

Al Anwar Ceramic Tiles Co. SAOG

Report on Corporate Governance

1. ***Company's Philosophy:***

The Company's philosophy on Corporate Governance is reflected in its values and beliefs, which are as stated under.

- ❖ People are our greatest asset.
- ❖ Uncompromising integrity.
- ❖ Strong customer orientation and sensitivity.
- ❖ Achieve a position of leadership in our business.

While these values govern the entire approach to business, it also emphasizes the Company's commitment to integrity, transparency and competency, which we believe are the fundamental building blocks of good Corporate Governance.

The Company has a competent Board, whose members have valuable business experience. They continuously monitor the strategic progress of the organization in addition to reviewing key performance indicators on an ongoing basis. The reporting systems instituted by the Board ensures that all relevant and critical information come to their attention.

The Chairman is also conscious of the need to induct new talent into the Board to improve the supervision of the organization.

The Audit Committee ensures that the internal control mechanisms are robust and adequate. They also ensure that the organization is in full compliance with all the requirements of the regulatory authorities in the country.

The Board is fully committed to establishing a healthy Corporate Governance mechanism.

2. ***Board of Directors:***

The Board consists of 5 Directors among whom the Chairman and Dy. Chairman are elected. The status of the Board members is as per the below table.

The constitution of the Board is as under:

| <u><i>Name of the Director</i></u> | <u><i>Designation</i></u> | <u><i>Representing</i></u> | <u><i>Category</i></u> | |
|------------------------------------|---------------------------|----------------------------|------------------------|-------------|
| 1. Mr. Hussain Ali Habib Sajwani | Chairman | Self | Non-Independent | |
| 2. Mr. Sofyan Khatib | Director | Self | Non-Independent | |
| 3. Mr. Essa Mohammed A H Ibrahim | Director | Self | Non-Independent | |
| 4. Mr. Mohamad Habib Mohd Kokar | Director | Self | Independent | |
| 5. Mr. Ali Hussain Hassan Ali | Abdul Hussain | Director | Self | Independent |

The entire board was elected in the Annual General Meeting held on 26th March, 2024. The details of the attendance of the Board members to the Board meetings during the year and the AGM is enclosed in Annexure “A”.

Functions of the Board

The Company in general complies with the functions of the Board as per the Capital Market Authority (FSA) Code of Conduct. With respect to the selection of the Chairman, Dy. Chairman and the General Manager/Chief Executive Officer and other key executives a selection process is applied within the Board of Directors after due review by the Nomination and Remuneration Committee (NRC) whenever required. The Board of Directors is also consulted by the NRC on evaluation of key executives.

Process of nomination/Selection of Directors

At the Ordinary General Meeting of the shareholders of the Company held in March 2024 the current Board was elected for a period of three (3) years. There are arrangements for the filling of

vacancies by the Board itself on a temporary basis and the appointment of substitutes in line with stipulations of the Commercial Companies Law and guidelines issued by the FSA. Directors are duly briefed, and kept, regularly informed, on matters concerning the business environment and the Company’s businesses as well as specific Corporate Governance elements. The Board strives to continuously enhance the level of awareness amongst its members on the above aspects.

Minimum information to be placed before the Board

In order to facilitate proper governance, amongst others, the minimum information to be placed before the Board as per Annexure 2 of the Code, is provided to the Board.

Board Secretary

The Board has appointed the Chief Financial Officer of the Company as the Board Secretary in the Board Meeting held in March 2024.

3. Audit Committee:

The Board has established an Audit Committee comprising of three members out of them two being an independent member. The Company’s Internal Regulation on Corporate Governance lists out the roles and responsibilities of the Audit Committee members. In compliance with the requirements of Article 7 of the Code, two of the members of the Audit Committee has finance and accounting experience.

The Audit Committee is composed of the following members:

1. Mr. Mohammed Habib KhokarChairman of the Committee
2. Mr. Sofyan KhatibMember
- 3.Mr. Ali Hussain Hassan Ali Abdul HussainMember

The Audit Committee was formed on 26th March 2024 immediately on election of the new Board of Directors in the AGM held on the same day.

The dates of the Audit Committee meetings and the attendance of the members is shown in Annexure “B”.

As per the Internal Regulations on Corporate Governance of the Company, the main responsibilities of the Audit Committee are as follows:

- Reviewing the annual audited financial statements and the Auditors’ Report on the financial statements prior to submission to the Board for approval;
- Reviewing and approving the interim financial statements prior to public release and filing;
- Reviewing the scope of external and internal audits;
- Reviewing and discussing accounting and reporting policies and changes in accounting principles;
- Assessing the effectiveness of the Company’s internal control systems and procedures and the process for identifying principal business risks;
- Reviewing compliance with the Code of Conduct;
- Reviewing legal matters with counsel;
- Review Directors’ and officers’ expenses and related party transactions; and
- Meeting with the internal and external auditors independently of the management of the Company.

The Audit Committee has reviewed, on behalf of the Board, the effectiveness of internal controls by meeting the internal auditor, reviewing the internal audit reports and recommendations and meeting the external auditor, reviewing the audit findings report and the management letter.

In 2024 the Board of Directors, through the Audit Committee, reviewed and assessed the Company’s system of internal controls based on the audit report submitted by the Internal and External Auditors. The Board also reviews the monthly operational reports generated by the Management of the Company which compares the budget and the actuals. The Audit Committee and the Board are pleased to inform the shareholders that, in their opinion, an adequate and effective system of internal control is in place.

Nomination and Remuneration Committee

The Board constituted “Nomination and Remuneration Committee” to assist and advise the Board on matters relating to the remuneration of the Board, and the performance and remuneration of Executive management and Chief Executive Officer / General Manager along with assisting on nomination of Directors and senior executive management. The terms of reference are as stipulated in the Corporate Governance Code.

The following Directors are the members of the Nomination and Remuneration Committee:

- | | |
|----------------------|---------------------------|
| 1. Mr. Sofyan Khatib | Chairman of the Committee |
|----------------------|---------------------------|

| | |
|---|--------|
| 2. Mr. Essa Mohammed A H Ibrahim | Member |
| 3. Mr. Ali Hussain Hassan Ali Abdul Hussain | Member |

Board of Directors acknowledge that:

They are responsible to ensure that the financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the requirements of the Commercial Companies Law of the Sultanate of Oman and the Rules and Guidelines on Disclosure prescribed by the FSA.

4. Remuneration of Directors and top 5 officers

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|--|-----------|
| a. Sitting fees is paid to the Directors during the year ended 31.12.2024 | 5,000/- |
| b. Consultancy fees for advisory services to the board of directors | 129,200/- |
| c. Remuneration paid to top 5 executives of the Company (Including salaries & all other benefits) | 327,625/- |
| d. The incentive schemes during the period under review were agreed and duly approved by | |

the Board of Directors.

- e. Employment contracts: Expatriate employees are employed on two-year contracts, renewable on mutually acceptable terms. Notice period is generally 3 months for all key positions or salary in lieu thereof and for other positions one month's notice or salary in lieu thereof. No severance terms are specified in the contracts, except as disclosed in the financial statements.

5. Details of non-compliance by the Company

The Company has complied with all the regulations laid down by FSA/MSX and any other regulatory authority and there have been no penalties/strictures on any matter during the last 3 years.

6. Means of communication with its Shareholders and Investors

The quarterly results were published in all the leading newspapers well within the time prescribed by the FSA regulations. The Company has constantly been issuing press releases on the material information of the Company. The company has held periodical interaction with shareholders, analysts and other stakeholders on open forum. The annual report along with the audited financial statements are sent to all the shareholders with the notice of the AGM of the Company. The financial statements are also published in leading Arabic and English newspapers and also uploaded on the MSX website in time as stipulated by the Corporate Governance Code.

The shareholders are also provided with the Management Discussion and Analysis (MD &A) Report as part of the Annual Report.

7. Market Price Data:

The market price of the shares of the Company during the year 2024 were as per Annexure “C”:

The shareholding distribution as at the end of December 2024 is furnished in Annexures “D” and “E”.

8. Professional Profile of the Statutory Auditor:

The share holder of company appointed BDO LLC as the auditors for the year 2024 with a total fees of REO 4800/-

BDO LLC, the statutory auditors of the Company, have been operating in the Sultanate of Oman since 1976. BDO LLC is an independent and legally distinct member firm of BDO International Limited. BDO, one of the leading professional services firm, providing industry focused Assurance, Tax and Advisory services, has over 119,000 employees working in a global network of 1,800 offices situated in 166 countries and territories. BDO LLC is accredited by the Financial Services Authority to audit publicly listed joint stock companies (SAOGs) in Oman.

Annexure “A”

Details of attendance of members to Board meetings & AGM

| Sl.No. | <i>Name of Board member</i> | 1 st BM 13 th Feb 2024 | 2 nd BM 25 April 2024 | 3 rd BM 29 th July 2024 | 4 th BM 28 th Oct. 2024 | AGM 26th March 2024 |
|--------|--|--|-------------------------------------|---|---|------------------------|
| 1 | Mr. Hussain Ali Habib Sajwani | Present | Present | Present | Present | Present |
| 2 | Mr. Aqil Jafer Ali | Present | NA | NA | NA | NA |
| 3 | Mr. Sofyan Khatib | Present | Present | Present | <i>Present</i> | Present |
| 4 | Mr. Essa Mohammed A H Ibrahim | Present | Present | Present | Present | Present |
| 5 | Mr. Mohamad Habib Mohd Kokar | Present | Present | Present | Absent | + |
| 6 | Mr. Ali Hussain Hassan Ali Abdul Hussain | NA | Present | Present | Present | NA |

The Board of Directors also hold the following positions in other companies / organisations:

| Name of Board member | Designation held in other companies | Name of company |
|--|-------------------------------------|-----------------------------|
| Mr.Hussain Ali Habib Sajwani | Chairman | Al Jazeera Services Co SAOG |
| | Chairman | Damac Properties Dubai PJSC |
| Mr. Sofyan Khatib | Director | Al Jazeera Services Co SAOG |
| Mr. Essa Mohammed A H Ibrahim | Director | Al Jazeera Services Co SAOG |
| Mr. Mohamad Habib Mohd Kokar | Director | |
| Mr. Ali Hussain Hassan Ali Abdul Hussain | Director | |

“Annexure “B”

Details of attendance of member to the Audit Committee Meetings

| Sl.No | <i><u>Name of Board member</u></i> | 1 st ACM 13 th Feb 2024 | 2 nd ACM 25 April 2024 | 3 rd ACM 29 th July 2024 | 4 th ACM 28 th Oct. 2024 |
|-------|--|---|--------------------------------------|--|--|
| 1 | Mr. Aqil Jafer Ali | Present | NA | NA | NA |
| 2 | Mr. Sofyan Khatib | Present | Present | Present | Present |
| 3 | Mr. Essa Mohammed A H Ibrahim | Present | NA | NA | NA |
| 4 | Mr. Mohamad Habib Mohd Kokar | NA | Present | Present | Absent |
| 5. | Mr. Ali Hussain Hassan Ali Abdul Hussain | NA | Present | Present | Present |

Details of attendance of members to the Nomination and Remuneration Committee

| Sl.No | <i><u>Name of Board member</u></i> | 1 st NRC 13 th Feb 2024 | 2 nd NRC 28 th Oct. 2024 |
|-------|--|--|---|
| 1 | Mr. Sofyan Khatib | Present | Present |
| 2 | Mr. Essa Mohammed A H Ibrahim | Present | Present |
| 3 | Mr. Ali Hussain Hassan Ali Abdul Hussain | NA | Present |

“Annexure “C”

| <i><u>Period – Month 2024</u></i> | High RO | Low RO | MSM Industry Index |
|-----------------------------------|---------|--------|--------------------|
| January’24 | 0.176 | 0.149 | 5,418.459 |

| | | | |
|--------------|-------|-------|-----------|
| February’24 | 0.199 | 0.160 | 5,535.031 |
| March’24 | 0.204 | 0.178 | 5,657.720 |
| April’24 | 0.205 | 0.170 | 5,586.463 |
| May’24 | 0.185 | 0.179 | 5,915.110 |
| June’24 | 0.198 | 0.175 | 6,066.293 |
| July’24 | 0.190 | 0.154 | 5,938.852 |
| August’24 | 0.184 | 0.168 | 5,881.445 |
| September’24 | 0.189 | 0.150 | 5,686.683 |
| October’24 | 0.172 | 0.127 | 5,403.732 |
| November’24 | 0.133 | 0.097 | 5,200.898 |
| December’24 | 0.112 | 0.089 | 5,270.702 |

“Annexure“D” Distribution of Shareholding

| Distribution of Shares | No. of Shareholders | No. of Shares | %age on total Shares |
|------------------------|---------------------|---------------|----------------------|
| 1 – 10,000 | 657 | 1,986,730 | 0.903% |
| 10,001 – 50,000 | 176 | 4,388,506 | 1.995% |
| 50,001 – 100,000 | 39 | 2,724,833 | 1.239% |
| 100,001 – 200,000 | 22 | 3,257,071 | 1.480% |
| 200,001 – 500,000 | 20 | 6,152,825 | 2.797% |
| 500,001 – 1,000,000 | 5 | 3,667,566 | 1.667% |
| Above 1,000,000 | 22 | 197,822469 | 89.919% |

“Annexure“E”

Shareholders holding 5% and above as at 31st December, 2024

| Name of Shareholder | No. of Shares | %age on total Shares |
|------------------------------|---------------|----------------------|
| Al Jazeera Services Co SAOG | 81,379,465 | 36.991% |
| Oman Investment Authority -3 | 20,587,717 | 9.3% |
| Social Protection fund | 18,754,197 | 8.52% |

| | | |
|---------------------------|------------|-------|
| Oman Investment Authority | 11,953,025 | 5.43% |
|---------------------------|------------|-------|