

Omani Packaging Company SAOG Corporate Governance Report

In accordance with the Capital Market Authority (CMA) Circular No.11/2002 dated 3 June 2002 and as amended by Circular No.1/2003 and Code of Corporate Governance vide CMA Circular No. (E/4/2015) on 22 July 2015, Omani Packaging Company (OPC) Board of Directors are pleased to present the Corporate Governance Report for the year ended 31 December 2018.

1. Company philosophy on code of Governance

Omani Packaging Co. Board of Directors ensure that the code of Governance promote a culture of compliance, transparency and accountability, fairness and responsibility without restraining the business initiative. The Board comprises of members holding high ethical standards and integrity in their personal and professional dealings.

All the Directors of the company except one are independent and none of them assume any executive role in the company. Percentage of Independent directors to the total number of board members is more than one third, with eight Independent directors.

The Board has constituted an Audit committee and Nomination & Remuneration Committee to assist them in discharging their responsibilities.

2. Board of Directors

2.1 The Board of Directors is committed to achieving full compliance with the updated CMA requirements in respect of independent directors.

Composition and category of Board of Directors elected / re-elected in Annual General Meeting (AGM) held on 1 March 2017 for office term of three years up to AGM 2020.

Name	Designation	Institution Representing	Category
Sheikh Bakhit Said Salim Al Shanfari	Chairman	Equity Investor	Independent Non Executive
Sheikh Yasser Abdullah Said Al Rawas	Deputy Chairman	Al Rawas Holding LLC	Independent Non Executive
Sheikh Hamoud Ahmed Mohamed Al Hinai	Director	Bin Omier Group of Companies	Independent Non Executive
Mr. Kamal Asa'd Suleiman Abutayeh	Director	Al Saud Co.Ltd / Ubar Investment	Not Independent Non Executive
Sheikh Faisal Abdullah Said Al Rawas	Director	Al Baraka Financial Services LLC	Independent Non Executive
Engr. Masoud Mohd. Masoud Al Mashani	Director	Dhofar Intl. Dev. & Investment Holding Company SAOG	Independent Non Executive
Mr. Yousuf Ahmed Alawi Al Ibrahim	Director	Equity Investor	Independent Non Executive
Mr. Majid Shams Hamood Al Battashi	Director	Salem International Inv. Holding LLC	Independent Non Executive
Mr. Francis Pinto	Director	Al-Baz Services & Investments LLC	Independent Non Executive

2.2 Meetings and attendance of each Director and other Directorships held during the year 2018.

S.No	Name of the Directors	Position	Board meetings attended	Whether attended last AGM	Directorship Membership in other SAOG / SAOC Companies
1	Sheikh Bakhit Said Salim Al Shanfari	Chairman	Five	Yes	---
2	Sheikh Yasser Abdullah Said Al Rawas	Deputy Chairman	Five	Yes	Salalah Mills Co. SAOG
3	Sheikh Hamoud Ahmed Mohamed Al Hinai	Director	Four	Yes	Oman Refreshment Co. SAOG
4	Mr. Kamal Asa'd Suleiman Abutayeh	Director	Five	No	---
5	Sheikh Faisal Abdullah Said Al Rawas	Director	Five	No	Salalah Mills Co. SAOG
6	Eng. Masoud Mohd. Masoud Al Mashani	Director	Five	No	National Mineral Water Co. SOAG
7	Mr. Yousuf Ahmed Alawi Al Ibrahim	Director	Five	No	<ul style="list-style-type: none"> National Mineral Water Co. SAOG, Al Madina Investment Co SAOG Gulf International Chemicals SAOG.
8	Mr. Majid Shams Hamood Al Battashi	Director	Five	No	---
9	Mr. Francis Pinto	Director	Five	Yes	National Finance Co. SAOG

2.3 Details of Board Meetings held and attendance by members.

S. No.	Date of Meeting	Number of Members attended
1 st Board of Directors Meeting	30.01.2018	All members
2 nd Board of Directors Meeting	29.04.2018	All members except Sheikh Hamoud Al Hinai
3 rd Board of Directors Meeting	24.07.2018	All members
4 th Board of Directors Meeting	29.10.2018	All members
5 th Board of Directors Meeting	26.12.2018	All members

3. Audit Committee

3.1 In accordance with CMA guidelines the audit Committee was set up during the year 2002. The Committee's functions and responsibilities are as below.

1. Considering the name of the auditor.
2. Oversight of the internal audit function in general and with particular reference to reviewing the scope of internal audit plan for the year.
3. Checking financial frauds and shall put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.
4. Oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors.

5. Oversight of financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles.
6. Serving as a channel of communication between external auditors and the board and also internal auditors and the board.
7. Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the company, if any.
8. Reviewing proposed specific transactions with related parties.
9. Board of Directors has entrusted the following additional executive authorities to audit committee.
 - 9.1 Represent the Board in the general management of the Company, the powers to take decisions within the duties assigned to it and to ensure that the executive management adheres to the activities consistent with the policies approved by the Board.
 - 9.2 Assist the Board in formulating, monitoring and implementing strategies, policies, executive management performance criteria & Business Plan.
 - 9.3 Ensure adequate financial controls which protect the assets and limit the liabilities with a view of achieving the company objectives eg. reviewing and recommendation of budgets to Board for approval, authorizing expenditures, borrowings and budget control.
 - 9.4 Deal with any other matter referred to the committee by the Board.

3.2 Following is the composition of Audit Committee, constituted by Board after Annual General Meeting held on 01 March 2017.

<u>Name</u>	<u>Designation</u>	<u>Category</u>
Sheikh Yasser Abdullah Al Rawas	Chairman	Independent, Non Executive
Mr. Kamal Asa'd Sulieman Abutayeh	Member	Not Independent, Non Executive
Sheikh Faisal Abdullah Said Al Rawas	Member	Independent, Non Executive
Mr. Majid Shams Hamood Al Battashi	Member	Independent, Non Executive
Mr. Yousuf Ahmed Alawi Al Ibrahim	Member	Independent, Non Executive

Details of Audit Committee meeting held and attendance by members.

<u>S. No.</u>	<u>Date of Meeting</u>	<u>Number of Members attended</u>
1 st Audit Committee Meeting	30.01.2018	All members
2 nd Audit Committee Meeting	29.04.2018	All members
3 rd Audit Committee Meeting	24.07.2018	All members
4 th Audit Committee Meeting	29.10.2018	All members .

4. Nomination & Remuneration Committee

- 4.1 In accordance with CMA guidelines the nomination and remuneration Committee was set up on 19 July 2016. The Committee's functions and responsibilities are as below.

1. The Nomination and Remuneration Committee aim shall be to assist the general meeting in the nomination of proficient directors and the election the most fit for purpose. Moreover, the committee aims to assist the board in selecting the appropriate and necessary executives for the executive management.
 2. The board shall set out written and published terms of reference for the committee detailing: names of the members, its competences, functions and responsibilities in addition to any other provisions relating to its work.
 3. Subject to the provisions of Administrative Decision No. 11/2005 on the rules of remuneration and sitting fees for directors of public joint stock companies, the committee shall exert its efforts to assist the company in formulating clear, credible and accessible policies to inform shareholders about directors' and executives' remuneration. However, additional performance based criteria shall to be used to determine the bonus and remunerations of the chief executive officer and senior executive management.
 4. The board, while constituting the committee, has taken into consideration the following points:
 - a. The committee shall comprise of, at minimum, three directors.
 - b. The committee shall convene at least twice per annum.
 5. The committee elected in its first meeting its chairperson.
 6. The committee shall submit to the board an annual plan and of action.
 7. The committee shall have the following competences:
 - a. Provide succession planning for the executive management.
 - b. Develop a succession policy or plan for the board or at least the chairperson.
 - c. Prepare detailed Job descriptions of the role and responsibilities for directors including the chairperson, as per the Code of Corporate Governance for Public Listed Companies Issued in July 2015. This will facilitate orientate directors towards their tasks and roles, and appraise their performance.
 - d. Look for and nominate qualified persons to act as interim directors on the board in the event of a seat becomes vacant.
 - e. Notwithstanding the articles of association of the company, look for and nominate qualified persons to assume senior executive positions, as required or directed by the board.
 - f. Prepare a bonus, allowances and incentive policy for the executive management.
 - g. Review such policies periodically, taking into account market conditions and company performance.
 - h. Taking into consideration avoiding conflict of interests, the committee shall, upon obtaining the approval of the board, seek the assistance and advice of any other party in order to better deliver its tasks.
- 4.2. **Following is the composition of Nomination & Remuneration Committee, constituted by Board after Annual General Meeting held on 01 March 2017.**

<u>Name</u>	<u>Designation</u>	<u>Category</u>
Eng. Masoud Mohd. Masoud Al Mashani	Chairman	Independent, Non Executive
Sheikh Bakhit Said Al Shanfari	Member	Independent, Non Executive
Sheikh Hamoud Ahmed Mohamed Al Hinai	Member	Independent, Non Executive
Mr. Francis Pinto	Member	Independent, Non Executive

4.3. **Details of Nomination & Remuneration Committee meeting held and attendance by members.**

<u>S. No</u>	<u>Date of Meeting</u>	<u>Number of Members attended</u>
1 st Nomination & Remuneration Committee Meeting	24.07.2018	All members
2 nd Nomination & Remuneration Committee Meeting	26.12.2018	All members

5. Process of Nomination of Directors

The Directors were elected in the Ordinary General Meeting held on 01 March 2017.

The Board consists of Nine Directors. Only nine members contested for the posts and were elected by the share holders.

The Directors were elected for a period of three years up to Annual General Meeting 2020.

6. Remuneration matters

The company paid sitting fees of RO 44,800 (2017: RO 40,500) for attending Board, Audit Committee and Nomination & Remuneration Committee meetings by Directors.

Directors Remuneration FY 2018 is not payable as per the CMA regulations.

Total Remuneration paid to top five officials of the company is RO 212,303 (2017: RO. 246,244)

Management Advisor to Board of Directors paid remuneration RO 18,000 (2017: RO 18,000)

The names, designations, description of responsibilities in Omani Packaging Co.SAOG and brief profile of the Company Management personnel are as follows:

- Mr. Surya K Arora - Chief Executive Officer

Mr. Surya K Arora is a Graduate Mechanical Engineer with Diploma in Management from Delhi, India. He has more than 37 years of post-qualification experience in Industrial Projects Planning, Implementation and managing operations as Profit Centre head. He has worked with reputed consulting and manufacturing multinational companies at India and contracting company at Oman at various Engineering and Management positions, prior joining Omani Packaging Company as General Manager in 1996.

- Mr. H. Ramakrishnan – General Manager (Finance & Commercial)

Mr. H. Ramakrishnan joined the services of the company in the year 1994, is a Certified Public Accountant (CPA) from United State of America (USA), fellow member of Institute of Chartered Accounts of India (FCA), Member of Institute of Cost and Management Accounts of India (ICMA), Bachelor of Commerce (B.Com) with an overall experience of 33 years including multinational companies where he was handling audit, finance and other managerial positions.

- Mr. Ishaq Mohammad Hilal Al Hashami. – Deputy General Manager (Administration & Personnel)

Mr. Ishaq Mohammad Hilal Al Hashami with an overall experience of 25 years in Oman. He joined the services of the Company in 1994 and presently heads the administration and personnel department.

- Mr.Saravanan Valliappan – Asst. Production Manager

Mr. Saravanan is a Diploma in Mechanical Engineer & B.B.A with an overall experience of 22 years including multinational companies. He joined the service of the company in October 2016 and presently heading the Production Department.

- Mr. Jerry P Mathews – Asst. Sales Manager

Mr. Jerry P Mathews is a Graduate Chemical Engineer with MBA (Marketing & Finance) with an overall experience of 18 years both in India and abroad including experience with a multinational in India. He joined the services of the Company as Asst. Sales Manager and heads the sales and marketing operations since 2010.

7. Detail of non-compliance

There are no penalties, strictures imposed on the company by MSM/CMA or any statutory authorities on any Matter related to Capital Markets, during the last three years.

8. Communication with Shareholders

Quarterly financial statements were submitted to Capital Market Authority and Muscat Security Market and published in daily Newspaper. The same are posted in the Website of Muscat Security Markets (www.msm.gov.om), as well in company website www.omanipackaging.com.

Management discussion & analysis shall be part of Annual report.

9. Market price data

9.1 High/Low during each month in the last financial year ended 31 December 2018.

Month	High RO	Low RO	Shares Volume traded
Jan-2018
Feb-2018	0.276	0.276	10,225
Mar-2018
Apr-2018
May-2018
Jun-2018
Jul-2018
Aug-2018
Sep-2018
Oct-2018
Nov-2018
Dec-2018	0.270	0.270	7,920

9.2 Performance in comparison to broad based index of MSM (relevant sector)

	01 Jan 2018	31 Dec 2018	% change
MSM Index – Industrial Sector (Points)	6,828.580	4,991.030	-26.91%
Omani Packaging Co. SAOG share Closing Price (RO)	0.280	0.270	-3.57%

9.3 Distribution of OPC Shareholding comprises the following:

Omani Nationals 83.11%, GCC Nationals 16.88% and Foreigners 0.01% with total number of Shareholders as 153.

10. Compliance with the code of Corporate Governance

Corporate Governance Training to Board of Directors is conducted by the independent Consultant Firm Expert Chartered Accountants on 26 December 2018 and Board Performance Evaluation further carried out by them.

The company is in the process of preparing the succession plan for executive management in consultation with Nomination and Remuneration committee.

Mr. H. Ramakrishnan, General Manager (F&C) is appointed as Company Secretary for the Board office term 2017-2020 in the Board Meeting held on 26/04/2017.

11. Corporate Social Responsibilities (CSR)

CSR Charter was approved by Board Members in the Board Meeting held on 26/04/2017.

CSR activity during the Year 2018 - RO 1,800 (utilized / committed in line with charter for CSR)

12. Shareholders

The shareholders of the Company who own 5% or more of the Company's shares and the number of shares held by them are as follows:

	2018		2017	
	Percentage Shareholding	No. of Shares	Percentage Shareholding	No. of Shares
Sheikh Salim Saeed Hamed Al Fannah Al Araimi	15.865	5,145,970	15.865	5,145,970
Al Saud Co. Ltd / Ubar Investment	14.182	4,600,000	14.182	4,600,000
Al Baraka Investment Co. LLC	11.409	3,700,485	11.409	3,700,485
Mr. Ahmed Alawi Abdullah	12.478	4,047,306	12.478	4,047,306
Bin Omer Investment Group of Companies	9.381	3,042,854	9.381	3,042,854
Dhofar International Development & Investment Holding Co. SAOG	8.731	2,832,048	8.731	2,832,048
Al Rawas Holding LLC	6.682	2,167,313	6.682	2,167,313
Sheikh Bakhit Said Salim Al Shanfari	6.011	1,949,587	5.986	1,941,667

13. Board of Directors acknowledgement

The Board of Directors are responsible to ensure that the financial statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by Capital Market Authority.

The Board reviewed the efficiency and adequacy of internal control systems of the company and confirmed that it is complying with internal rules and regulations and CMA Code of Corporate Governance.

There are no material events affecting the continuation of Omani Packaging Company SAOG and its ability to continue its production operations during the next financial year.

14. Internal Auditor

Board of Directors appointed M/s. Ali Al Dohh & Co. LLC as Internal Auditor for the year 2018.

15. Legal Advisor

Company appointed M/s. Mohsin Al Hadad & Amur Al Kiyumi & Partners as Legal Consultant for the year 2018.

16. Statutory Auditor

Shareholders of the company appointed KPMG as Auditors for the year 2018.

Professional profile of KPMG:

KPMG is a leading audit, tax and advisory firm in Oman and is part of KPMG Lower Gulf, established in 1973. KPMG in Oman employs more than 180 people, amongst whom are 4 partners, 5 directors and 30 managers, including Omani nationals. KPMG is a global network of professional firms providing audit, tax and advisory services. KPMG operates in 154 countries and has around 197,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG billed an amount of RO 7,000 towards professional services rendered in respect of Audit of the Company for the year 2018.