

## **REPORT ON CORPORATE GOVERNANCE – YEAR 2017**

### **Company Vision and Mission:**

The Board of Directors of the Company has total commitment to the Code of Corporate Governance issued by Capital Market Authority and in this respect the Company has implemented all the guidelines issued by Capital Market Authority. The Company lays strong emphasis on audit and internal controls and has introduced suitable checks and balances to ensure sound integrity of operations. The Company also lays a very high emphasis on good governance, healthy corporate practices, total compliance with various laws and regulations of the country and transparency in its operations. The Company is maintaining robust corporate governance practices and the highest standards of business integrity in all activities.

The entire team of Majan Glass Company SAOG is focused and committed on to becoming the market leader in the Glass Industry and a partner to our customers offering Quality, Reliability, Sensitivity to their needs with incorporation of latest technological innovations along with constantly pushing towards improving the company's bottom line, simultaneously making efforts towards reduction of the cost of production consistently through vendor development and improvement in efficiency.

### **Board of Directors:**

All the members of the Board of Directors of the Company are Non-executive Directors and three of them are Independent. The Board of Directors maintains a very high ethical standards and integrity in their professional dealings. They are responsible for achieving the set business objectives of the Company.

The Company has set out functions and responsibilities of the Board to help them effectively discharge their duties with reference to their roles and obligations. In general, the functions and responsibilities comply with the functions laid down as per the Article (5) of Code of Corporate Governance by Capital Market Authority.

The Management provides regularly adequate information to the Board to enable them to make appropriate decisions and to discharge their responsibilities effectively. The information is circulated well in advance for reference and perusal of the Board Members.

### **Composition of Board of Directors & Category of its Members:**

The Board of Directors consists of seven Non-Executive members out of which three are independent. This is in compliance with the requirements of Article 3 of the Code of Corporate Governance.

None of the Independent Directors' first degree relatives held a senior position in the Company in the last 2 years. No Director is a member of more than 4 Public Companies whose shares are listed on the Muscat Securities market (MSM) and no Director is a Chairman of more than 2 such Companies. No Director is a member of the Board of Directors of a Public Company which carries similar business and whose principal office is located in the Sultanate of Oman.

During the financial year 2017 the Board met five times. The maximum gap between any two meetings was not more than four months. The Board Meetings were held on the following dates:

February 15, 2017, April 26, 2017, July 25, 2017, October 24, 2017 and December 20, 2017. Majority of the independent directors were present in all the meetings.

Name of the Director	Status/ Representing	Category	No of Directorship held in other SAOG Companies	No. of Board Meetings attended	Sitting Fees RO
Mr. Anwar Ali Sultan	Independent / Individual	Chairman	2	5	2,500/-
Mr. Ali Saif Al Hadi	Non Independent / Government	Dy. Chairman	0	5	2,500/-
Mr. Ali Mohd. Redha Jafar	Independent / Individual	Director	0	5	2,500/-
Mr. Ali Hassan Sulaiman	Non Independent / Individual	Director	1	4	2,000/-
Mr. Mustafa Ahmed Salman	Independent / Individual	Director	2	4	2,000/-
Mr. Sami Salim Al Sahib	Non Independent / Government	Director	0	4	2,000/-
Mr. Ali Hamad Al Darei	Non Independent / Government	Director	0	5	2,500/-

During the year 2017 the directors have gone through the orientation program on the Evaluation of Directors conducted by Howrath Mak Ghazali and Risk Management – Awareness of ISO 31000.2009 conducted by KPMG.

In line with Article 34 of Articles of Association, the Directors are elected every three years and the procedure adopted for standing as Candidate for the Board is in line with the requirements of Articles of Association and the Commercial Companies Law.

For the next appointment, the procedure for election of the Board members shall be in line with the Revised Code of Corporate Governance. The Board of directors are due for election in the forth-coming Annual General Meeting dated 20 March 2018

Following Directors attended the last Annual General Meeting of the Shareholders of the Company held on March 20, 2017:

Mr. Anwar Ali Sultan	-	Chairman
Mr. Ali Saif Al Hadi	-	Dy. Chairman
Mr. Ali Mohd. Redha Jaffar	-	Director
Mr. Mustafa Ahmed Salman	-	Director
Mr. Sami Salim Al Sahib	-	Director
Mr. Ali Hamad Al Darei	-	Director

Mr Deepak A. Adnani, Financial Controller, continues to be the Company Secretary w,e.f 20 July 2016 in line with the Revised code of Corporate Governance.

Evaluation of Directors: From the year 2017, the Revised Code of Corporate Governance made Evaluation of Directors mandatory by an independent consultant. The Board of Directors need to recommend the name of that independent consultant in the general meeting for the approval of shareholders. In the Annual General Meeting dated 20 March 2017 on the recommendation of the Board of Directors the shareholders approved the appointment of M/S Howrath Mak Ghazali as an independent consultant to do the Annual Evaluation of performance of the Board of Directors for the year 2017 and submit their report during the next Annual general Meeting.

Horwath Mak Ghazali llc, Auditors and Business Advisors, are a member firm of Crowe Horwath International. Horwath Mak Ghazali llc, the Muscat branch of Horwath MAK was established in the Sultanate in 1995, and today ranks amongst the top ten Auditing and Accounting firms in Oman.

### **Audit Committee:**

The Board of Directors has set up Audit Committee in accordance with the guidelines issued by Capital Market Authority. The Audit Committee comprises of three Non-executive and two Independent Directors. As per the terms of reference, the Audit Committee is required to meet at least four times in a year. Audit Committee working plan for the year 2017 was proposed and approved by the Board of Directors

Mr. Raviprakash Deora – Chief Internal Auditor continues to be Secretary to the Audit Committee.

During the financial year 2017, the Audit Committee has met five times. The Meetings were held on following dates:

February 12, 2017, April 12, 2017, July 20, 2017, October 22, 2017, December 13, 2017

<b>Name of the Director</b>	<b>Category</b>	<b>No. of Meetings attended</b>	<b>Sitting Fees RO</b>
Mr. Ali Mohd. Redha Jafar	Chairman – Audit Committee	5	1,500/-
Mr. Mustafa Ahmed Salman	Member – Audit Committee	4	1,200/-
Mr. Sami Salim Al Sahib	Member – Audit Committee	5	1,500/-

In line with principle, 10 (8) (a) of the Revised Code of Corporate Governance the Audit committee has reviewed the internal control system and submitted an annual written report to the Board with its opinion and recommendations.

### **Other sub committees of the Board:**

The Board of Directors has also appointed a Project Committee and a Nominations and Remunerations Committee.

The Project Committee comprises of three members. The purpose/role and responsibility of Project Committee is mainly to evaluate, analyze, recommend and overlook activities related to implementation of Projects/Capital Expenditures, which the Management proposes to carry out.

During year 2017, the Project Committee had met 2 times.

29th January 2017 and 14 Dec 2017

<b>Name of the Director</b>	<b>Category</b>	<b>No. of Meetings attended</b>	<b>Sitting Fees RO</b>
Mr. Ali Hassan Sulaiman	Chairman – Project Committee	2	600/-
Mr. Ali Hamad Al Darei	Member – Project Committee	2	600/-
Mr. Ali Saif Al Hadi	Member – Project Committee	2	600/-

**The Nomination and Remuneration Committee comprises of three members.**

The purpose of the committee shall be to assist:

**A. The General Meeting**

- In nominating proficient directors and electing the most fit for the purpose
- Formulating clear credible and accessible policy to inform shareholders about Directors and Executive remuneration
- To prepare nomination policy targeting directors of high competence and caliber or to nominate whoever they see fit

**B. BOARD OF DIRECTORS**

- In selecting appropriate and necessary executives for the Executive Management.
- To determine the bonus and remuneration of the Chief Executive Officer and Senior Executive Management using Performance Based Criteria
- To develop proper remuneration and Incentive policy to attract competent executives with proper wages and remuneration

During year, 2017 Nomination and Remuneration Committee held two meetings on 06 June 2017 to discuss salary revisions and on 10 December 2017 to discuss labor costs for Budget 2018 in accordance with the Nomination and Remuneration committee plan.

The NRC is in the process of finalizing the succession plan for the Key Management Personnel and the Board and the same will be finalized in the year 2018.

<b>Name of the Director</b>	<b>Category</b>	<b>No. of Meetings attended</b>	<b>Sitting Fees RO</b>
Mr. Anwar Ali Sultan	Chairman – Compensation Committee	2	600/-
Mr. Ali Hassan Sulaiman	Member – Compensation Committee	2	600/-
Mr. Ali Saif Al Hadi	Member – Compensation Committee	2	600/-

The Board on an annual basis broadly evaluates its performance, company's systems of internal control and its Committees performance and as well as compensation provided for attending Board Meetings/Committee Meetings. Compensation is based on Industry standards.

**Director's Remunerations matters:**

<b>Name of the director</b>	<b>Position held</b>	<b>Proposed Remuneration for 2017 (RO)</b>
Mr. Anwar Ali Sultan	Chairman	4,366
Mr. Ali Saif Al Hadi	Dy. Chairman	3,639
Mr. Ali Mohd. RedhaJafar	Director	3,639
Mr. Ali Hassan Sulaiman	Director	3,639
Mr. Mustafa Ahmed Salman	Director	3,639
Mr. Sami Salim Al Sahib	Director	3,639
Mr. Ali Hamad Al Darei	Director	3,639
	<b>Total</b>	<b>26,200</b>

Total Sitting fees paid during the year 2017 for all meetings (Board meeting and meetings of all sub-committees) amounted to RO 23,800/-

**Executive Management:**

The Management members of the Company are appointed by proper Contracts specifying the period of Contract, Notice period and clearly defined terms of reference. Mr. Gerasimos Varvias was appointed on September 07, 2016 to lead the company, reporting directly to the Board of Directors. Mr. Gerasimos Varvias hold a MBA degree in Business Management and a Diploma in Electrical & Electronics Engineering from the University of East London. He is having a rich experience in Middle East and Africa focusing in Glass Industry. He is a very reputed and a well-known personality in Global Glass Industry and vastly acknowledged for his Techno-Commercial skills and strong leadership.

The Company does not have a Managing Director at this stage.

The performance of the Company is evaluated on monthly basis by the Senior Management Members in consultation with the CEO. Monthly performance reports are sent to the Board of Directors for their review and comments. Appropriate directives are given to the Management on related issues by the Board of Directors.

No transactions in the Company where the Management has personal interest are carried out. Required approvals are obtained from the CEO and/or the Chairman and/or the Board of Directors for all transactions arising in the normal course of the business as per approved Manual of Authority.

The Company enters into a formal contract of Employment with each employee and such contracts are in line with the regulation of Ministry of Manpower and Omani Labour Law.

In line with the Revised Code of Corporate Governance, the management had compiled a detailed Risk Register, which was reviewed by the Audit Committee and approved by the Board

### **Management Remunerations:**

The Remuneration package of top executives is made up of basic salary, additional allowance and perquisites. During 2017, the total cost of top five executives of the Company was approximately RO 204,160/-.

The end of service benefits payable to top five executives as on end of year 2017 amount to approximately RO 17,549 /-.

The end of service benefits charged to profit and loss account for year 2017 for the top 5 executives amount to RO 6,502 /-.

Traveling expenditure amounting to RO 23,479/- is incurred pertaining to Business related travel of the CEO and some of the Senior Executives of the Company.

### **Related party transactions during 2017 were as follows:**

Sale of Glass bottles to M/s Ali & Abdul Karim Trading Co. LLC (RO).777,014/-

Sale of Glass bottles to M/s AATCO Food Industries (RO). 269,426/-

Purchase of Oils & Lubricants from M/s Towell Auto Centre (RO). 54501/-

### **Means of communication with the shareholders and investors:**

Quarterly results of the Company as per CMA format, are prepared by the Management and are reviewed by the Audit Committee and approved by the Board of Directors and are uploaded on MSM website as per CMA requirements. The quarterly results are also published in newspapers as per directives of CMA and copies are made available to the shareholders as and when requests are made. In addition to the above, the Company, at the end of each year, sends by post the Company's Annual Financial Statements and Reports to all its Shareholders, financiers and others who are associated with the Company. Management discussion and Analysis Report and Corporate Governance report forms a part of the Annual Report.

### **Revised code of Corporate Governance**

The Board of Directors has approved all Policies under the Revised Code of Corporate Governance.

No penalties/structures have been imposed on the Company by MSM/CMA or any statutory authority during last three years.

**Distribution of shareholders and their shareholding pattern are as below:-**

Distribution of Shares	No. of shares	No. of Shareholders	% on total Shares
Major Shareholders	41,894,089	129	99.69%
Other Shareholders	129,211	742	0.31%
Total	42,023,300	871	100.00%

**Monthly High And Low share prices of the company during the financial year 2017 were:-**

<u>Month</u>	<u>High – RO</u>	<u>Low – RO</u>
January	No Trade	No Trade
February	0.190	0.190
March	No Trade	No Trade
April	No Trade	No Trade
May	No Trade	No Trade
June	No Trade	No Trade
July	0.189	0.189
August	0.189	0.180
September	0.180	0.180
October	0.162	0.162
November	No Trade	No Trade
December	No Trade	No Trade

The company does not have any foreign GDRs/ADRs/warrants or any other instruments of any type issued to public or institutional investors or any other class of investors.

The transactions of the company share did not have an impact on MSM Index for industrial sector during 2017

**Professional Profile of the Auditors:**

**External Auditors:**

Moore Stephens LLC commenced practise 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 45, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

Since Moore Stephens London was founded 100 years ago, the Moore Stephens International Limited network has grown to be one of the largest international accounting and consulting groups worldwide. Moore Stephens International is regarded as one of the world's major accounting and consulting networks consisting of 276 independent firms with 626 offices and 27,997 people across 108 countries.

The Audit Fees payable to Statutory Auditors M/s Moore Stephens for the year 2017 is RO 5,250/- (previous year RO 5,250/-).

#### **Internal Audit Department:**

The Company has full time Internal Audit Department to carry out the activities as per Internal Audit Charter as approved by Audit Committee. The department reports to the Audit Committee functionally. The Internal Audit Department is currently headed by Mr. Ravi Prakash Deora, B Com, ACA, CIA, CISA with 18 years of post-qualification experience in various fields of finance and Internal Audit.

#### **Internal Control System:**

The Management is regularly reviewing the effectiveness of internal control systems in discussion with the Audit Committee and Internal Audit Department. Effectiveness of internal control is periodically assessed by the Audit Committee through review of various internal audit reports and discussing it with the management for improvements. The Board of Directors is pleased to inform the shareholders that in their opinion an adequate and effective internal control system is in place.

#### **Board of Directors' Confirmation:**

The Board of Directors confirms that:

1. It's our liability for the presentation of the financial statements in accordance with the applicable standards and rules.
2. It's our responsibility to review the efficiency and adequacy of internal control systems and that it complies with internal rules and regulations.
3. There is no material thing that affects the continuation of the Company and its ability to continue its production and operations during the next financial year.

***DY. Chairman***

**Date: 14<sup>th</sup> February, 2018**

**Place: Muscat**