



CORPORATE GOVERNANCE REPORT 2023



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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

Established on 18 December 2000, Fuel Supplies Maldives (FSM) is a subsidiary of State Trading Organization Plc (STO) and Allied Insurance Company of the Maldives Pvt Ltd (Allied). It was created with the primary goal of streamlining fuel distribution throughout the country, ensuring convenient access to fuel.

Before the formation of FSM, fuel distribution was managed by STO, who also served as the main fuel importer in the Maldives. Since its inception, FSM has developed a robust distribution infrastructure, enabling widespread access to fuel nationwide. By leveraging new technologies, FSM has revolutionized the delivery and handling of fuel, setting industry standards for efficiency and reliability.

FSM acknowledges its impact on economic and national development of the country. Given the nature of its product, FSM places a strong emphasis on maintaining high standards of safety and best practices to minimize the negative environmental impact from its activities.

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 to 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 five major changes. Mr. Ismail Suhail assumed the role of Managing Director, following Mr. Mohamed Gasam's dismissal from the position, in November 2023. Additionally, Mr. Ahmed Shifan, Ms. Aminath Niusha Khaleel and Ms. Mariyam Paruveen Abdul Fatthah's term on the Board ended in April and June 2023, while Mr. Hussain Ali was appointed to the Board in June 2023.

The current directors have been on the Board for a term of between a few months to 4 years. The Chairman of the Board Mr. Abdul Wahid Moosa completed his 9th term in 2023. He was later removed from the Board in early 2024. No other 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, the Board consisted of 7 members, among whom, 5 were non-executive members and 1 was an executive member, who was also the Managing Director of the Company. Moreover, the Board included 4 different female directors at different intervals during the year.

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
Abdul Wahid Moosa	Chairman	05th Jan 2014	-	05th Feb 2023
Ismail Suhail	Managing Director	30th Nov 2023	-	
Mohamed Shuaib Ahmed	Director	10th Jan 2021	-	
Aishath Shaheen	Director	10th Jan 2021	-	
Ahmed Niushad	Director	10th Jan 2021	-	
Aminath Shamrath	Director	12th Apr 2023	-	
Hussain Ali	Director	19th Jun 2023		
Mohamed Gasam	Former Managing Director	04th Feb 2019		30th Nov 2023
Ahmed Shifan	Former Director	18th Feb 2019		12th Apr 2023
Aminath Niusha Khaleel	Former Director	29th May 2019		12th Apr 2023
Mariyam Paruveen Abdul Faththah	Former Director	12th Apr 2023		19th Jun 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 7 members to the Board, while the minority shareholder provides consent of appointment. All appointments are informed to the Company 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 have 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, directors engaged in a diverse array of training sessions encompassing Directors Development Programs, Enterprise Risk Management training, Oil Trading & Shipping training, Art of Presence & Influence training, and Board Directorship Program.

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 December 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 THE YEAR 2023

TOTAL

MVR 491,671.17

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 24 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 %
Abdul Wahid Moosa	24/24	100%
Ismail Suhail	4/4	100%
Mohamed Shuaib Ahmed	24/24	100%
Aishath Shaheen	24/24	100%
Ahmed Niushad	24/24	100%
Aminath Shamrath	14/14	100%
Hussain Ali	9/10	90%
Mohamed Gasam	20/24	83%
Ahmed Shifan	10/10	100%
Aminath Niusha Khaleel	9/10	90%
Mariyam Paruveen Abdul Faththah	3/4	75%

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:

- Revised Credit and Collection Policy.
- Approved to hire a barge and a tanker to ensure smoother operations.
- Reviewed and revised departmental and organizational structures.
- Approved to auction or dispose some of the company's older assets.
- Board Committee compositions were revised following changes in Board members.
- Revisions were also made to Corporate Debit Card Policy, Vaaru Card Policy, and insurance packages of executive staff members.
- Important Internal Audit reports and whistleblowing messages were discussed in the Board.
- Approved to carry out the G.Dh Fiyoree Fuel Terminal Project.
- Approved to proceed with the establishment of a 3-story building in Thilafushi Boardyard.
- Approved to proceed with the K. Himmafushi Big Fish Fuel Terminal.
- Approved staff bonus and incentives for 2022.
- Approved the Budget for 2024.
- Following the removal of Mr. Mohamed Gasam, Mr. Ismail Suhail was appointed to the Managing Director's post, effective 30th November 2023.
- Approved the Male' Industrial Village new fuel shed concept.

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 Nomination and Remuneration Committee is required to meet at least four times a year and Audit and Risk Committee is required to meet not less frequently than quarterly 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, Ms. Aminath Shamrath championed Ms. Aminath Niusha Khaleel, to the post of Audit and Risk Committee Chairperson, following the changes to the Board of Directors.

PRIMARY RESPONSIBILITIES:

- The integrity of the financial statements and the company's financial reporting processes.
- The independent auditor's qualifications and independence.
- The performance of the company's internal audit function and independent auditors.
- The compliance by the company with legal and regulatory requirements.
- To assure that there is in place effective systems of controls reasonably designed to:
 - i. Safeguard assets and income of the company
 - ii. Maintain compliance with company's ethical standards and policies. Plans and procedures

MEETINGS AND ATTENDANCE

In 2023, the Committee held 7 meetings. The Chief Internal Auditor, External Auditors and Chief Financial Officer made presentations to the meetings, where required.

NAME AND POST IN COMMITTEE	JOINED DATE	REMOVED DATE	ATTENDANCE (no. of meetings attended/ no. of meetings held)	ATTENDANCE %
Aminath Niusha Khaleel Former Chairperson Former Non-Executive Director	28th May 2023	12th April 2023	1/1	100%
Aminath Shamrath Chairperson Non-Executive Director	12th April 2023		6/7	86%
Mohamed Shuaib Committee Member Non-Executive Director	10th Jan 2021		6/7	86%
Aishath Shaheen Committee Member Non-Executive Director	10th Jan 2021		6/7	86%
Ahmed Niushad Committee Member Non-Executive Director	10th Jan 2021		6/7	86%

MAJOR ACTIVITIES:

- Reviewed internal audit reports.
- Discussed on the External Auditor appointment and fees.
- Reviewed Management Letter and Auditor recommendations.
- Reviewed the financial statements of the Company before submitting to Board approval for finalization.
- Reviewed the supplementary budget.
- Reviewed the 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 3 alterations to the Committee membership. Following the changes to the Board, Mr. Ahmed Shifan, who previously served as the Chairperson of the Committee was replaced with Mr. Mohamed Shuaib Ahmed. Ms. Aminath Niusha Khaleed was removed and Ms. Aminath Shamrath was appointed to her position and Ms. Mariyam Paruveen Abdul Faththah was replaced by Mr. Hussain Ali.

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 2 meetings. The General Manager of Human Resources made presentations at the meetings, where required.

NAME AND POST IN COMMITTEE	JOINED DATE	REMOVED DATE	ATTENDANCE <small>(no. of meetings attended/ no. of meetings held)</small>	ATTENDANCE %
Mohamed Shuaib Ahmed Chairman Non-Executive Director	10th Jan 2021		9/9	100%
Aishath Shaheen Non-Executive Director	10th Jan 2021	12th Apr 2023	9/9	100%
Aminath Shamrath Non-Executive Director	12th Apr 2023		5/5	100%
Hussain Ali Non-Executive Director	19th Jun 2023		4/4	100%

MAJOR ACTIVITIES:

- Recruitment proposals were reviewed as required by the policies.
- Departmental and organizational structures were reviewed before submitting to Board for discussion.
- Reviewed candidates proposed to executive level new appointments.

1. 14.3 CORPORATE GOVERNANCE AND COMPLIANCE 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 no changes made to the committee composition.

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 2 meetings. The General Manager of Human Resources made presentations at the meetings, where required.

NAME AND POST IN COMMITTEE	JOINED DATE	REMOVED DATE	ATTENDANCE (no. of meetings attended/ no. of meetings held)	ATTENDANCE %
Ahmed Niushad Chairman Non-Executive Director	10th Jan 2021		2/2	100%
Ahmed Shifan Former Non-Executive Director	18th Feb 2019	12th April 2023	2/2	100%
Mohamed Shuaib Ahmed Non-Executive Director	10th Jan 2021		2/2	100%
Aishath Shaheen Non-Executive Director	28th May 2023		6/7	86%

MAJOR ACTIVITIES:

- Reviewed the proposed revisions to 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 (PwC) 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 99% shares of STO and 0.01% shares of Allied. The Company has issued 35,000,000 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 are 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. DIVIDEND

In the year 2023 dividend was not declared.

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.



FUELING THE NATION

