

Report on Corporate Governance

In accordance with the Capital Market Authority ("CMA") guidelines, we are pleased to present the Corporate Governance Report ("the Corporate Governance Report") of National Aluminium Products Co. SAOG ("NAPCO") for the year ended 31 December 2018.

1. Company philosophy

The Company's Board of Directors (the "Board") and its executive management firmly believe in a business model which emphasises careful, prudent management of the Company's resources in order to achieve balanced, sustainable growth and profitability. They are acutely aware of their fiduciary responsibilities to the Company's shareholders and they always strive to ensure that they act in the best interests of the shareholders. The Board of Directors firmly believes that effective corporate governance is essential for a company if it wishes to attain a long-term value. The directors have always stressed on good governance and wealthy corporate practices for the company to attain its objectives and realize its mission. The Board and Committees meet frequently to discuss the strategic and essential matters. The company has adopted and implemented all the relevant provisions of the code of corporate governance as laid down by the Capital Market Authority.

2. The Board of Directors

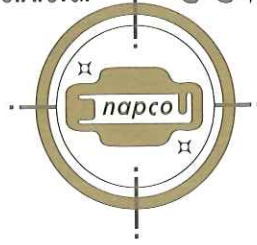
The current board consists of 7 Directors. All the members of the Board are non-executive Directors and 4 Directors are independent. Details of the current board are set out in Table 1.

Functions of the Board

The Company in general complies with the functions of the Board as per the CMA Code of Conduct. With respect to the selection of the Chairman, Dy. Chairman and the Chief Executive Officer and other key executives a selection process is applied within the Board of Directors. The Board of Directors is also consulted on evaluation of key executives.

Process of nomination/Selection of Directors

At the ordinary general meeting held on March 28, 2017 the current Board was elected for a period of three (3) years. There are arrangements for the filling up 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 Capital Market Authority. 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 will strive 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 1 of the Code, is provided to the Board.

3. Company Management

The name, designations, description of responsibilities and brief profile of the Company's Management personnel are as follows:

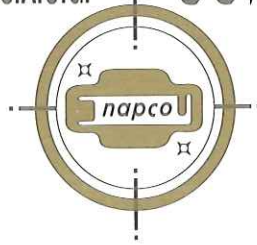
- **Mr. Ihab Moullem – Chief Executive Officer** - Responsible for overall management and operations of the Company
- **Mr. David Ponraj – Finance Controller** – responsible for the financial decision of the company.
- **Mr. Hamid Al Rashid – Deputy CEO (Nominee)** – Responsible for overall management and operations of the Company and also Secretary to the Board.
- **Mr. Abdul Rasheed Abdul Majeed – Plant Manager-** Responsible for production and plant operation.
- **Mr. Salah Bin Khamis Al-Hammadi – Human Resources & Administration Manager** - Responsible for the Human Resources and Administration.
- **Mr. Ajo Jose – Acting Sales & Marketing Manager** - Responsible for Sales and Service.
- **Mr. Zahid Islam – Internal Auditor and Compliance Officer** – Responsible for internal audit and compliance.

4. Board Secretary and Compliance Officer

Mr. Hamed Al Rashdi, Deputy CEO (Nominee) has been appointed as Board Secretary. The Board Secretary records minutes of every Board meeting whereby decisions are made, and action items are identified. Mr. Zahid Islam is the Compliance Officer. The Compliance Officer ensures compliance to the requirements stipulated under various laws and regulations.

5. Audit Committee

The Board has established Audit Committee comprising of four members, three of them including Chairman are independent. 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 clause 2 (b) of tenth principle of the code, one of the members of the Audit Committee has finance and accounting experience.



The Audit Committee has met six times during the year. The members of the Audit Committee, the dates of meetings and the attendance of each director at each such meeting are given in the Table 2.

The Company has Manual of Corporate Governance, duly approved by Board in 2018 which includes the main responsibilities of the Audit Committee as under:

- Reviewing the annual audited financial statements and the Auditors' Report on the financial statements prior to submission to the Board for approval;
- Propose the name of external auditor, fees and other terms of external auditor to the Board for final approval by the AGM;
- Reviewing and approving the quarterly financial statements prior to submission to the Board for approval;
- Proposing the name of internal auditor, and fees to the Board for approval;
- Reviewing the scope and plan of 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;
- Meeting with the internal and external auditors independently of management of the Company; and
- Approval of non-audit services by the external Auditors.

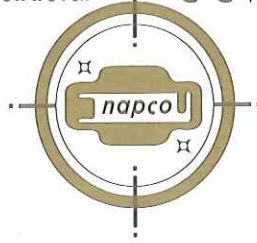
Audit and Internal Control

In consultation with the Audit Committee, the Board of Directors recommends the appointment of new external auditors to the annual general meeting. KPMG have been appointed as external auditors for the year 2018 during the ordinary general meeting held on 25.03.2018.

While the present audit firm KPMG provides audit services to the company. In accordance with the Corporate Governance Code, the services of KPMG are not used where a conflict of interest might occur.

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.

The internal auditors review the accounting controls, both manual and automated, designed to safeguard resources and ensures compliance with laws and regulations; review all accounting and certain operational areas for their utilisation of resources and compliance with established



policies, procedures and internal regulation; they also assist the Board in identifying the weakness in any areas.

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. The Audit Committee and the Board are pleased to inform the shareholders that, an adequate and effective system of internal control is in place.

6. Nomination and Remuneration Committee

The Board of Directors has constituted a Nomination & Remuneration Committee (NRC) to assist the Company's Board of Directors in its oversight role with respect to all matters relating to the nomination, training and remuneration of directors; selection, appraisal and remuneration of top Executives of the Company. The Nomination & Remuneration Committee comprises of 4 members of the Board. A minimum of three members constitutes a quorum for the Nomination & Remuneration Committee meeting. A director member only is elected as Chairman of the Nomination & Remuneration Committee. The Chairman of the Nomination & Remuneration Committee may designate any other Director member of the Nomination & Remuneration Committee to act as Chairman in his absence. The Secretary to the Board co-ordinates the dates and venues of the meetings. Minutes of the Nomination & Remuneration Committee meetings are prepared for review and confirmation of the other Nomination & Remuneration Committee members. The minutes of the Nomination & Remuneration Committee meetings are sent to the Chairman and members of the Board of directors for their information.

The Nomination & Remuneration Committee has met six times during the year. The members of the Nomination & Remuneration Committee, the dates of meeting and the attendance of each member at each such meeting are given in Table 3.

7. Meetings of the Board of Directors during the financial year ended 31 December 2018

Clause 10 (a&b) of second principle of the Code of Corporate Governance requires the Company to hold at least 4 board meetings in each financial year with a maximum gap of 4 months between each meeting. The company held 6 meetings during the year.

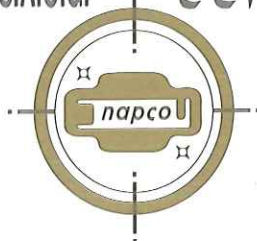
The dates of the Board meetings and the attendance of each director at each such meeting are shown in Table 4.

8. Remuneration of directors and top 5 managers

a. Sitting fees paid during the year ended 31 December 2018 is given below:



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E-mail : info@napco.co.om
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ص.ب : ١٥ الرسيل، الرمز البريدي : ١٢٤
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Name of the Director	Position	Sitting Fees (RO)
Mr. Rashad Ali Abdullah Al Musafir	Chairman	5,500
Dr. Sultan Salem Hamed Allah Aldebei	Director / Deputy Chairman	9,000
Mr. Anapathur Vanchi Manohar	Director	6,000
Mr. Mohammed Ribhi Izzat Al Husseini	Director	5,500
Mr. Hussain Yousuf Dawood Al Shalwani	Director	6,000
Mr. Nasser Said Salim Al-Harthy	Director	6,000
Mr. Yahya Mohammed Saif Al Filaiti	Director	5,500
	Total	43,500

Directors travel expenses 580
Total: 44,080

There was no other remuneration paid to the Directors during the year.

- b. Remuneration paid to top 5 officials of the Company during the year ended 31 December 2018 (including salary and all other benefits to employees worked part of the year)

RO 310,448

The details are as follows:

	RO
Gross salaries and bonus	280,401
Employees' end of service benefits	14,338
Other allowances and perquisites	3,596
Travel expenses	12,113
	310,448

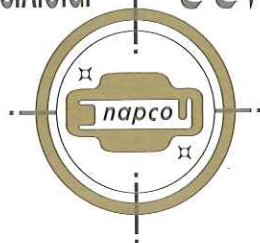
- c. Employment Contracts: Expatriate employees and some Omani employees are employed on two (2) year contracts, extendable on mutually acceptable terms on expiry. Notice period is generally 2 to 3 months for all key positions or salary in lieu thereof and for other positions 1month's notice or salary in lieu thereof. No severance terms are specified in the contracts.

9. Details of non-compliance by the Company

There are no instances of non-compliance by the Company by way of penalties, strictures imposed on the Company by Capital Market Authority/Muscat Securities Market or any statutory authority on any matter related to capital markets during the last three years.



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However, During the previous year, on 6th March 2017, MSM stopped trading of NAPCO shares for a brief time due to the clarification sought on the variation in the final results for the year ended 31/12/2016 declared on 6th March 2017 with the initial declared on 12/01/2017. There is no any such trading suspension during the year 2018.

10. Means of communication with its shareholders and investors

- Each quarter, the Company publishes its unaudited financial results in Arabic and an English daily newspaper. Vide this publication shareholders are also advised that any shareholder who wishes to obtain detailed accounts can contact the Company.

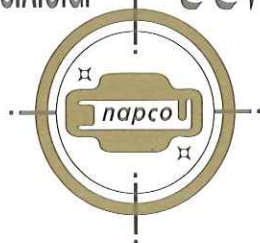
Such quarterly unaudited financial results (and any presentations by the Company to analysts) are also sent in electronic format to the Muscat Securities Market (MSM) to enable them to be published on the MSM's website (www.msm.gov.om).

- Within 1 month of the end of the Company's financial half-year, the Company's half-yearly unaudited financial results are disseminated to shareholders by way of publication in at least 2 Omani newspapers.
- After completion of the statutory audit, the Annual Report and Accounts are sent by post to all shareholders with the Notice of the Annual General Meeting of the Company. Financial statements are also published in English and an Arabic newspaper within one month after the AGM.
- With effect from 2002, shareholders are also provided with the Management Discussion and Analysis (MD&A) Report as part of the Annual Report and Accounts.

11. Market price data

Details of share price movement (high / low) during the year ended 31 December 2018 are furnished below:

	High	Low	MSM average
Period (Month, 2018)	(RO)	(RO)	industry index
January	0.1600	0.1510	6,781.55
February	0.2550	0.1550	6,801.64
March	0.3300	0.2410	6,593.86
April	0.3500	0.3100	6,367.63
May	0.3500	0.3000	6,144.92
June	0.3680	0.2990	6,100.11
July	0.3800	0.3640	5,605.58
August	0.3800	0.3500	5,452.66



September	0.3900	0.3580	5,535.49
October	0.3820	0.3820	5,337.49
November	0.3820	0.3820	5,254.12
December	0.3620	0.3460	4,991.03

a. Shareholders holding 5% and above shares as at 31 December 2018

S./No	Name of Shareholder	No. of Shares	Percentage
1	Global Financial Investment Holding Company	5,886,015	17.53%
2	Oman & Emirates Investment Holding Co SAOG	4,462,500	13.29%
3	HSBC/Ministry of Defence Pension Fund	3,357,000	10.00%
4	Bank Muscat / OGF / GBCM	3,340,467	9.95%

b. Distribution of shareholdings as at 31 December 2018.

Distribution of Shares	No of Shareholders	No of Shares	Percentage of total
0-50,000	467	2,412,595	7.19%
50001 – 100,000	15	1,178,657	3.51%
100,001 – 200,000	13	1,738,244	5.18%
200,001 – 500,000	10	3,040,272	9.06%
500,001 – 1,000,000	4	3,016,464	8.98%
Above 1,000,000	8	22,185,218	66.08%
Total	517	33,571,450	100.00

- c. The Company does not have any outstanding Global Deposit Receipts (GDR)/ADRs/Warrants/ or any convertible instruments, conversion date which can likely to have impact on equity.

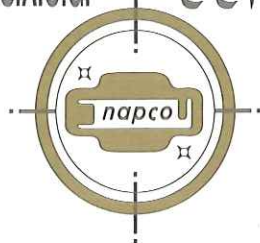
12. Specific areas of non-compliance with the provisions of corporate governance

During 2018, no any non-compliance was observed with respect to the provision of the code of corporate governance.

13. Professional profile of the Company's advisors

The shareholders of the company appointed KPMG as its auditors for 2018. KPMG in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more





than 180 people, amongst whom are five partners, six directors and 30 managers, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 153 countries and territories and have 207,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG billed an amount of RO 10,455 towards professional services rendered to the Company for the year 2018 (RO 8,500 for audit and RO 1,955 for tax and other services).

Rajab Al-Kathiri & Associates and Baker Tilly MKM (Oman) LLC, the Company's legal advisor and internal auditor respectively, are both reputable, professional firms.

14. Acknowledgement by the Board of Directors:

The Board of Directors confirms that:

The Company has all its systems and procedures formally documented in place. The Company has internal regulations separately compiled as per regulatory requirements. The Board of Directors have reviewed this manual and approved it. The internal regulation has all the necessary and prescribed procedures. The Board has reviewed these regulations. Further, Board has reviewed the efficiency and adequacy of internal control systems of the Company and confirms that the same are in accordance with the said manual.

The Board of Directors are responsible to ensure that the financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (As Amended) and the rules for disclosure requirement prescribed by the Capital Market Authority.

There are no material events affecting the continuation of NAPCO and its ability to continue its production operations during the next financial year.

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

Table 1: (Board of Directors – Composition) as at 31 December 2018

Sl No	Board of Directors	Position	Non-Executive	Independent	Nominee/Corporate Representative of	Member of Audit Committee	Member of other SAOG /SAOC Companies
1	Mr. Rashad Ali Abdullah Al Musafir	Chairman of the Board / Chairman of the NRC	✓	✓	-	X	a
2	Dr Sultan Salem Hamed Allah Aldebei	Deputy Chairman of the Board / Member of NRC / Member of AC	✓	X	Oman & Emirates Investment Holdings CO. SAOG	✓	b
3	Mr. Anapathur Vanchi Manohar	Director / Chairman of the AC	✓	✓	-	✓	c
4	Mr Mohammad Ribhi Izzat Al Hussein	Director / Member of AC	✓	✓	-	✓	d
5	Mr. Hussain Yousuf Dawood Al Shalwani	Director / Member of AC	✓	✓	-	✓	e
6	Mr. Nasser Said Salim Al Harthy	Director / Member of NRC	✓	X	Al Batinah Development & Investment Holding Co. SAOG	X	f
7	Mr. Yahya Mohammed Saif Al Filaiti	Director / Member of NRC	✓	X	Ministry of Defence Pension Fund	X	g
8	Mr. Saud Suleiman Abdullah Al Riyami (replaced with Mr. Yahya Mohammed Saif Al Filaiti by Ministry of Defence Pension Fund letter dated 24 January 2018).	Deputy Chairman of the Board / Member of NRC	✓	X	Ministry of Defence Pension Fund	X	h

Note: ✓ - Yes; X - No

^a Board Member on the Oman Banks Association.

^b Director and Audit Committee Chairman in Al Najed Agricultural Development Company SAOG; Director and Member in Nomination & Remuneration Committee and Audit Committee in Oman Euro Food Industry Company SAOG; Director and Member in Nomination & Remuneration Committee in Financial Corporation SAOG; Director and Member in Investment Committee and Audit Committee in Majan Capital Fund till 16/08/2018.

^c Investor Committee Member (Director) and Member in the Audit Committee in Majan Capital Fund.

^d Director in Al Batinah Power Company SAOG.

^e Board Member / Chairman Audit Committee in Bank Nizwa; Board Member / Member Audit Committee in Al Salam Budget Air; Chairman in Al Tawasul Financial & Investment Services.

^f Deputy Chairman of Al Batinah Investment Group.

^g NA

^h NA

Table 2:(showing members of the Audit Committee, dates of Audit Committee meetings during the year ended 31 December 2018 and attendance there at)

Sl No	Audit Committee Members	Position	(AC No.1 of 2018) held on 25-Feb-2018	(AC No.2 of 2018) held on 22-Mar-2018	(AC No.3 of 2018) held on 22-Apr-2018	(AC No.4 of 2018) held on 24-Jul-2018	(AC No.5 of 2018) held on 6-Sep-2018	(AC No.6 of 2018) held on 21-Oct-2018
1	Mr. Anapathur Vanchi Manohar	Director / Chairman	√	√	√	√	√	√
2	Dr.Sultan Salem Hamed Allah Aldebei	Director	√	√	√	√	√	√
3	Mr.Mohammed Ribhi Izzat Al Hussein	Director	√	√	√	√	√	√
4	Mr. Hussain Yousuf Dawood Al Shalwani	Director	√	√	√	√	√	√

√ = Present; A = Absent

Table 3: (showing members of the Nomination & Remuneration Committee (NRC), dates of NRC meetings during the year ended 31 December 2018 and attendance there at)

SI No	Nomination and Remuneration Committee Members	Position	(NRC No.1 of 2018) held on 19-Feb-2018	(NRC No.2 of 2018) held on 6-Jun-2018	(NRC No.3 of 2018) held on 9-Aug-2018	(NRC No.4 of 2018) held on 30-Sep-2018	NRC No.5 of 2018) held on 26-Nov-2018	NRC No.6 of 2018) held on 9-Dec-2018
1	Mr. Rashad Ali Abdullah Al Musafir	Director / Chairman	√	A	√	√	√	√
2	Dr.Sultan Salem Hamed Allah Aldebei	Director	√	√	√	√	√	√
3	Mr. Nasser Said Salim Al Harthy	Director	√	√	√	√	√	√
4	Mr. Yahya Mohammed Saif Al Filaiti	Director	√	√	A	√	√	√
5	Mr. Saud Sulaiman Abdulah Al Riyami	Director	(Mr. Saud Suleiman Abdullah Al Riyami was replaced with Mr. Yahya Mohammed Saif Al Filaiti by Ministry of Defence Pension Fund letter dated 24 January 2018)					

√ = Present; A = Absent

Table 4: (Attendance of members of the board at Board Meetings (BM) and at the AGM/EGM/OGM held during the year ending 31 December 2018)

Sl No	Board Members	(BM No.1 of 2018) held on 29-Jan-2018	(BM No.2 of 2018) held on 4-Mar-2018	AGM of 2018) held on 25-Mar-2018	(BM No.3 of 2018) held on 25-Apr-2018	(BM No.4 of 2018) held on 25-Jul-2018	(BM No.5 of 2018) held on 28-Oct-2018	(BM No.6 of 2018) held on 18-Dec-2018
1	Mr.Rashad Ali Abdullah Al Musafir	√	√	√	√	√	√	A
2	Dr.Sultan Salem Hamed Allah Aldebei	√	√	√	√	√	√	√
3	Mr. Anapathur Vanchi Manohar	√	√	√	√	√	√	√
4	Mr.Mohammed Ribhi Izzat Al Hussein	√	√	√	√	A	√	√
5	Mr. Hussain Yousuf Dawood Al Shalwani	√	√	√	√	√	√	√
6	Mr. Nasser Said Salim Al Harthy	√	√	√	√	√	√	√
7	Mr. Yahya Mohammed Saif Al Filaiti	√	√	A	√	√	√	√
8	Mr. Saud Sulaiman Abdullah Al Riyami	(Mr. Saud Suleiman Abdullah Al Riyami was replaced with Mr. Yahya Mohammed Saif Al Filaiti by Ministry of Defence Pension Fund letter dated 24 January 2018)						

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