



CORPORATE GOVERNANCE

REPORT 2023



1.1

Introduction

The Corporate Governance Report for the year 2023 provides a comprehensive overview of the organization's commitment to ethical business practices and responsible governance. The report highlights key initiatives undertaken to enhance corporate governance structures, ensuring transparency, accountability, and stakeholder engagement.

The report provides insight into the company's compliance with the Code of Corporate Governance for STO Group of Companies.



1.2

Purpose and Nature of the Company

While transitioning from traditional stone ovens to modern LPG gas stoves, Maldivian Gas Private Limited embarked on its journey in 1999 as a joint venture between STO and Champa Oil and Gas Private Limited, aimed at providing Liquefied Petroleum Gas (LPG). On 15th May 2003, STO repurchased 40% of the shares from Champa Oil and Gas, thus becoming the majority shareholder.

In addition to supplying LPG, Maldivian Gas currently serves as the primary provider of medical gases to 95% of the nation's medical facilities. Among the gases supplied by Maldivian Gas are Medical Oxygen, Acetylene, Argon, Helium, Medical Carbon Dioxide and Medical Nitrous Oxide.

Being the exclusive supplier of medical gases, the company efficiently caters to strategically located medical centers throughout the Maldives. An oxygen plant is installed at the Indira Gandhi Memorial Hospital to fulfill the medical oxygen requirements of the largest hospital in the Maldives. Additionally, MGPL has set up an oxygen plant at HDh. Kulhudhuffushi Hospital to provide medical oxygen to HA, HDh, and Sh Atolls, with plans for further expansion.

Maldivian Gas operates its main terminal facility at K. Thilafushi and maintains a vast network of authorized agents across the Maldives for the distribution of LPG and other company products. Moreover, the company has corporate contracts with various resorts.

1.3

The Board Charter

The Board Charter provides guidance to directors as they carry out their corporate governance responsibilities and strategic leadership. It outlines the roles, duties, organizational structure, and procedures of the board, while also underscoring the importance of all aspects of board operations.

The Board's objectives encompass:

- Offering strategic guidance for the organization.
- Instituting a governance system based on policies.
- Recognizing operational risks and implementing mitigation measures.
- Guaranteeing compliance with pertinent laws and regulations.
- Overseeing financial performance.
- Recruiting, overseeing, retaining, and evaluating potential candidates for the managing director and executive management posts.
- Verifying adequacy of technology and information systems utilized.
- Issuing necessary stakeholder reports.

1.4

Tenure

In 2023, the Board of Directors underwent six changes. Board Chairman Mr. Ismail Mifrah resigned from the Board in April 2023. In his place, Mr. Mohamed Eman was appointed as the new chairman on 12th April 2023. Mr. Abdullah Mohamed assumed the role of Managing Director after Mr. Shazail Siyam was removed from the position in November 2023. Deputy Managing Director Mr. Ahmed Shareef resigned from Company and Board in June 2023. Mr. Mohamed Anwar Moosa held his term on Board from 12th April 2023 until his departure for higher studies abroad on 30th November 2023. Furthermore, Ms. Mariyam Paruveen Abdul Faththah joined the Board as a new member.

No directors exceeded a term of 6 years on the Board.

1.5

Board Composition and Diversity

As per the Articles of Association, the Board of Directors is required to consist of a minimum of 3 and a maximum of 7 members. In 2023, due to various changes, the Board predominantly had 6 members throughout the year. Among them were 5 non-executive members and 1 executive member, who served as the Managing Director. Moreover, the Board included 2 female directors.

All members of the Board come from diverse professional backgrounds and possess varied qualifications. They hold managerial positions or higher within STO and Champa Oil and Gas. Throughout 2023, each member is considered to have acted independently and in the best interest of the Company.

The following individuals served as directors on the Board in 2023.

Name	Position in Board	Initial Appointment Date	Date of Change in Position	Resigned Removed Date
Mohamed Eman	Current Chairman Former Board Member	06th May 2021	12th April 2023	
Abdullah Mohamed	Current Managing Director	30th November 2023		
Abdulla Saleem Abdul Sattar	Non-Executive Director	03rd October 1999		
Ali Nabeeh	Non-Executive Director	10th January 2021		
Aminath Juwaida	Non-Executive Director	10th January 2021		
Mariyam Paruveen Abdul Faththah	Non-Executive Director	19th June 2023		
Ismail Mifrah	Former Chairman	10th January 2021		12th April 2023
Shazail Siyam	Former Managing Director	07th January 2019		30th November 2023
Ahmed Shareef	Former Deputy Managing Director	6th May 2021		05th June 2023
Mohamed Anwar Moosa	Former Non-Executive Director	12th April 2023		30th November 2023

1.6

Process of Appointment of Directors

All nominations for board positions are made by the shareholders. As outlined in the Articles of Association, the majority shareholder has the authority to appoint 6 members to the board, while the minority shareholder appoints 1 member. All appointments are informed to the Board through shareholder resolutions.

When nominating new directors, factors such as appropriate qualifications, skills, experiences, and diversity in terms of age and gender are considered.

1.7

Segregation of duties between Chairperson and the Managing Director

The positions of Chairperson of the Board of Directors and Managing Director of the Company are held by separate individuals. Their respective roles and duties are outlined in the Board Charters, where a clear distinction between their functions is provided.

The Chairperson's primary responsibility is to lead the Board. In board meetings, the Chairperson presides over sessions, manages the strategic agenda, delegates authority, and ensures timely provision of information for informed decision-making. Additionally, the Chairperson identifies and addresses development needs, conducts annual evaluations, and fosters relationships with shareholders.

On the other hand, the Managing Director is primarily responsible for the day-to-day operations of the Company. This entails overseeing strategies and leadership, ensuring compliance with regulations, formulating objectives and strategies, and optimizing the utilization of resources.

The Chairman and Managing Director confirmed that they had no relations with each other or any of their immediate family members.



Mohamed Eman

Chairperson



Abdullah Mohamed

Managing Director

1.8

Board Induction and Continuing Education

The Company offers a comprehensive orientation program tailored for newly appointed directors, aiming to familiarize them with business operations and governance protocols. Administered by the Company Secretariat, this program delivers a thorough understanding of directors' roles within the organization.

Additionally, the Company is firmly committed to the continual learning and professional growth of our Board of Directors. It ensures that each director possessed the necessary skills, knowledge, and abilities to address intricate challenges and make valuable contributions to the governance and strategic decision-making of company matters.

In 2023, directors engaged in a diverse array of training sessions encompassing project management, safety in LPG terminal and plant operations, enhancing board effectiveness, leadership and strategic influence, innovative leadership competencies, finance essentials for non-finance directors, and best practices in governance.

1.9

Evaluation of the Board

In pursuit of continuous improvement and transparent governance, the Board of Directors underwent a comprehensive internal evaluation of its performance for the year 2023, as per the Board Directors Performance Evaluation framework. The 2023 evaluation was conducted in December 2023. An online assessment tool was used to gather feedback and insights from various perspectives, including the Board as a whole, individual directors, the chairman, managing director, board committees, and the company secretary.

The outcomes of this assessment facilitated the identifications of both strengths and areas requiring improvement. Recommendations resulting from the evaluation were deliberated and deemed necessary to be implemented in future governance strategies and initiatives.

Furthermore, in September 2023, a skill matrix was introduced. This strategic tool is designed to ensure that the Board consisted of individuals with diverse abilities, thereby creating an environment conducive to effective management, goal attainment, and informed decision-making. The skill matrix acts as a dynamic roadmap, aligning the combined expertise of our directors with the evolving requirements of the Company.

1.10

Board Remuneration

Board remuneration is decided and enforced by the shareholders. As such, following are the board fee structure and the total board fees received to each director in 2023.

Board fee Structure	
Monthly board allowance for chairman and directors including executive members	MVR 5,000.00
Sitting fee per board meeting	MVR 300.00
Sitting fee per committee meeting	MVR 250.00

Total fees received to directors in 2023	
Total	MVR 435,683.33

Due to salary disparities in the employment market, the Board of Directors has chosen not to disclose the individual remuneration package of top management and executive directors.

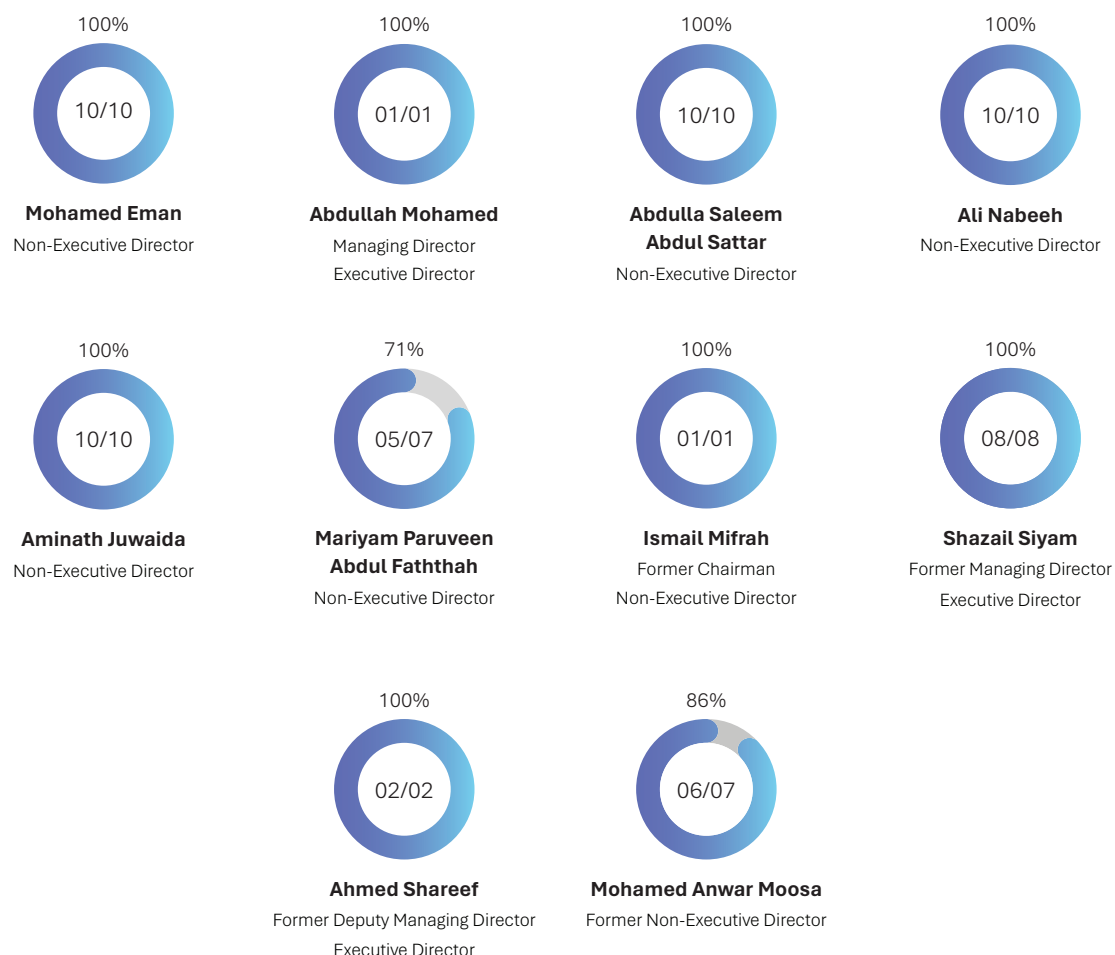
1.11

Board Meetings and attendance

During the year, a total of 10 Board Meetings were convened. During 2023, the Board of Directors dedicated ample time to board meetings and company matters.

The drafting of the agenda for each meeting is the responsibility of the Company Secretary, in collaboration with the Chairman and Managing Director. Directors were notified in accordance with the Articles of Association empowered to suggest additional agenda items as necessary.

The following table illustrates directors' attendance at board meetings.



1.12

Board Proceeds and Major Decisions

The Board has access to company information, with executive team members and managers often invited to board meetings to provide additional insights. Ahead of meetings, board materials such as agendas and papers are distributed well in advance via email.

To ensure directors are well-informed about Company performance, management regularly shares reports containing budgets, forecasts, quarterly financial reports, and monthly management accounts.

Furthermore, the Chief Audit Executive furnishes the Audit and Risk Committee, and where necessary, the Board, with information on audit reports.

Throughout the year, the Board made several significant decisions, including:

- Approved the expansion project and feasibility study.
- Secured external financing for the storage expansion project from Allied Insurance Company of the Maldives.
- Authorized budget allocation for legal proceedings in Singapore Court.
- Obtained a bank guarantee from Maldives Islamic Bank.
- Approved additional budget allocation to facilitate the completion of the remaining work of the Thinadhoo expansion project
- Approved the Audited Financial Statement for the year 2022.
- Revised the company's allowance structure.
- Updated the Procurement Policy.
- Approved the budget for the year 2024.

1.13

Non-executive Directors Meeting

In accordance with the Board Charters and Governance Code, the non-executive directors held a meeting separate from the executive members of the Board. The assessment primarily aimed to evaluate the efficiency of information exchange between management and the Board, with a focus on aspects like communication quality and timeliness.

1.14

Board Committees

The Board depends on the assistance provided by its committees, including the Audit and Risk Committee, the Nomination and Remuneration Committee, and the Corporate Governance and Compliance Committee. Each year, the Board appoints and evaluates the performance of the Chairpersons and members of these Committees.

The Audit Committee is required to meet at least once every quarter while other committees are required to meet at least twice a year. The agenda and duration of committee meetings are determined by the respective Chairpersons and the Company Secretary. All Committees have charters in place that are approved by the Board of Directors, describing in detail the duties and responsibilities of the Committees.

The Nomination and Remuneration Committee is combined for the purpose of expediency since most of the same Directors are entrusted with the functions of both Committees.

Prior to any tasks being executed by the management, recommendations put forth by the committees, undergo approval by the Board.

A black and white portrait of a man with a beard and mustache, wearing a dark suit, white shirt, and dark tie. He is looking directly at the camera with a neutral expression. The background is a dark, solid color.

Audit and Risk Committee

Ali Nabeeh

Chairperson

1.14.1

Audit and Risk Committee

Committee as at 31st December 2023



Ali Nabeeh
Chairperson
Non-Executive Director



Abdulla Saleem
Abdul Sattar
Non-Executive Director



Aminath Juwaida
Non-Executive Director



Mariyam Paruveen
Abdul Faththah
Non-Executive Director

Focus Area

Financial Oversight and Risk Management

Composition:

In 2023, there were 3 alterations to the Committee membership. Mr. Mohamed Eman, who previously served as the Chairman of the Audit and Risk Committee before his appointment as Chairman of the Board, was subsequently removed from the Committee due to changes in his position. Additionally, Mr. Ali Nabeeh was appointed as the Chairman of the Committee, and Ms. Mariyam Paruveen Abdul Faththah was appointed as a new member.

Primary Responsibilities:

- Reviewing financial reports and statements.
- Assessing risk exposure and mitigation strategies.
- Overseeing internal and external audit processes.
- Ensuring compliance with regulatory requirements.


Meetings and Attendance

In 2023, the Committee held 10 meetings. The CIA and CFO made presentations to the meetings, where required. The External Auditors also attended the meetings in the presence and absence of management.

Name Post in Committee	Joined date	Removed date	Attendance (no. of meetings attended / no. of meetings held)	Attendance %
Mohamed Eman Former Chairman Non-Executive Director	20th May 2021	12th April 2023	1/1	100%
Ali Nabeeh Chairman Non-Executive Director	12th April 2023		10/10	100%
Abdulla Saleem Abdul Sattar Non-Executive Director	19th February 2019		9/10	90%
Aminath Juwaida Non-Executive Director	12th April 2023		10/10	100%
Mariyam Paruveen Abdul Faththah Non-Executive Director	14th September 2023		4/4	100%

Major Activities:

- Reviewed the existing processes.
- Discussed regarding adoption of ERP system to streamline operations.
- Decided to compile and review quarter register of blacklisted companies as per the Blacklisting Policy.
- Undertook a comprehensive review of the financial statements for the year.
- Made recommendations to the Board, to submit for shareholder approval, on appointing PricewaterhouseCoopers as external auditors of the Company.
- Reviewed and improved the Internal Audit department structure.
- Conducted a review of the Internal Audit departments manual and relating policies and procedures.
- Reviewed and recommended actions on internal audit reports submitted to the Committee. Where necessary, some reports were submitted to Board for further review, depending on the severity of the matters identified.
- Reviewed the mandate for Finance department.
- Conducted a comprehensive review of the Company budget for 2024.

A black and white portrait of a woman wearing a hijab and a dark, buttoned-up blazer. She is standing with her hands clasped in front of her. The background is a plain, light-colored wall.

Nomination and Remuneration Committee

Aminath Juwaida

Chairperson

1.14.2

Nomination and Remuneration Committee

Committee as at 31st December 2023



Aminath Juwaida
Chairperson



**Abdulla Saleem
Abdul Sattar**
Non-Executive Director



Ali Nabeeh
Non-Executive Director

Focus Area

Shaping the leadership and compensation framework of the organization.

Composition:

In 2023, there were 2 alterations to the Committee membership. Mr. Mohamed Eman, who previously served as a Member of the Nomination and Remuneration Committee before his appointment as Chairman of the Board, was subsequently removed from the Committee due to changes in his position. Additionally, Mr. Mohamed Anwar Moosa was appointed as a member of the Committee and later was withdrawn from the Committee following his resignation from the Board.

Primary Responsibilities:

- Identifying suitable candidates for management appointments.
- Regular reviews of the company's remuneration policies and practices are conducted to ensure competitiveness and alignment with industry standards.
- Recommending management composition adjustments.
- Evaluating performance and remuneration of executive management.
- Ensuring alignment with corporate objectives and values.

Meetings and Attendance

In 2023, the Committee held 4 meetings. The CFO and HR General Manager made presentations to the meetings, where required.

Name Post in Committee	Joined date	Removed date	Attendance (no. of meetings attended / no. of meetings held)	Attendance %
Aminath Juwaida Chairman Non-Executive Director	20th January 2021		4/4	100%
Mohamed Eman Former Member Non-Executive Director	20th January 2021	12th April 2023	1/1	100%
Ali Nabeeh Non-Executive Director	12th April 2023		3/4	75%
Abdulla Saleem Abdul Sattar Non-Executive Director	01st January 2015		4/4	100%
Mohamed Anwar Moosa Former Member Non-Executive Director	12th April 2023	30th November 2023	1/1	100%

Major Activities:

- Reviewed the Company's allowance structure and where required brought changes.
- Reviewed the staff retirement scheme.
- Recommendations by Managing Director to executive team composition, were reviewed.
- Reviewed the staff evaluation and Policy, forms, and processes.



Corporate Governance and Compliance Committee

Abdulla Saleem Abdul Sattar

Chairperson

1.14.3

Corporate Governance and Compliance Committee

Committee as at 31st December 2023



**Abdulla Saleem
Abdul Sattar**
Chairperson



Aminath Juwaida
Non-Executive Director



**Mariyam Paruveen
Abdul Faththah**
Non-Executive Director

Focus Area

Good governance.

Composition:

In 2023, there were 1 alterations to the Committee membership. Mr. Mohamed Anwar Moosa was withdrawn from the Committee following his resignation from the Board and Ms. Mariyam Paruveen Abdul Faththah was appointed as a new member.

Primary Responsibilities:

- Reviewing and recommending enhancements to the company's corporate governance framework.
- Ensuring that governance structures and processes are aligned with best practices.
- Overseeing the development and adherence to a comprehensive Code of Conduct for directors, employees, and stakeholders.
- Regularly reviewing and updating the Code of Conduct as needed.

Meetings and Attendance

In 2023, the Committee held 1 meetings. The CFO, HR and Procurement General Manager made presentations to the meetings, where required.

Name Post in Committee	Joined date	Removed date	Attendance (no. of meetings attended / no. of meetings held)	Attendance %
Abdulla Saleem Abdul Sattar Chairman Non-Executive Director	14th November 2019		1/1	100%
Aminath Juwaida Non-Executive Director	20th January 2021		1/1	100%
Mohamed Anwar Moosa Former Member Non-Executive Director	12th April 2023	30th November 2023	1/1	100%
Mariyam Paruveen Abdul Faththah Non-Executive Director	14th September 2023			-

Major Activities:

- Reviewed the revised Procurement Policy.
- Compiled a Skill Assessment Matrix for the Company.
- Reviewed the Governance Report for Annual Report 2022.
- Reviewed the Governance Compliance Report for submission to shareholders.

1.15

Conflict of Interest and Materially Significant, Related Party Transaction

The Company has a Disclosure of Interest Policy approved by the Board. Under this policy, Directors are required to disclose any significant interest they or their immediate family members hold in any company, association, or other affiliation. This information is carefully reviewed and, if necessary, cross-referenced with relevant authorities to verify its accuracy.

No significant or material related party transactions occurred during 2023.

1.16

Good governance, Policies and Procedures

Over the years, the Board has consistently reviewed and enhanced the Corporate Governance principles of the company to fulfill its corporate responsibility to stakeholders. These principles are pivotal in empowering the Board with the necessary authority and processes to effectively review and evaluate operations as required.

The Company adheres to the Corporate Governance Code of STO Group of Companies and where required, adopts other best practices and good governance practices.

The Company further adheres to the Group Policies enforced upon the Company by shareholders, such as the Conflict of Interest and Declaration Policy, Blacklisting Policy, Vessel and Vehicle Management Policy and the Whistleblower Policy. Apart from these, the Company further has in place, many policies to govern the processes and procedures of the Company.

1.17

Company Secretary

The Company Secretary assists the Board and its individual directors by offering guidance on how to fulfill their responsibilities in the best interests of the Company.

Continuously updating her knowledge of Corporate Governance best practices and regulations, the Company Secretary ensures that she remains well-informed. Moreover, she regularly supplies directors with the necessary information as needed.

The Board remains satisfied with the competency and experience of the Company Secretary.

1.18

Management Review and Responsibilities

The company aims to improve the welfare of its stakeholders, customers, employees, and shareholders, by improving its services while addressing major concerns of all parties. Realizing this vision depends on sustainable growth, the introduction of innovative products under strong brands, operational excellence, and the dedication of committed employees.

1.19

Internal and External Audit

The Company maintains an independent Internal Audit function. The Internal Auditor reports functionally to the Chairperson of the Audit and Risk Management Committee and administratively to the Managing Director. This function ensures impartial and objective assurance, systematically evaluating and proposing enhancements for more effective management, governance, and internal control processes.

External Auditors are appointed annually at the Annual General Meeting. PricewaterhouseCoopers was appointed by the shareholders as the External Auditors for 2023. The performance of the Auditors is reviewed by the Audit and Risk Management Committee regularly. The Company follows the International Financial Reporting Standards (IFRS) ensuring reasonable assurance regarding the accuracy of Financial Statements.

Both the Board of Directors and management welcome the impartial opinions and recommendations of the Auditors, internal and external alike, and strive to address the findings highlighted in the Auditor's Reports for continuous improvement.

In 2023, PwC Maldives exited PwC network and joined Deloitte network, while maintaining the same partner and registered address.

1.20

Internal Control, Risk Management and Compliance

The internal control and risk management frameworks in place ensures that the company achieves its goals concerning efficient operations, compliance with applicable laws and regulations, and dependable financial reporting. The Company's control environment shapes individual and collective behavior, defined by policies, procedures, manuals, codes, IT-generated controls, and are reinforced by the organizational structure, which delineates clear responsibility and authority based on shared values.

The Board of Directors bears ultimate responsibility for establishing an effective internal control system. The Managing Director is tasked with maintaining internal controls, while the Audit and Risk Committee aids the Board in overseeing the adequacy of relevant manuals, policies, and significant accounting principles.

Instructions for delegation of authority, manuals, policies, procedures, codes of conduct, and the employee handbook delineate the limits of authorities and responsibilities. These internal guidelines, along with external laws and regulations, collectively shape the control environment.

The Board remains satisfied with the adequacy of existing internal controls in place.

1.21

Shares, Shareholding and Shareholder voting rights

The Company has two ordinary shareholders with 90% shares of State Trading Organization plc and 10% shares of Champa Oil and Gas Pvt Ltd. The Company has issued altogether 68,000 of its authorized shares. Each share entitles holders to the same proportion of assets and earnings and carries equal rights in terms of dividend.

According to the Articles of Association, each share accounts for one vote each. Voting is based on show of hands, where the vote is counted as 1 vote per member, unless 10% shareholders or their proxies present, request for a poll where voting will be counted on shares represented.



1.22

Systems for Raising Concerns

Appropriate mechanisms are in place to enable employees, management, or other stakeholders to raise any concerns, whether on a confidential basis or otherwise, about any non-compliance or fraud or other misdemeanor within or to the Company. The Company has established whistleblower facilities and portals for stakeholders to submit their concerns to relevant officers and Board of Directors.

1.23

Annual General Meeting

The decision-making rights of shareholders are exercised at the General Meetings. The Annual General Meeting of the company is held during the first half of the year.

1.24

Details of Non-Compliance

No penalty has been imposed by any regulator or authority due to a non-compliance issues. Issues noted regarding compliance with regulatory and other statutory requirements are being addressed immediately and effectively.

1.25

Going Concern Declaration and Future Outlook

The Board is confident in its composition, believing that the Board and Management possesses a well-rounded mix of members capable of providing vital support to the Company in achieving its strategic and business goals.

As a result, there is a prevailing sense of optimism among the Board members regarding the Company's prospects. The Board is committed to continuing its efforts to pursue the Company's long-term vision and therefore affirm that the Company can proceed with confidence in carrying out its operations, implementing proposed plans, and achieving projected results effectively.



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