

CORPORATE GOVERNANCE REPORT

Pak Oman Investment Company Limited (POIC)

REPORT DATE:

September 01, 2023

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating	Previous Rating
	Corporate Governance	Corporate Governance
Rating Category		
Entity	CGR-9	CGR-9
Rating Date	September 01, 2023	August 01, 2022
Rating Action	Reaffirmed	Reaffirmed

COMPANY INFORMATION

Incorporated in 2001	External auditors: Messrs. BDO Ebrahim & Co., Chartered Accountants
Unlisted Public Company	Chairman of the Board: Mr. H.H. Sayyid Juland Jaifar Salim Al Said
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Nauman Ansari
Ministry of Finance, Pakistan – 49.99%	
Oman Investment Authority, Oman – 49.99%	

APPLICABLE METHODOLOGY (IES)

VIS Rating Criteria: Corporate Governance Ratings (August 2017)
<https://docs.vis.com.pk/docs/CGR-Methodology-201708.pdf>

VIS Rating Scale
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Pak Oman Investment Company Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p>POIC was incorporated as a private limited company in July, 2001. Subsequently, it was converted into a public limited company in March, 2004. The company is a joint venture between the Government of Pakistan (GoP) and the Sultanate of Oman (SO).</p> <p>Profile of Chairman</p> <p>His Highness Sayyid Juland Jaifar Al Said has over 15 years of experience at the Oman Investment Authority (OIA). He currently heads the Investment Risk & Assurance function at OIA. His Highness has served on the board of POICL and some of its subsidiaries since 2017. He has been appointed as Chairman of the Board of Directors of the Company in 2021.</p> <p>Profile of CEO.</p> <p>Mr. Nauman Ansari possesses three decades of experience in the Finance and Banking sector, spanning global, regional, and local institutions, including Standard Chartered Bank, Bank of America, ABN Amro, and Fortis Bank. Notably, he has held the positions of President and CEO at Bank Alfalah Limited and Faysal Bank Limited in his last two roles. A graduate of Miami University, USA.</p> <p>Presently, Mr. Ansari holds the roles of Independent Director and Chairman on the Board of Directors at Parwaaz Financial Services</p>	<p>Pak Oman Investment Company Limited (‘POIC’ or ‘the Company’) operates under a Joint Venture (JV) between the Government of Pakistan (GOP) and Government of Sultanate of Oman (SO) through the Oman Investment Authority (OIA). Headquartered in Karachi, the Company also operates via its branch office in Lahore and representative offices in Islamabad, Gwadar, and Muscat. Given equal representation of the sponsoring governments and legal structure, some of the practices that are considered favorable from a governance perspective may not be implemented at the institution. The terms of the JV agreement dictate the Board composition where each sponsor nominates three directors on the Board. The regulator has exempted JV related entities from Public Sector Companies (Corporate Governance) Rules, 2013 subject to the conditions that training of directors, performance evaluation of the Board and audit of financial statements of the companies are conducted by Quality Control Review (QCR) rated firms.</p> <p>The assigned ratings consider the well-established corporate governance framework implemented at POIC, adequately supplemented by the effective functioning of Board and Management-level committees. The Board ensured active oversight during 2022, conducting 07 meetings by the Board of Directors (BoD), 05 meetings by the Board’s Executive Committee (BEC) and Board’s Remuneration & Compensation Committee (BRCC), and 04 meetings by the Board’s Audit Committee (BAC) and Board’s Risk Committee (BRC). Full attendance was observed in all board meetings throughout the year. These meetings included comprehensive discussions on various policies, structures, procedures, and practices. To continually improve and refine the effectiveness of the Board, an independent external evaluation of the Board and its members is conducted every three years while an internal Board evaluation is carried out annually. An annual assessment of the Board's effectiveness by a third party could enhance the governance framework by offering timely and unbiased feedback.</p> <p>Board-level changes occurred in the first half of 2023. Mr. Omar Hamid Khan retired, and Mr. Mohammad Shabir Khan was appointed as his replacement on the Board. Mr. Nauman Ansari assumed the role of Managing Director (MD), succeeding the Acting MD, Mr. Zalmi Rahman Uddin Khan, who had been in the position since November 2022. The Chairman of the Board is nominated by the OIA while the MD is nominated by the GOP. According to the JV agreement, each shareholder has the right to nominate three directors. Currently, one nominee director position from Pakistan has remained vacant, and to be filled by the GOP in due course. Following the changes at the board level, the Board committees were also reconstituted. No significant changes in the authorities assigned to the Board Level Committees were observed.</p> <p>The stability of the management team plays a significant role in determining the corporate governance rating. During the review period, there were some changes in the senior management team, with a new appointment made to the Head of Risk Management position. The management team consists of experienced professionals while overall turnover within the senior management cadre remains low. Additionally, the POIC succession plan is duly approved by the Board, and clear reporting lines are defined in the organizational structure. Except for the Head of Internal Audit, all department heads report to the Managing Director (MD). The Head of Internal Audit functionally reports to their</p>

Limited, and he serves as an Independent Director on the Board of Punjab Thermal Power Company Limited.

respective Board-level committees. Succession plans for key management positions are reviewed annually.

During the on-going year, the management has undertaken a routine evaluation of several risk management policies in response to the prevailing economic conditions. Adhering to the POIC risk management framework, which involves identifying potential risks, assessing their impact, and formulating mitigation strategies, the Company maintained a cautious lending approach given the increased economic uncertainty. The emphasis was on expanding the investment portfolio while consolidating advances portfolio. Nevertheless, credit risk stemming from the financing portfolio remains elevated. With the transition in top leadership, ensuring a clear strategic direction for the DFI and effectively communicating it throughout the organization will remain crucial.

All information related to the Company is disseminated in electronic form through official website. The Company posts annual, quarterly and half year financial statements with satisfactory levels of financial and qualitative disclosures.

REGULATORY DISCLOSURES		Appendix II				
Name of Rated Entity	Pak Oman Investment Company Limited					
Sector	Development Finance Institution (DFI)					
Type of Relationship	Solicited					
Purpose of Rating	Corporate Governance Rating					
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action	
	RATING TYPE: ENTITY					
	01-Sept-23	CGR-9	-	-	Reaffirmed	
	1-Aug-22	CGR-9	-	-	Reaffirmed	
	16-July-21	CGR-9	-	-	Reaffirmed	
	3-July-20	CGR 9	-	-	Reaffirmed	
	12-Oct-18	CGR 9	-	-	Reaffirmed	
	1-Nov-16	CGR 9	-	-	Reaffirmed	
	1-Dec-15	CGR 9	-	-	Reaffirmed	
	28-Nov-14	CGR 9	-	-	Reaffirmed	
	10-Oct-13	CGR 9	-	-	Reaffirmed	
	11-Oct-12	CGR 9	-	-	Reaffirmed	
9-May-11	CGR 9	-	-	Reaffirmed		
Instrument Structure	N/A					
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on corporate governance only and is not a recommendation to buy or sell any securities.					
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.					
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