



**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 to the Code of Corporate Governance for STO Group of Companies.

1.2 PURPOSE AND NATURE OF COMPANY

Maldives State Shipping (MSS) was established on February 4, 2020, under the wings of State Trading Organization plc (STO), as a shipping and logistics company specializing in comprehensive international liner shipping services. MSS was founded to address the challenges faced by Maldivian traders and businesses due to the absence of a dependable national shipping line.

The Maldives has a rich history of owning the largest shipping fleet in the region, and MSS aims to reclaim this distinction. Supported by a professional and experienced team dedicated to developing the company into a source of national pride, MSS intends to proudly display the Maldivian flag on its vessels as they traverse the globe.

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:

- Providing strategic direction for the organization,
- Establishing a governance framework grounded in policies,
- Identifying operational risks and deploying mitigation strategies,
- Ensuring adherence to relevant laws and regulations,
- Supervising financial performance,
- Recruiting, supervising, retaining, and assessing candidates for managing director and executive management positions,
- Ensuring the adequacy of technology and information systems in use,
- Generating requisite stakeholder reports.

1.4 TENURE

In 2023, the Board of Directors underwent three major changes.

Firstly, during April 2023, former Managing Director, Captain Abdullah Saeed was appointed as the Chairman of MSS. Former Chairman, Mr. Abdul Wahid Moosa and Mr. Ismail Mifrah were appointed as a Board of Director. Captain Mohamed Nazim was appointed as the Managing Director, whilst existing Board Members Mr. Mohamed Nizam and Mr. Hussain Ali were dismissed from the Board.

In late November 2023, with the incoming new Administration, Captain Abdullah Saeed was dismissed from his role, and Mr. Abdul Wahid Moosa resumed his role as Chairman of MSS again. Furthermore, Mr. Ali Nabeeh was also appointed to the Board as a new member in November 2023.

Later, Captain Nazim was also dismissed from his role in December 2023 following the appointment of Mr. Ahmed Shareef as a Board of Director and Managing Director. Ms. Thooza Saeed has remained on the MSS Board since 2021, with no changes.

The current directors have been on the Board for a term of between a few months to 3 years. No director exceeds a term of more than 6 years.

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 5 members throughout the year. Among them were 4 non-executive members and 1 executive member, who served as the Managing Director. Moreover, the Board included 1 female director.

All members of the Board come from diverse professional backgrounds and possess varied qualifications. They hold managerial positions or higher within STO. 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
Captain Abdullah Saeed	Former Managing Director	04 February 2020	12 April 2023	11 April 2023
Captain Abdullah Saeed	Former Chairman	12 April 2023	-	28 November 2023
Abdul Wahid Moosa	Former Chairman	04 February 2020	12 April 2023	11 April 2023
Abdul Wahid Moosa	Former Director	12 April 2023	28 November 2023	28 November 2023
Abdul Wahid Moosa	Chairman	28 November 2023	-	-
Ahmed Shareef	Managing Director	26 December 2023	-	-
Captain Mohamed Nazim	Former Managing Director	12 April 2023	-	26 December 2023
Mohamed Nizam	Former Director	10 January 2021	-	11 April 2023
Hussain Ali	Former Director	10 January 2021	-	11 April 2023
Thooza Saeed	Director	10 January 2021	-	-
Ismail Mifrah	Former Director	12 April 2023	-	06 February 2024
Ali Nabeeh	Director	28 November 2023	-	-

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



Abdul Wahid Moosa
*Chairman
Former Director*



Ahmed Shareef
Managing Director



Thooza Saeed
Director



Ali Nabeeh
Director



Hussain Ali
Former Director



Ismail Mifrah
Former Director



Mohamed Nizam
Former Director



Captain Mohamed Nazim
Former Managing Director



Captain Abdullah Saeed
*Former Managing Director
Former Chairman*

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 all members to the Board while the minority shareholder provides consent of appointment. 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.

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 was ensured that each director possessed the necessary skills, knowledge, and abilities to address intricate challenges and make valuable contributions to governance and strategic decision-making of company matters.

In 2023, no directors participated in any training programs.

1.9 EVALUATION OF THE BOARD

In pursuit of continuous improvement and transparent governance, the Board of Directors went through a comprehensive internal evaluation of its performance for the year 2023, as per the Board Directors Performance Evaluation framework. The 2023 evaluation was carried out in November 2023. An online assessment tool was utilized 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 identification of both strengths and areas requiring improvement. Recommendations resulting from the evaluation were deliberated upon and deemed necessary to be implemented in future governance strategies and initiatives.

Furthermore, in November 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. Furthermore, 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	
MVR 313,801	

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 6 Board Meetings were convened. During 2023, the Board of Directors devoted 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 and empowered to suggest additional agenda items as necessary.

The following table illustrates directors' attendance at board meetings.

NAME	ATTENDANCE TO BOARD (NO. OF MEETING ATTENDED / NO. OF MEETINGS HELD)	ATTENDANCE %
Captain Abdullah Saeed	5/5	100%
Abdul Wahid Moosa	5/6	83%
Ahmed Shareef	0/0	0%
Captain Mohamed Nazim	5/5	100%
Mohamed Nizam	1/1	100%
Hussain Ali	0/1	0%
Thooza Saeed	6/6	100%
Ismail Mifrah	5/5	100%
Ali Nabeeh	1/1	100%

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 Internal Auditor 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 aimed at enhancing MSS's operations and expanding its reach. This includes the implementation of a salary structure aligned with industry standards, approval to purchase land from Thilafushi for commercial operations, acquisition of a vessel to establish a local transshipment service between Malé-Addu-Malé route, and expansion of MSS office branches in UAE Mainland and the Jebel Ali Free Zone Authority (JAFZA).

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 once 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.

1.14.1 AUDIT AND RISK COMMITTEE

Focus Area:

Financial Oversight and Risk Management

Composition:

The Committee was formed in adherence to the Governance Code, comprising 3 members, with at least 1 member possessing sufficient financial expertise or experience.

In 2023, there were 2 alterations to the Committee membership of the Audit and Risk Committee. In April 2023, there were changes to the members of the Audit and Risk Committee. Mr. Mohamed Nizam and Mr. Hussain Ali were removed from the committee. Mr. Abdul Wahid Moosa took over as the new Chairman of the committee, replacing Mr. Mohamed Nizam. Mr. Ismail Mifrah was also added as a new member of the committee.

Then, in November 2023, there were further changes to the Audit and Risk Committee due to adjustments made by the majority shareholder of MSS. Mr. Abdul Wahid Moosa was appointed as the new Chairman of MSS, replacing Captain Abdullah Saeed. Additionally, Mr. Ali Nabeeh joined the MSS Board during this time. As a result, Mr. Ali Nabeeh became the Chairman of the Audit and Risk Committee upon his appointment to the MSS Board of Directors.

Ms. Thooza Saeed remained on this Committee with no changes.

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 03 meetings. The MD, Internal Auditor and Financial Controller made presentations to the meetings, where required. The External Auditors also attended the meetings in the presence and absence of management. All members attended the Audit and Risk Committee meetings held under their tenure.

NAME POST IN COMMITTEE	JOINED DATE	REMOVED DATE	ATTENDANCE (NO. OF MEETING ATTENDED / NO. OF MEETINGS HELD)	ATTENDANCE %
Abdul Wahid Moosa Former Non-Executive Director	04 February 2020	12 April 2023	0/0	0%
Mohamed Nizam Former Chairman	10 January 2021	12 April 2023	0/0	0%
Abdul Wahid Moosa Former Chairman	12 April 2023	28 November 2023	1/1	100%
Ali Nabeeh Chairman	28 November 2023	Till date	2/2	100%
Hussain Ali Former Non-Executive Director	10 January 2021	12 April 2023	0/0	0%
Thooza Saeed Non-Executive Director	10 January 2021	Till date	3/3	100%
Ismail Mifrah Non-Executive Director	12 April 2023	06 February 2024	3/3	100%

During 2023, major activities included a review of existing processes and a comprehensive evaluation of the year's financial statements. Recommendations were made to the Board to appoint PricewaterhouseCoopers as the company's external auditors for USD 9,000, subject to shareholder approval. The structure of the Internal Audit department and the Committee Charter were reviewed, along with the Internal Audit department's manual and related policies and procedures. The Committee also examined the Commercial Department Audit. Where necessary, some reports were submitted to Board for further review, depending on the severity of the matters identified. Additionally, a review of the Finance department's mandate was conducted. Lastly, the committee conducted a comprehensive review of the Company budget for 2024.

1.14.2 NOMINATION AND REMUNERATION COMMITTEE

Focus Area:

Shaping the leadership and compensation framework of the organization.

Composition:

The Committee was formed in adherence to the Governance Code, comprising 3 members.

In 2023, there were 2 alterations to the Committee membership.

Both Mr. Mohamed Nizam and Mr. Hussain Ali were removed from the committee, in April 2023. Mr. Abdul Wahid Moosa and Mr. Ismail Mifrah, who were non-executive Directors of the Board at the time, were appointed as new members of the committee to fill these vacancies.

Then, in November 2023, there were further changes to the Nomination and Remuneration Committee due to adjustments made by the majority shareholder of MSS. Mr. Ali Nabeeh was added as a new member of the committee when Mr. Abdul Wahid Moosa became the Chairman of MSS.

Ms. Thooza Saeed continued to serve as the Chairman of the committee with no changes to her position.

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 3 meetings. The MD, FC and HR Manager and Executive Secretary, made presentations to the meetings, where required.

NAME POST IN COMMITTEE	JOINED DATE	REMOVED DATE	ATTENDANCE (NO. OF MEETING ATTENDED / NO. OF MEETINGS HELD)	ATTENDANCE %
Thooza Saeed Chairman	10 January 2021	Till date	3/3	100%
Abdul Wahid Moosa Former Non-Executive Director	12 April 2023	28 November 2023	0/0	0%
Mohamed Nizam Former Non-Executive Director	10 January 2021	12 April 2023	0/0	0%
Ali Nabeeh Non-Executive Director	28 November 2023	Till date	3/3	100%
Hussain Ali Former Non-Executive Director	10 January 2021	12 April 2023	0/0	0%
Ismail Mifrah Executive Director	12 April 2023	06 February 2024	3/3	100%

During 2023, the NR Committee conducted several major activities. They reviewed and, where necessary, modified the Company's organization structure. The Committee also evaluated the USD benefits procedure for internal stakeholders and reviewed the salary structure for MSS Opal Crew. Recom-

mendations by the Managing Director regarding the executive team composition were examined. Additionally, the Committee interviewed and appointed both a Deputy Managing Director and a Chief Operating Officer to the Company.

1.14.3 CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Focus Area:

Good governance.

Composition:

The Committee was formed in adherence to the Governance Code, comprising 3 members.

In 2023, there were 2 alterations to the Committee membership. In April 2023, there were changes to the members of the Corporate Governance and Compliance Committee. Both Mr. Mohamed Nizam and Mr. Hussain Ali were removed from the committee. Mr. Abdul Wahid Moosa and Mr. Ismail Mifrah, who were non-executive Directors of the Board at that time, were appointed as new members of the committee to fill these vacancies. Mr. Ismail Mifrah took over the position previously held by Mr. Hussain Ali as the Chairman of this Committee during this transition.

Then, in November 2023, further changes occurred in the Corporate Governance and Compliance Committee due to adjustments made by the majority shareholder of MSS. Mr. Ali Nabeeh joined the committee when Mr. Abdul Wahid Moosa became the Chairman of MSS. Ms. Thooza Saeed continued her membership in the committee without any changes to her position.

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 no meetings.

NAME POST IN COMMITTEE	JOINED DATE	REMOVED DATE	ATTENDANCE (NO. OF MEETING ATTENDED / NO. OF MEETINGS HELD)	ATTENDANCE %
Hussain Ali Former Chairman	10 January 2021	12 April 2023	0/0	0%
Ismail Mifrah Chairman	12 April 2023	06 February 2024	0/0	0%
Mohamed Nizam Former Non-Executive Director	10 January 2021	12 April 2023	0/0	0%
Abdul Wahid Moosa Former Non-Executive Director	28 November 2023	28 November 2023	0/0	0%
Hussain Ali Former Non-Executive Director	10 January 2021	Till date	0/0	0%
Ismail Mifrah Executive Director	12 April 2023	Till date	0/0	0%

Major Activities:

- There were no activities conducted by this Committee during 2023.

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, 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.

In 2023, Ms. Ameera Saleem resigned from the position of Company Secretary on 06 November 2023, to attend higher studies abroad. The Board appointed Ms. Aminath Shimna to this position on 07 November 2023.

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 ensure 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 99% shares of State Trading Organization plc and 1% share of Fuel Supplies Maldives Pvt Ltd. The Company has issued altogether 1,000 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 1% 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 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 DIVIDEND

The company declared no dividend for the year 2023.

1.25 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.

1.26 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.