments as all of them are non-executive members. However, each member receives RO 800/- against each meeting he attends and RO 700/- as an allowance for attending meetings of the Executive, Nomination and Remuneration Committee and the Audit Committee. The total amount granted to each director for attending meetings is limited to a maximum of RO 10,000/- per annum.

(b) RO 64,100 was paid as sitting fees and benefits to the members of the Board of Directors and other Committee members during 20119, with details as under:

| Names | Board of Directors | ENRC | AC | Total |
|---|---|---|---|---|
| Sheikh Khalid bin Mustahail Ahmed Al-Mashani | 5,100 | 4,900 | - | 10,000 |
| Mr. Tariq bin Abdulhafidh Salim Al Ujaili | 5,600 | 4,200 | - | 9,800 |
| Mr. Ahmed bin Mohamed Salim Al Kaf | 4,800 | - | 2,800 | 7,600 |
| Sheikh Hamoud Bin Mustahil Ahmed AL Mashani | 5,600 | - | 2,100 | 7,700 |
| Mr. Salim bin Abdullah Faraj Al Awadi | 5,600 | 4,200 | - | 9,800 |
| Mr. Omer bin Ahmed Abdulla Mahfoodh Alsheikh | 6,400 | - | 2,800 | 9,200 |
| Mr. Faisal bin Mohamed Musa Alyousif | 5,100 | 4,900 | - | 10,000 |
| **TOTAL** | **38,200** | **18,200** | **7,700** | **64,100** |

(c) The top employees of the Executive Management were paid a total of RO 327,797 during 2019 as salaries, allowances, end of service benefits and bonuses.

(d) All the employees have employment contracts signed by the both sides (employer and employee), automatically renewable with 3 months' notice period. The contracts incorporate all allowances and gratuity in accordance with Omani Labor Laws.

**Hereunder are the personal details of Members of the Board of Directors and Top senior employees of the Executive Management: -**

**1- Board of Directors' Members**

**Sheikh Khalid bin Mustahail Al Mashani**

Current Position:

Board Chairman / the Chairman of ENRC Committee.

- The Chairman of the Board of Directors of Bank Muscat SAOG.
- Vice chairman of the Board of Directors of Al Omaniya Financial Services Co. SAOG.
- Member of Board of Directors of Dhofar Cattle Feed Co. SAOG.

Qualifications:

- He earned B.Sc. in Economics from UK

- Holds Master's degree in International Boundary Studies from School of Oriental and African Studies, in the University of London, UK.
- Maintains vast experience in managing Omani public joint stock companies.

**Tariq bin Abdul Hafidh Salim Al Aujaili**

Current Position:

Board Vice Chairman.

- Vice Chairman of Oman Investment and Finance Co. SAOG.
- Vice Chairman of Dhofar Insurance Co. SAOG.
- Member of Board of Directors of Bank Dhofar SAOG.

Qualification:

- He holds Bachelor of Science degree in accounting and finance from the London School of Economics & Political Science.

Experience: Has an extensive experience of directorship in Public Joint Stock Companies.

**Mr. Ahmed Bin Mohammed Salim Al Kaf**

Current Position:

Member of the Board of Directors /Chairman of Audit Committee

- He is currently occupying the position of manager of Civil Service Employees Pension Fund - Salalah Branch.

Qualification: He holds bachelor's degree of Law from Ain Shams University – Egypt

**Mr. Omar Bin Ahmed Abdullah Mahfodh Al Sheikh**

Current Position:

Member of the Board of Directors.

- The Chairman of the Board of Directors of Financial Services Co. SAOG.
- He serves currently as Deputy of Chief Executive Officer in Dhofar Insurance Company SAOG.

Qualifications:

- He holds an MBA Degree from the University of Southern Colorado, USA and the Bachelor of Science in Business Administration with a major in Management from the same University.

**Mr. Salim bin Abdulla Al Awadi**

Current Position:

Member of the Board of Directors.

- The Chairman of the Board of Directors of Dhofar Poultry Co. SAOG.
- Member of Board of Directors of Dhofar Cattle Feed Co. SAOG
- Member of Board of Directors of Al Madeina Investment Co. SAOG
- He is currently occupying the position of Vice Chief Executive Officer of Al Omaniya Financial Services Co. SAOG

Qualifications:

- He holds Diploma of higher studies (Accounting) and MBA from London College, UK.

Experience:

- He has over 28 years of experience in the field of Finance and Oil & Gas sector.

**Mr. Faisal Bin Mohamed Moosa Al Yousef- Director**

Current Position:

Member of the Board of Directors and represents FinCorp Investment Co.

- The Chairman of Muscat Finance Co. SAOG.
- Member of Board of Directors of Bank Dhofar SAOG
- He represents FinCorp Investment Company on the Board of Directors.

Qualifications:

- Bachelor of Science degree in Economics from the University of London, UK.
- He is a Fellow Chartered Certified Account (FCCA, UK)

Experience:

- He has worked with Ernst &Young as an Audit Specialist.

**Sheikh Hamoud bin Mustahail Ahmed Al Mashani**

Current position:

Member of the Board of Directors.

- The Chairman of the Board of Directors of Dhofar Cattle Feed Co. SAOG
- Other positions held by him include Chief Executive Officer of Muscat Overseas Group. Manager - Qais Omani Establishment.
- He is currently holding senior positions in various corporations in Oman and has undertaken leading roles.

Qualifications:

- Sheikh Hamoud holds a Diploma in Finance.

**2- Senior top employees of Executive Management**

**His Excellency, Ali bin Ahmed Salim Al Mashani**

**Current Position:**

The General Manager.

**Qualifications:**

- He has B.Sc. Degree

**Experience:**

- 33 years' experience in the field of financial & administrative affairs and a member of the Majlis A'Shura (current term).
- He was formerly holding the position of Taqa Municipal Council Member and Managing Director for 10 years.
- A former member for 8 years in the Board of Directors of Dhofar International and Chairman of Audit Committee.
- A former member in Ports Services Establishment and Investment Committee for ten years.
- Former Chairman of the Board of Directors of Financial Services Co. for 3 years and a former member in the Board of Directors of Bank Dhofar; he has been occupying this position since February 2005.
- He is holding the position since February 2005.

**Mr. Vishal Makwana - Chief Financial Officer**

Mr. Makwana is a Chartered Accountant and holds a Master of Commerce. He has over 13 years of experience across diverse facets of corporate finance and general management including raising funds through the Capital Markets (equity and debt), undertaking mergers and acquisitions, project funding, treasury operations, working capital and cash flow management, financial planning and analysis, structuring and financial modeling. He joined the Company in October 2018. He previously served as Deputy CFO, WREL, a subsidiary of Tata Power, largest integrated power Company in India. He has_worked on various assignments in his previous role in Tata Power which includes issue of rights shares, raising funds through perpetual bonds and project financing for power projects.

**Mr. Ahmed bin Bakheet Salim Fadhil**

**Current Position:**

Manager of Administrative affairs.

**Experience:**

- He has experience of 31 years in the fields of administration, finance, investment, financial portfolios management, and he joined the Company in 1987.

**Mr. Faiz Ahmed Khan**

**Current Position:**

Finance Manager.

**Qualifications:**

- He holds Bachelor of Commerce; he has been awarded fellowship of Chartered Association of Certified Accountants in Pakistan.

**Experience:**

- He has 45 years of experience in the field of accounting, taxation, auditing together with experience in financial analysis. He is working on this position with the Company since May 1, 1993.

**Mr. Jamal Kamel Rasheed,**

**Current Position:**

Company Secretary.

**Qualifications:**

- Master's degree in accounting

**Experience:**

- Total of 38 years' of experience in various fields of accounting in Oman, UAE, Iraq, and use of quantitative methods of financial analysis. He has previously occupied the position of Head of Internal Audit Department at the Company.
- He is currently occupying the position of Company Secretary since June 30, 2016. In addition, he is now the Secretary of Audit Committee and Executive, Nominations and Remunerations Committee.

He joined the Company in February 2003.

## 6 – Transactions with Related Parties:

The Company in its transactions with the related parties, adheres to the "Charter of Corporate Governance of the Public Joint Stock Companies" issued by CMA. The Company has formulated rules and procedures that identify the related parties' transactions, way of dealing with it, and disclosure of the same. In the event of its dealings with the related parties made within the context of normal commercial activity, they should be approved by the Board of Directors prior to execution.

## 7 –Corporate Social Responsibility ("CSR"):

The Company adopts a policy of supporting agencies of public benefit through a Corporate Social Responsibility ("CSR") plan which is presented to the AGM for approval authorizing the Board for implementation. The donations paid for Social Responsibility Establishments for the year 2019 amounted to RO 79,360/-.

## 8 – Dividends Policy:

The Company adopts dividend policy according to the availability of resources and aims at the optimum possible dividend distribution rates while making efforts to improve such rates to satisfy shareholders' ambitions. Also, the dividend policy takes into account the requirement of the Company's investment plans for financial resources to secure growth and expansion of the investments. On March 30, 2019, the Board of Directors proposed to distribute Bonus Shares of 5 shares for each 100 shares for the financial year 2018.

## 9 - Details of Compliance:

The Company complies with all regulatory requirements in the form of circulars and instructions issued by CMA, MSM and other regulatory institutions. Therefore, the Company has not been sanctioned for breaches by any of these institutions during the previous period.

## 10 - Channels of Communication with Shareholders and Investors:

The Company sends invitations for AGM directly to the shareholders through their official addresses. The Company as per CMA's requirements, complies with publishing its annual and quarterly financial statements in the local newspapers in both Arabic and English languages. Also, these financial statements are posted on the website of MSM. The company is in developing the process of their website **www.didic.com** to declare all space to be disclosed forthwith if approved by the Board.

In compliance with transparency and disclosure policies, the Company provides CMA and MSM with the significant corporate developments and decisions taken by the Board of Directors of the Company, which may affect the investment decisions of both investors and the public.

## 11 - Market Price Data:

The following table depicts the high, low and closure of the Company's share prices in MSM during the year 2019 in comparison with the index of Banks and Investment Sector and the general market index: -

| Month | High (RO) | Low (RO) | Closing (RO) | Closing Sector Index | MSM Index Closing |
|---|---|---|---|---|---|
| January | 0.300 | 0.300 | 0.300 | 6,697 | 4,167 |
| February | 0.290 | 0.290 | 0.288 | 6,691 | 4,144 |
| March | 0.314 | 0.314 | 0.314 | 6,541 | 3,984 |
| April | 0.299 | 0.299 | 0.299 | 6,338 | 3,956 |
| May | 0.299 | 0.299 | 0.299 | 6,343 | 3,934 |
| June | 0.299 | 0.287 | 0.296 | 6,283 | 3,885 |
| July | 0.290 | 0.290 | 0.296 | 6,110 | 3,761 |
| August | 0.290 | 0.290 | 0.296 | 6,534 | 4,005 |
| September | 0.290 | 0.290 | 0.296 | 6,558 | 4,018 |
| October | 0.276 | 0.276 | 0.296 | 6,489 | 4,000 |
| November | 0.276 | 0.276 | 0.296 | 6,427 | 4,064 |
| December | 0.270 | 0.270 | 0.296 | 6,349 | 3,981 |

## 12 – Distribution of Shareholders' Shares:

The Company's paid-up capital is RO 25.872 million divided into 258,720,000 ordinary shares, owned by 762 shareholders at the year end, and the following was the shareholding structure as on 31 December 2019 of owners of 5% share and above (12.936 million shares and above) and owners of less than 5%:

| | Number of Owners | Number of shares | Percentage |
|---|---|---|---|
| Muscat Overseas Co. LLC | | 42,750,888 | 16.524 |
| Abdul Hafidh bin Salim Rajab Al Uajily | | 31,540,666 | 12.191 |
| Al Anwar International Investment LLC | | 20,996,759 | 8.116 |
| FinCorp Investment Co. LLC | | 18,750,815 | 7.248 |
| Civil Service Employees Pension Fund | | 16,746,081 | 6.473 |
| Dhofar Cattle Feed Co. SOAG | | 14,494,725 | 5.602 |
| Mohamed Musa Abdullah Al Yousif | | 14,340,508 | 5.543 |
| ROP Pension Fund | | 13,176,976 | 5.093 |
| **Owners of 12.936 million shares and above (more than 5%)** | **8** | **172,797,418** | **66.790** |
| **Owners of less than 12.936 million shares** | **754** | **85,922,582** | **33.210** |

## 13- The Specific Aspects of Non-Compliance with the Charter of Corporate Governance and the reasons:

The Company adheres to all aspects of the Code of Corporate Governance. The Company has made amendments to certain manuals that regulate its operations to maintain its compliance with the regulations and instructions and to reflect with the approved organizational structure of the Company. The new Charter of Corporate Governance issued by the CMA on July 22, 2015 has been in effect as of July 2016. Some actions that are under process to improve the level of compliance are as follows:

- Appointment of Head of Internal Audit.

- Induction training program for newly appointed members of the board of directors

## 14 - Professional profile of PwC statutory auditor

PwC is a global network of firms operating in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 5,600 people. (www.pwc.com/me)

PwC has been established in Oman for over 40 years and the Firm comprises six partners, including one Omani national, and over 184 professionals and support staff. PwC's experts in assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.
The details of the fees for the year 2019 were as follows (in RO):

| | |
|---|---|
| Audit of the company including code of corporate governance | 20,900 |
| Audit of the subsidiary (DIRES) | 2,420 |
| **Total** | **23,320** |

## 15 – The Company's Last General Meeting:

Two General Meetings were held in 2019 which included an Annual General Meeting held on March 30, 2019 and an Extraordinary General Meeting held on October 03, 2019.

## 16 – Acknowledgment by the Board of Directors:

The Board acknowledges that the Corporate Governance Report for year 2019 was prepared with its knowledge and confirms the following:

-That the financial statements were prepared correctly and in accordance with the applicable standards and rules.
-It has reviewed the efficiency and adequacy of internal control systems, the levels of the executive authorities, and compliance with the internal rules and regulations.
-That there are no material matters affecting the continuation of the activities of the Company during the next year.

**Khalid Bin Mustahail Ahmed Al Mashani**
**Chairman**