



شركة ريسوت للأسمنت (ش.م.ع.ع.)

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



Corporate Governance Report for the Financial Year 2018

The Company has implemented the Code of Corporate Governance issued by the Capital Market Authorities during the financial year 2018.

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. Abdul Hafiz bin Salim Ahmed Al Barami	Vice Chairman	Non Executive and independent/ In personal capacity
3	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	Director	Non Executive and independent/ In personal capacity
4	Mr. Mohd Saif Ghanim Al Suwaidi	Director	Non Executive and independent Nominee – Abu-dhabi Fund for Development
5	Mr. Hussam Ibrahim Saleh Al Akhal	Director	Non Executive and independent Nominee – Islamic Development Bank Jeddah
6	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	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 2018, 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 2018

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	21/02/2018	9	7
2 nd .meeting	13/03/2018	9	5
3 rd .meeting	08/05/2018	9	9
4 th .meeting	24/07/2018	9	7
5 th .meeting	05/11/2018	9	9

Audit Committee Meetings

The details of the Audit Committee Meetings held during the financial year 2018

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	21/02/2018	4	3
2 nd .meeting	08/05/2018	4	4
3 rd . meeting	24/07/2018	4	4
4 th .meeting	05/11/2018	4	4

Executive, nomination and remuneration committee Meetings

The details of the Executive Committee Meetings held during the financial year 2018

Meetings No.	Date of the meetings	Total members	Attendance by number of members
1 st .meeting	07/01/2018	4	3
2 nd .meeting	15/07/2018	4	4

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 2018:

	Name	No. of Board Meetings attended	No. of Audit Committee Meetings attended	No. of Executive, nomination and remuneration Committee Meetings attended	Annual General Meetings Attended
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	5	-	2	1
2-	Mr. Abdul Hafiz bin Salim Ahmed Al Barami	4	3	1	1
3	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	5	-	2	1
4	Mr. Mohd Saif Ghanim Al Suwaidi	4	4	-	1
5	Mr. Hussam Ibrahim Saleh Al Akhal	3	-	-	1
6	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	2	-	-	1
7	Mr. Hussain bin Abdullah bin Ahmed Al Haddad	4	4	2	1
8	Mr. Abdullah bin Ali bin Salim Al Sulimi	4	4	-	1
9	Mr. Gerhard Hugo Hirth	5	-	-	1
	Mr. Khalid bin Mohd Hassan Habib / His membership period ended 13 March 2018	1	-	-	-

The details of attendance of each Director at the Board, meetings held during the financial year 2018:

	Name	Number of Meetings & Dates Held				
		1	2	3	4	5
		21/2/2018	13/3/2018	8/5/2018	24/7/2018	5/11/2018
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓	✓	✓
2	Mr. Abdul Hafiz bin Salim Ahmed Al Barami	-	✓	✓	✓	✓
3	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	✓	✓	✓	✓	✓
4	Mr. Mohd Saif Ghanim Al Suwaidi	✓	-	✓	✓	✓
5	Mr. Hussam Ibrahim Saleh Al Akhal	-	✓	✓	-	✓
6	Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	-	-	✓	-	✓
7	Mr. Hussain bin Abdullah bin Ahmed Al Haddad	✓	-	✓	✓	✓
8	Mr. Abdullah bin Ali bin Salim Al Sulimi	✓	-	✓	✓	✓
9	Mr. Gerhard Hugo Hirth	✓	✓	✓	✓	✓
	Mr. Khalid bin Mohd Hassan Habib / His membership period ended 13 March 2018	✓	-	-	-	-

The details of attendance of director at the Audit Committee Meetings held during the year 2018

		Number of Meetings & Dates Held			
		1	2	3	4
		21/2/2018	8/5/2018	24/7/2018	5/11/2018
1	Mr. Mohd Saif Ghanim Al Suwaidi	✓	✓	✓	✓
2	Mr. Abdul Hafiz bin Salim Ahmed Al Barami	-	✓	✓	✓
3	Mr. Hussain bin Abdullah bin Ahmed Al Haddad	✓	✓	✓	✓
4	Mr. Abdullah bin Ali bin Salim Al Sulimi	✓	✓	✓	✓

The details of attendance of director at the Executive, nomination and remuneration Committee Meetings held during the financial year 2018:

	Number of Meetings & Dates Held	Number of Meetings & Dates Held	
		1	2
		07/01/2018	15/07/2018
1	Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	✓	✓
2	Mr. Abdul Hafiz bin Salim Ahmed Al Barami	-	✓
3	Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	✓	✓
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 2018, the Audit Committee comprised of following Non-Executive Independent Directors.

Mr. Mohd Saif Ghanim Al Suwaidi	Chairman
Mr. Abdulla bin Salim Al Sulimi	Member
Mr. Abdul Hafiz bin Salim Ahmed Al Baram	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 policies to inform shareholders about directors' and executives' remuneration.

As at 31 December 2018, 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
Mr. Abdul Hafiz bin Salim Ahmed Al Baram	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 2018, the Directors were paid a total sum of RO 48,000 towards sitting fee for attending various board meetings, audit committee meetings and executive committee meeting as against RO 48,500 for 2017.

Name	Sitting fee RO
Mr. Ahmed bin Yousuf bin Alawi Al Ibrahim	6,000
Mr Abdul Hafiz bin Salim Ahmed Al Baram	6,000
Mr. Shihab bin Yousuf bin Alawi Al Ibrahim	6,000
Mr. Mohd Saif Ghanim Al Suwaidi	6,000
Mr. Hussam Ibrahim Saleh Al Akhal	3,000
Mr. Fahad bin Abdulla Abdul Aziz Al Rajihi	2,000
Mr. Hussain bin Abdullah bin Ahmed Al Haddad	7,000
Mr. Abdullah bin Ali bin Salim Al Sulimi	6,000
Mr. Gerhard Hugo Hirth	5,000
Mr.Khalid Mohamed Habib (His membership period ended)	1,000
Total	48,000

In addition to above, the Company has provided for payment of RO 138,829 as Directors Remuneration for attending the Board meetings during 2018 as against RO 151,500 for 2017.

Remuneration for top 5 employees of the company for 2018 including salary, allowances, benefits, bonus and other expenditures amount to RO 502,586 (last year RO 371,748)
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

Company has complied with relevant provisions of Capital Market Authority on Corporate Governance. There were no penalties or strictures imposed on the company by MSM/CMA during the last 3 years.

10. Board performance appraisal

The appraisal of the Board was conducted during the year by "Experts", the independent consultants appointed by the shareholders at the AGM held on 13 March 2018. The appraisal was conducted based on the criteria approved by the shareholders at the forthcoming AGM. The performance appraisal report will be submitted to the shareholders at AGM and necessary actions to improve the performance of the Board will be initiated.

11. Procedures and Conditions for the Selection of Board Members:

Article (22) of the Articles of Association of the Company shall be applied in the election of the members of the Board of Directors. The necessary action will be taken to apply the new amendments contained in the new Commercial Companies Law issued by the Royal Decree No. 18/2019 dated 13/2/2019.

12. 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.

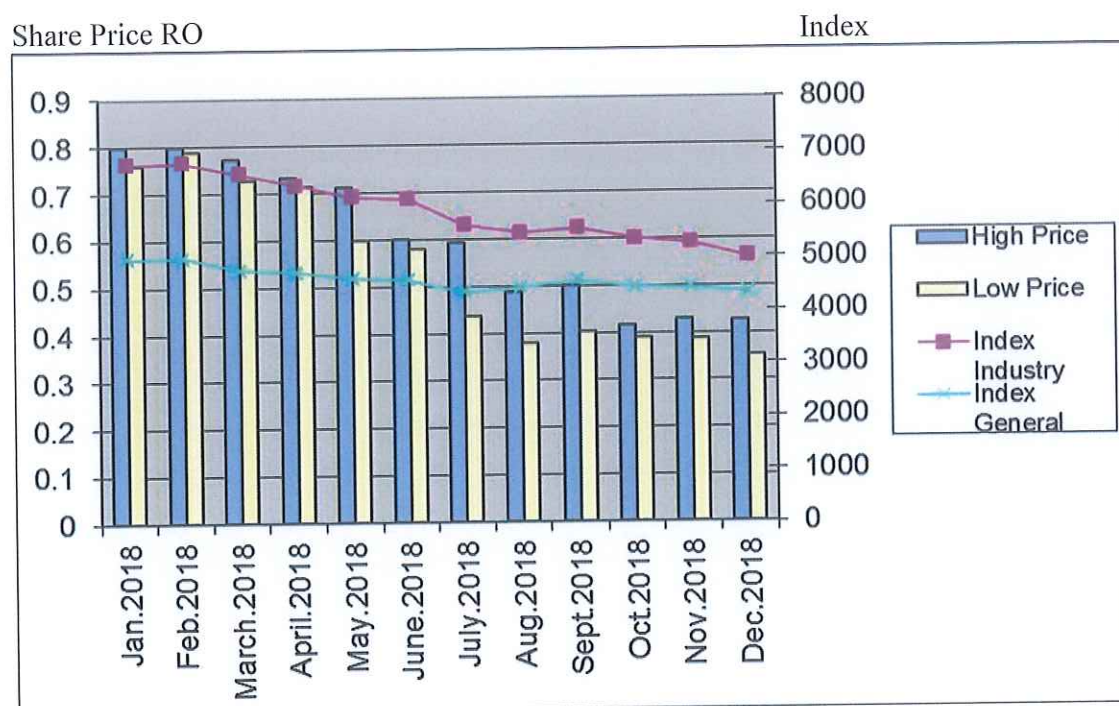
Financials were also posted on the web site of Muscat Securities Market. The management discussions and analysis report is part of the annual report.

13. Market Price Data:

The monthly high and low quotations at Muscat Securities Market during financial year 2018 are as follows:

Period	Traded		Price (RO)	
	Shares	Value (RO)	High	Low
January 2018	42,726	34,109	0.800	0.760
February 2018	55,847	44,449	0.800	0.788
March 2018	47,299	34,859	0.772	0.728
April 2018	53,135	38,753	0.732	0.716
May 2018	195,272	128,281	0.712	0.598
June 2018	106,630	63,751	0.600	0.580
July 2018	210,610	102,768	0.594	0.438
August 2018	81,828	35,084	0.486	0.378
September 2018	1,732,511	764,460	0.500	0.404
October 2018	444,420	177,372	0.416	0.390
November 2018	1,750,604	689,368	0.428	0.386
December 2018	824,710	327,102	0.426	0.352

Share price during the financial year 2018 compared to MSM Industrial index and General index are as follows:



14. Distribution of shareholding :

The following are the major shareholders who own more than 5% of the outstanding shares as at 31 December 2018:

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	6.31
7.	Sindibad International Trading Co. LLC	5.94

The shareholding distribution of equity shares as on 31 December 2018 is given below:

No. of equity shares	No. of shareholders	No. of shares	Shareholding %
Less than 100,000	1204	9,819,892	4.91%
100,000 to 500,000	51	10,320,074	5.16%
500,001 to 1,000,000	10	7,313,408	3.66%
1,000,001 to 10,000,000	11	39,097,238	19.55%
10,000,000 & above	7	133,449,388	66.72%
TOTAL	1,283	200,000,000	100%

15. Categories of shareholding as on 31st December 2018:

Category	No. of shares held	Shareholding%
Promoter's holding	89,911,679	44.96%
Companies	2,273,938	1.13%
Banks & Financial Institutions	54,452,778	27.23%
Pension Funds	41,223,034	20.61%
Individuals	12,138,571	6.07%
Total	200,000,000	100%

16. Professional Profile of Statutory Auditor

The shareholders of the Company appointed **Deloitte** as its auditors for 2018.

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Deloitte billed an amount of RO 29,700 towards professional services rendered to the Company during the year 2018 (RO 26,000 for audit and RO 3,700 for other services).

17. 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

