



OMAN REFRESHMENT COMPANY SAOG

Report on Corporate Governance - 2018

**1. CORPORATE GOVERNANCE: ORC PHILOSOPHY**

Corporate Governance is about directing and controlling the Company with the overriding objective of optimising the return for shareholders, while adhering to the laws and ethical standards of the business environment in which it operates. A good governance process aims to achieve this by providing long term visibility of its businesses, ensuring effective relationship with stakeholders, establishing systems that help the Board of Directors ("Board" hereafter) in understanding and monitoring risk at every stage of corporate's evolution process. The corporate governance is not a matter of form, but of substance. It is an article of faith and should be integral to the core values of the corporation.

The Board of Directors and the Management of Oman Refreshment Company SAOG ("ORC" or "Company" hereafter) are committed to the highest standards of corporate governance for the Company. The Company has long been practicing best business practices in its industry, which are subject to continuous review to ensure that they continue to reflect the recent developments in order to conform to the best corporate governance practices. It takes feedback into account in its periodic reviews of the guidelines to ensure their continuing relevance, effectiveness and responsiveness to the needs of all the stakeholders.

2. Board of Directors

As on 31st December 2018, the strength of the Board of Directors is 5, comprising of all Non-executive Directors including Chairman. The Board is responsible for directing the business and guiding the executive management. All the directors on the ORC Board are shareholder directors representing either an individual shareholder or a juristic shareholder except Mr. Mohamed Abdul Aziz Al Owais who is non-shareholder, professional directors.

2.1. The composition & category of Directors during the year under review is as follows:

S. No	Name	Position	Category	No. of Board meetings held in Director's tenure	No. of Board meetings attended	Whether attended last AGM	No. of directorships on Boards of other SAOG companies
1	Buti Obaid Al Mulla	Chairman	Non-independent	6	6	Yes	-
2	Hamoud Ahmed Mohamed Al Hinai	Vice Chairman	Non-Independent	6	5	YES	1
3	Mohamed Abdullah Moosa Al Raisi	Non-Executive Director	Non-Independent	6	6	Yes	-
4	Ali Humaid Al Owais	Non-Executive Director	Independent	6	5	Yes	-
5	Mohamed Abdul Aziz Al Owais	Non-Executive Director	Independent & Professional	6	1	No	-

**2.2. Statement of the Names & Profiles of Directors and Top Management**

The ORC Board brings together core competencies of directors with vision, strategic insight and industry knowledge, which provide direction to the executive management.

Buti Obaid Al Mulla - Chairman

Mr. Buti Obaid Al Mulla has been a member of the Board of Directors of the company since 2001 and has been serving as Chairman of the Board of Directors of the Company since 2007. Other positions currently held by him include the following:

- Owner and Director of Al Mulla Group, UAE.
- Chairman of Dubai Insurance Company PSC, UAE.
- Vice Chairman of Emirates Investment Bank PJSC, UAE.
- Vice Chairman of Emirates Islamic Bank PJSC, UAE.
- Director of Emirates NBD Bank PJSC, UAE.

Hamoud Ahmed Mohamed Al Hinai – Vice Chairman

Mr. Hamoud Ahmed Mohamed Al Hinai is a member of Board of Directors of the company since 1982. He had also served as the Managing Director of the Company since 2001 until December 2016. He holds various senior positions in different companies as follows:

- Director of Omani Packaging Company SAOG.
- Director of Bin Omeir Investments LLC

Mohamed Abdullah Moosa Al Raisi – Director

Mr. Mohamed Abdullah Moosa Al Raisi is a member of the Board of Directors of the company since 2001. He holds various senior positions in different companies as follows:

- Director of Abjar Trading & Contracting Company LLC.
- Director of Moosa & Partners Investments LLC.
- Director of Noor Oman Realty Services LLC.
- Director of City Home Building Materials LLC.

Ali Humaid Al Owais – Director

Mr. Ali Humaid Al Owais has been a member of Board of Directors since 2007. He currently holds various positions in different companies as follows:

- Chairman of United Foods Company PSC, UAE.
- Vice Chairman of Dubai Refreshment Company PJSC, UAE.
- Vice Chairman of Modern Bakery LLC, UAE.
- Director of Dar Al Takaful PJSC, UAE.
- Director of Emirates Islamic Bank PJSC, UAE.
- Director of Emirates NBD Bank PJSC, UAE.

Mohamed Abdul Aziz Al Owais – Director

Mr. Mohamed Abdul Aziz Al Owais has been a member of Board of Directors since 2010. He currently holds various positions in different companies as follows:

- Chairman of Emirates Refreshment Company PJSC, UAE.
- Executive Director of United Foods Company PSC, UAE.
- Director of Dubai Refreshment Company PJSC, UAE.
- Director at Al-Owais General Trading, Real Estate and Investments, UAE.

Youssef Ezzikhe – Chief Executive Officer



Mr. Youssef Ezzikhe holds an Executive MBA and also a BA in marketing. He is a business professional with senior experience in leading FMCG, Beverage and industrial sectors in North Africa and GCC markets. He joined the company as Chief Executive Officer in September 2010.

Santosh Kumar – CFO

Mr. Santosh Kumar is Fellow Chartered Accountants (FCA) and an Executive Business Management (EMBA) graduate. He has worked with fortune hundred FMCG companies in different markets of Asia, Middle East. He has extensive experience in internal control, operation & strategic finance.

2.3. Meetings of the Board of Directors

The Board of Directors meets once in a quarter to consider the Audited/Unaudited Financial results and any other matters arising from the business operations of the Company.

As against the minimum requirement of 4 board meetings, the Board of Directors met 6 times on the following dates during 2018 viz., 29th January, 27th February, 23rd April, 26th July, 22nd October and 10th December 2018.

3. Audit Committee & Other Committees

3.1. Audit Committee

Audit Committee is a sub-committee of the Board, comprising majority independent directors, viz., Mohamed Abdul Aziz Al Owais as Chairman and Hamoud Ahmed Mohamed Al Hinai (who replaced Mohamed Abdullah Moosa Al Raisi) and Ali Humaid Al Owais as members.

The terms of reference stipulated by the Board of Directors to the Audit Committee are as follows:

- Review the adequacy of internal control systems and Internal Audit Reports, and their compliance.
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure the accuracy, sufficiency and credibility of the financial statements.
- Recommend the appointment and removal of external auditors and fixing of audit fees and also approval for payment for any other services.
- Review with the management the quarterly, half yearly and annual financial statements before submitting to the Board.
- Review with the management, external and internal auditors, the adequacy of internal control systems.

3.1.1. Attendance and Other Details

The Audit Committee has met 4 times during the year on the following dates, viz., 29th January, 23rd April, 26th July and 22nd October 2018.



The attendance of each member at Audit Committee meetings held during the year is as follows:

SI No	Name	Position	Category	No. of Audit committee meetings held during Member's tenure	No. of Audit committee meetings attended
1	Mohamed Abdul Aziz Al Owais	Chairman	Non-Executive, Independent & Professional	4	1
2	Hamoud Ahmed Mohamed Al Hinai	Member	Non-Executive & Non-Independent	4	2
3	Ali Humaid Al Owais	Member	Non-Executive & Independent	4	4
4	Mohamed Abdullah Moosa Al Raisi*	Member	Non-Executive & Independent	4	1

* Mr. Mohamed Abdullah Moosa Al Raisi have attended the first audit Committee meeting and was later replace by Hamoud Ahmed Al Hinai.

3.2. Nomination & Remuneration Committee

Nomination & Remuneration Committee is another sub-committee of the Board comprising of Ali Humaid Al Owais as Chairman and Buti Obaid Al Mulla and Mohamed Abdullah Moosa Al Raisi as members, formed to

- Ensure that the independent directors remain independent on a continuous basis.
- Recommend board member's remuneration.
- Review periodically the policies relating to remuneration, benefits, bonus and other compensation elements, lay- down and update the parameters for recruitment, assessment and compensation of key personnel, undertake their performance assessment and report to the Board on the compensation & personnel policies.

3.2.1. Attendance and Other Details

The Nomination & Remuneration Committee has met 2 times during the year on the following dates, viz., 11th October and 11th December.

The attendance of each member at Nomination & Remuneration Committee meeting held during the year is as follows:

S. No	Name	Position	Category	No. of Nomination & Remuneration committee meetings held during Member's tenure	No. of Nomination & Remuneration committee meetings attended
1	Ali Humaid Al Owais	Chairman	Non-Executive & Independent	2	2
2	Buti Obaid Al Mulla	Member	Non-independent	2	2
3	Mohamed Abdullah Moosa Al Raisi	Member	Non-Executive & Non-Independent	2	1

4. Process of Nomination of Directors

In nominating and screening candidates, the Board looks for professionalism, integrity, accountability, performance standards, leadership skills and professional business judgment. Financial literacy, proven track record, industry knowledge and strategic vision are key characteristics. While nominating competent candidates, the Board ensures that the shareholders retain the power of electing any candidate, irrespective of his candidature being recommended by the Board or otherwise and that any shareholder or non- shareholder candidate has the full right of nominating himself.

**5. Evaluation of the Board of Directors performance**

Protiviti has been appointed by the shareholders of the Company at the last annual general meeting to perform evaluate performance of the Board & its members in accordance with the approved criteria for the year 2018. Protiviti had completed its evaluation and submitted the report to the Chairman of the Board of Directors which while commending the complied areas of governance also highlighted certain areas of improvement. The Board took note of the contents of Protiviti's report and re-affirmed its commitment to continuous improvement and total compliance.

Protiviti is a wholly owned subsidiary of Robert Half International Inc. (NYSE symbol: RHI). Founded in 1948, Robert Half, the world's first and largest specialized staffing firm, is a member of the S&P 500 index. Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration. Its consulting solutions span critical business problems in technology, business process, analytics, risk, compliance, transactions and internal audit. More than 4,600 people serve clients through the network of Protiviti and independently owned Member Firms in more than 70 offices in over 20 countries.

6. Remuneration Matters**6.1. Board of Directors**

The Chairman and Directors are paid sitting fees at the rate of RO 1,000 for attending each board meeting. The Board committee members are paid sitting fee at the rate of RO 400 for attending each committee meeting. The Chairman and Directors are entitled to a total remuneration & sitting fee of RO 200,000 during the year. The Company ensures that the overall remuneration & sitting fees paid/payable during 2018 is in accordance with the CMA's Administrative Decision no 11/2005 on rules for remuneration and sitting fees for Directors and sub committees of Public joint stock companies. Further, the company incurred RO 9,597 as traveling & related expenses for the official travel of the members of the Board during the year.

6.2. Key Personnel

The total remuneration including salary, allowances and performance linked incentives paid/accrued to top 5 officers of the company during the year amounted to RO 803,599 (2017: RO 747,732), which includes RO 587,764 (2017: RO 548,079) as fixed component and RO 215,835 (2017: RO 199,653) linked to the performance.

6.3. Employment Contracts and Other Related Information of Key Personnel

The employment contracts of the top 5 officers are usually entered for an initial period of 2 years which are automatically renewed unless terminated in accordance with the terms mentioned therein. The notice period for termination of employment contracts for all the key personnel is 3 months and the gratuity is computed and paid in accordance with the Oman Labour Law.

7. Details of Non-compliance by the Company

- 7.1. There were no penalties or strictures imposed on the company by MSM/CMA during the last 3 years.
- 7.2. The Company has implemented the best practices of Corporate Governance and updates such practices from time to time and is in compliance with the Code of Corporate Governance.

8. Means of Communication

- 8.1. The Company has been dispatching abridged Annual Reports to all the members of the Company, while copies of the full version annual reports are made available at the Company to the shareholders. The Company has been promptly sending financial results and material information to MSM Website via the MSM Electronic Transmission System.
- 8.2. The annual audited and quarterly unaudited financial results were published in two newspapers, as required by law, and are also posted on the MSM website as well as Company's website (www.pepsioman.com).



8.3. The Management Discussion and Analysis Report, which forms part of the Annual Report, is provided elsewhere in this Annual Report.

9. Stock Market Data

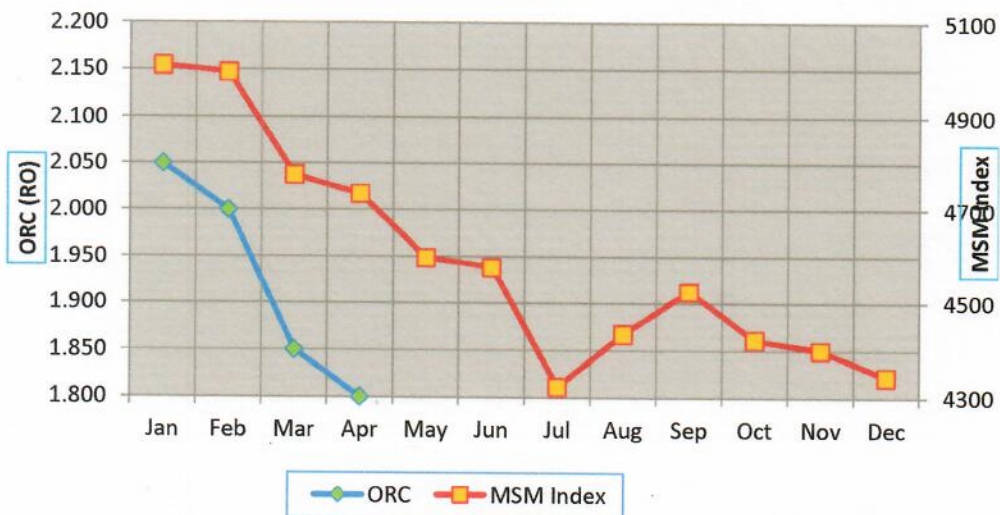
9.1. Monthly high and low share prices of 2018

Monthly share price of high and low quotations, traded in Muscat Securities Market (MSM) for the year 2018:

Month	Share price movement (in RO)	
	High	Low
January	2.05	2.05
February	2	2
March	1.918333333	1.918333333
April	1.85	1.85
May	1.808333333	1.788333333
June	1.745	1.745
July	1.745	1.745
August	1.746666667	1.746666667
September	1.7225	1.7225
October	1.73	1.73
November	1.745	1.745
December	1.73375	1.73375

(Source of statistics: MSM)

9.2. Stock Performance in comparison to MSM index of industrial sector: -



Note: -

Share price and MSM Index (for Industrial sector) average for the month is based on the High and Low during the month.



9.3. The company does not have any outstanding GDR's/ ADR's/ Warrants or any convertible instruments.

9.4. Distribution of Shareholding as on 31st December 2018

(Source of Statistics: - Muscat Clearing & Depository Company SAOC)

S. No.	Category	Number of Shareholders	No of shares	% Shareholding
1	Less than 2%	381	9,706,373	19.41%
2	2% to 4.99%	14	21,805,597	43.61%
3	5% to 10%	1	2,982,560	5.97%
4	Above 10%	2	15,505,470	31.01%
	Total	398	50,000,000	100%

10. Professional Profile of the Statutory Auditors

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.

11. Audit fees and fees for other services

The audit fees provisioned/paid to the Auditors for the year 2018 was RO 11,500 (2017 – RO 11,500). There was no other fee paid to the auditors for any other services during the year (2017 – Nil).

12. Board of Directors confirmations

Further to the information provided above, the Board of Directors confirms that

- It is liable for the preparation of the financial statements in accordance with the applicable standards and rules,
- It has reviewed the efficiency and adequacy of internal control systems and that these comply with the internal rules and regulations,
- There are no material things that affect the continuation of the Company and its ability to continue its operations during the next financial year.

For and on behalf of the Board



Chairman




Director