



شركة ريسوت للأسمنت (ش.م.ع.ع.)

Raysut Cement Company (S.A.O.G.)



Corporate Governance Report for the Financial Year 2016

The Company has implemented the Code of Corporate Governance during the financial year issued by the Capital Market Authorities.

1. A brief statement on Company's Philosophy on Code of Governance:

The Company has always believed in fair business and corporate practices while dealing with the shareholders, employees, customers, creditors, lenders and others. The Company is prompt in discharging its statutory obligations and duties. The Company is maintaining policies, procedures and systems for the purposes of ensuring the fair and timely release of information about the Company. The Board of Directors ("the Board") has had adequate representation of the professional, qualified, Non-Executive, and Independent Directors. For the matters requiring special attention and also for proper and effective disposal of such matters, the Board has constituted various Committees of Directors from time to time. The Board and the Committee meetings have been held as frequently as required. Adequate disclosures and information are provided to the Board as well as to the Committees. All the Directors attending the Board and Committee Meetings actively participate in their proceedings. Decisions at the Board and Committee meetings are taken unanimously.

2. Board of Directors:

The Board of Directors is elected at the Annual General Meeting for the period of three years, renewable by a resolution of the ordinary general meeting. The Board of the Company consists of nine Directors. All Directors are Independent and Non-Executive Directors. As per requirement of the Capital Market Authority and commercial law of the Companies, none of the Directors on the Board has combined membership in the Board of Directors of Public Companies or other committees more than what is stipulated in Company laws.

All the members of Board satisfy the conditions required for the membership.

The details of composition and categories of Directors are given below:

	Name of the Director	Designate	Category, basis & capacity of membership
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	Chairman	Non Executive and independent/In personal capacity
2	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	Vice Chairman	Non Executive and independent/ In personal capacity
3	Mr. Mohd Saif Ghanim Al Suwaidi	Director	Non Executive and independent Nominee – Abu-dhabi Fund for Development
4	Mr. Khalid bin Mohd Hassan Habib	Director	Non Executive and independent Nominee – Islamic Development Bank Jeddah
5	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	Director	Non Executive and independent /In personal capacity
6	Sh. Qais bin Mustahil bin Ahmed Al Mashani	Director	Non Executive and independent /In personal capacity
7	Mr. Hussain bin Abdullah bin Ahmed Al Haddad	Director	Non Executive and independent /In personal capacity
8	Mr. Abdullah bin Ali bin Salim Al Sulimi	Director	Non Executive and independent Nominee – Ministry of defense pension fund
9	Mr. Gerhard Hugo Hirth	Director	Non Executive and independent /In personal capacity

3 Role of the Board of Directors and Management

The Company's business is conducted by its employees, officers and Managers under the direction of the Group Chief Executive Officer and the oversight of the Board of Directors.

4 Board, Audit committee and Executive , nomination and remuneration committee meeting :

Board Meetings

During the financial year 2016, the Board of Directors met five times. The maximum time gap between any two meetings was not more than four months.

The details of the Board, Meetings held during the financial year 2016

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	22/02/2016	9	8
2 nd .meeting	02/06/2016	9	8
3 rd .meeting	14/08/2016	9	6
4 TH .meeting	16/11/2016	9	8
5 TH .meeting	13/12/2016	9	9

Audit Committee Meetings

The details of the Audit Committee Meetings held during the financial year 2016

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	21/02/2016	4	4
2 nd .meeting	02/05/2016	4	2
3 rd .meeting	13/08/2016	4	3
4 TH .meeting	16/10/2016	4	3
5 TH .meeting	06/11/2016	4	3

Executive, nomination and remuneration committee Meetings

The details of the Executive Committee Meetings held during the financial year 2016

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	21/02/2016	4	4
2 nd .meeting	02/05/2016	4	2
3 rd .meeting	05/11/2016	4	3

The details of attendance of each Director at the Board, Audit Committee and Executive, nomination and remuneration committee meetings and last AGM held during the financial year 2016:

	Name	No. of Board Meetings attended	No. of Audit Committee Meetings attended	No. of Executive , nomination and remu. Committee Meetings attended	Annual General Meetings Attended
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	5	5	3	1
2	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	5	2	3	1
3	Mr. Mohd Saif Ghanim Al Suwaidi	3	3	-	1
4	Mr. Khalid bin Mohd Hassan Habib	4	-	-	1
5	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	4	-	-	1
6	Sh. Qais bin Mustahil bin Ahmed Al Mashani	3	1	1	1
7	Mr. Hussain bin Abdullah bin Ahmed Al Haddad	5	4	2	1
8	Mr. Abdullah bin Ali bin Salim Al Sulimi	5	-	-	1
9	Mr. Gerhard Hugo Hirth	5	-	-	1

The details of attendance of each Director at the Board, meetings held during the financial year 2016:

	Name	Number of Meetings & Dates Held				
		1	2	3	4	5
		22/2/2016	02/6/2016	14/8/2016	6/11/2016	13/12/2016
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓	✓	✓
2	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓	✓	✓
3	Mr. Mohd Saif Ghanim Al Suwaidi	✓	-	-	✓	✓
4	Mr. Khalid bin Mohd Hassan Habib	✓	✓	-	✓	✓
5	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	-	✓	✓	✓	✓
6	Sh. Qais bin Mustahil bin Ahmed Al Mashani	✓	✓	-	-	✓
7	Mr. Hussain bin Abdullah bin Ahmed Al Haddad	✓	✓	✓	✓	✓
8	Mr. Abdullah bin Ali bin Salim Al Sulimi	✓	✓	✓	✓	✓
9	Mr. Gerhard Hugo Hirth	✓	✓	✓	✓	✓

The details of attendance of director at the Audit Committee Meetings held during the year 2016

		Number of Meetings & Dates Held				
		1	2	3	4	5
		21/2/2016	2/5/2016	13/8/2016	16/10/2016	6/11/2016
1	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	✓	✓	-	-	-
2	Mr. Mohd Saif Ghanim Al Suwaidi	-	-	✓	✓	✓
3	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓	✓	✓
4	Sh. Qais bin Mustahil bin Ahmed Al Mashani	✓	-	-	-	-
5	Mr. Hussain bin Abdullah bin Ahmed Al Haddad	✓	-	✓	✓	✓

The details of attendance of director at the Executive, nomination and remuneration Committee Meetings held during the financial year 2016:

		Number of Meetings & Dates Held		
		1	2	3
		21/2/2016	2/5/2016	5/11/2016
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓
2	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓
3	Sh.Qais bin Mustahil bin Ahmed Al Mashani	✓	-	-
4	Mr.Hussain bin Abdullah bin Ahmed Al Haddad	✓	-	✓

5. Audit Committee

The Audit Committee was constituted by the Board in 2003. The role and power of the Audit Committee are as per the provisions of the Article 103 of Commercial Company Law (CCL), and as specified under Annexure 3 of the Code of Corporate Governance issued by CMA vide circular No. 11/2002 dated 3rd June 2002, and as amended by circular 1/2003 dated 11th January 2003. The Committee acts as a link between the statutory and internal auditors and the Board of Directors. It reviews the various reports placed before it by the Management and Audit Department and addresses to the larger issues, and examines and considers those facets that could be of vital concern to the Company including adequacy of internal controls, reliability of financial statements/other management information, adequacy of provisions for liabilities, and whether the audit tests are appropriate and scientifically carried out and that they were aligned with the realities of the business, adequacy of disclosures and compliance with all relevant statutes.

As at 31 December 2016, the Audit Committee comprised of following Non-Executive Independent Directors.

Mr. Mohd Saif Ghanim Al Suwaidi	Chairman
Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	Member
Sh.Qais bin Mustahil bin Ahmed Al Mashani	Member
Mr.Hussain bin Abdullah bin Ahmed Al Haddad	Member

The Audit Committee has adequate powers and detailed terms of reference to play effective role as required under the provision of Article 102 of CCL.

6. Executive , nomination and remuneration committee

In Conformity with the code of corporate governance of public companies issued by Capital Market Authority, the Board of Directors of the company has decided on 9 June 2016 constitution the nomination and remuneration committee and merges the executive committee in the nomination and remuneration committee.

The role and power of the Committee is to implement the decisions of the Board of Director and to assist the general meeting in the nomination of proficient directors and the election of the most fit for purpose .Moreover, the committee aims to assist the board in selecting the appropriate and necessary executives for the executive management and to assist the company in formulating clear,credible and accessible polices to inform shareholders about directors' and executives' remuneration.

As at 31 December 2016, the executive, nomination and remuneration Committee comprised of following Non-Executive Independent Directors.

Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	Chairman
Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	Member
Sh. Qais bin Mustahil bin Ahmed Al Mashani	Member
Mr. Hussain bin Abdullah bin Ahmed Al Haddad	Member

7. Tender Committee

The role and power of the Tender Committee is to take decisions on the procurement of material and services. The Tender Committee comprises of the head of various department.

8. Remuneration Matters

During the financial year 2016, the Directors were paid a total sum of RO 51,000 towards sitting fee for attending various board meetings, audit committee meetings and executive committee meeting as against RO 44,500 for 2015.

Name	Sitting fee RO
Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	9,000
Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	7,500
Mr. Mohd Saif Ghanim Al Suwaidi	4,500
Mr. Khalid bin Mohd Hassan Habib	4,000
Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	4,000
Sh. Qais bin Mustahil bin Ahmed Al Mashani	4,000
Mr. Hussain bin Abdullah bin Ahmed Al Haddad	8,000
Mr. Abdullah bin Ali bin Salim Al Sulimi	5,000
Mr. Gerhard Hugo Hirth	5,000
Total	51,000

In addition to above, the Company has provided for payment of RO 149,000 as Directors Remuneration for attending the Board meetings during 2016 as against RO 155,500 for 2015.

Remuneration for top 5 employees of the company for 2016 including salary, allowances, benefits, bonus and other expenditures amount to RO 609,210 (last year RO 544,033) as per details given below:

Name of Employee	Designation	Gross salary	Bonus and other benefits	Total
Mr. Salem Alawi Mohammed Ba Abbud	Ex. Chief Executive Officer	117,388	118,295	235,683
Mr. Ahmed Abdullah Taher Barham	General Manager Shipping	71,916	25,665	97,581
Mr. Khalid Saad Salem Al Huzaili	Head of Sales and Logistic	64,044	30,090	94,134
Mr. Abdullah Hussain Abdullah Saif	Head of Health ,Safety, Security and Environment	64,644	26,400	91,044
Mr. Mohammed Ahmed Omar Aideed	Acting Chief Executive Officer	61,308	29,460	90,768
TOTAL		379,300	229,910	609,210

Performance bonus is paid to the employees based on their performance evaluation on various attributes like productivity, quality etc.

Service contracts are usually of two years and unless terminated by the either of the parties is automatically renewed for a further period of two years. Notice period for termination of contract is one to two months.

9. Disclosure of non-compliance

There were no instances of non-compliance or penalty or strictures imposed on the Company by MSM/CMA or any statutory authority or for any matter related to capital markets, during the last three years.

10. Means of Communication:

Annual financial statements and invitation for attending annual general meeting to be sent by post to the shareholder according to their registered addresses. Annual, Quarterly and half yearly results were published in local newspapers as per the guidelines of Capital Market Authority and Muscat Securities Market.

Financials were also posted on the web site of Muscat Securities Market.

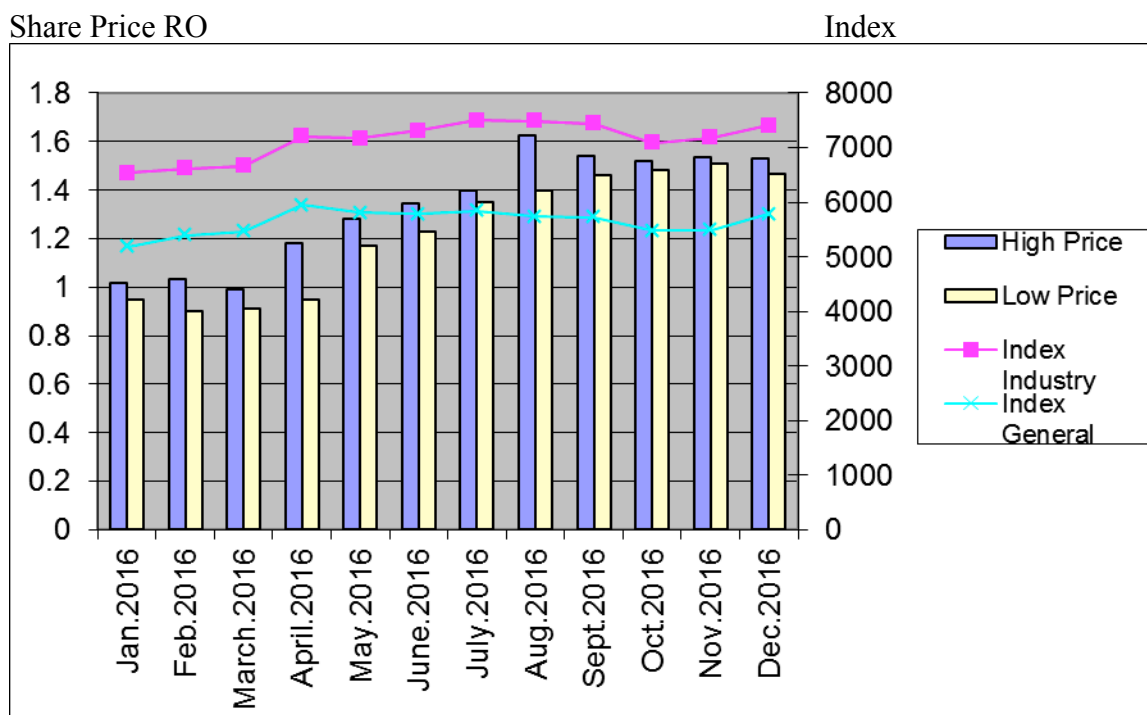
The management discussions and analysis report is part of the annual report.

11. Market Price Data:

The monthly high and low quotations at Muscat Securities Market during financial year 2016 are as follows:

Period	Traded		Price (RO)	
	Shares	Value (RO)	High	Low
January 2016	193,089	189,670	1.015	0.948
February 2016	1,328,462	1,328,740	1.035	0.900
March 2016	1,576,837	1,489,000	0.992	0.912
April 2016	1,422,799	1,531,321	1.180	0.948
May 2016	2,289,052	2,841,145	1.280	1.170
June 2016	921,486	1,187,894	1.345	1.230
July 2016	623,735	854,988	1.400	1.310
August 2016	969,853	1,457,640	1.625	1.400
September 2016	1,340,327	2,010,406	1.540	1.460
October 2016	1,748,569	2,616,596	1.520	1.480
November 2016	625,200	950,169	1.535	1.505
December 2016	298,510	447,655	1.530	1.465

Share price during the financial year 2016 compared to MSM Industrial index and General index are as follows:



12. Distribution of Shareholding :

The following are the major shareholders who own more than 5% of the outstanding shares as at 31 December 2016:

S. No	Name of Shareholders	Shareholding %
1.	Abu Dhabi Fund for Development	15.00
2.	Islamic Development Bank	11.71
3.	Dolphin International	10.33
4.	Baader Bank Aktiengesellschaft	10.00
5.	Abdulla bin Abdul Aziz Al Rajhi	8.72
6.	Ministry of Defense Pension Fund	6.93
7.	Sindibad International Trading Co. LLC	5.94

The shareholding distribution of equity shares as on 31 December 2016 is given below:

No. of Equity shares	No. of Shareholders	No. of Shares	Shareholding %
Less than 100,000	1,123	8,516,731	4.258
100,001 to 500,000	55	10,922,985	5.461
500,001 to 1,000,000	10	7,179,544	3.590
1,000,001 to 10,000,000	12	36,131,352	18.066
10,000,000 & above	7	137,249,388	68.625
TOTAL	1,207	200,000,000	100

13. Categories of shareholding as on 31st December 2016 :

Category	No. of shares held	Shareholding%
Promoter's holding	89,911,679	44.956
Companies	5,286,680	2.643
Banks & Financial Institutions	56,584,554	28.293
Pension Funds	37,266,555	18.633
Individuals	10,950,532	5.475
Total	200,000,000	100%

14. Professional Profile of PwC : Statutory Auditor

PwC is a global network of firms operating in 157 countries with more than 223,000 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 4,000 people. (www.pwc.com/me).

PwC has been established in Oman for over 45 years with 4 Partners, including one Omani national, and over 140 professionals. Our experts in assurance, tax and advisory services 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

During the year 2016, professional fees in the amount of RO 26,000 were rendered by the external auditors in respect of the services provided by them to the organization. No non-audit services were provided or Fee towards Non- audit services

15. Acknowledgment

The Board of Directors acknowledges confirmation of:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- Review of the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- There are no material matters that affect the continuation of the Company and its ability to continue its operations during the next financial year.

Ahmed bin Yousuf Bin Alawi Al Ibrahim
Chairman of the Board of Directors