

CORPORATE GOVERNANCE REPORT

Pak Oman Investment Company Limited (POIC)

REPORT DATE:

September 11, 2024

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	Corporate Governance	Corporate Governance
Entity	CGR-9+	CGR-9
Rating Date	September 11, 2024	September 01, 2023
Rating Action	Upgraded	Reaffirmed

COMPANY INFORMATION

Incorporated in 2001	External auditors: 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

<https://docs.vis.com.pk/docs/CoporateGovernance-2023.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 brings over 16 years of experience from his tenure at the Oman Investment Authority (OIA). Presently, he leads the Investment Risk & Assurance function at OIA. His Highness has been serving on the board of POIC and its subsidiary since 2017. In 2021, he assumed the role of Chairman of POIC’s BoD.</p> <p>Profile of CEO.</p> <p>Mr Nauman Ansari, the CEO/MD of POIC, is a senior Finance and Banking professional with 30 years of multifunctional and varied experience of global, regional and local banking institutions including Standard Chartered Bank, Bank of America, ABN Amro and Fortis Bank. His last two assignments were as President and CEO of Bank Alfalah Limited and Faysal Bank Limited. Mr. Ansari is a graduate of Miami University, USA. Mr. Ansari has served on numerous Boards of Directors. Currently, Mr.</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. POIC has two directors and the Chairman nominated by the SO (OIA), while two directors and the Managing Director are nominated by the Ministry of Finance – GoP. The regulator has exempted JV related entities from Public Sector Companies (Corporate Governance) Rules, 2013 subject to the conditions that directors must undergo training, the Board’s performance must be evaluated, while the audit of financial statements of the companies is conducted by Quality Control Review (QCR) rated firms.</p> <p>The assigned rating considers the well-established corporate governance framework implemented at POIC, adequately supplemented by the effective functioning of Board and Management-level committees. The Board has 4 committees for providing support in strategic direction and enhanced oversight, namely Board’s Executive Committee (BEC), Board’s Remuneration & Compensation Committee (BRCC), Board’s Audit Committee (BAC) and Board’s Risk Committee (BRC).</p> <p>The Board ensured active oversight during 2023, conducting 07 meetings by the Board of Directors (BoD), 05 meetings by the BEC, 03 meetings by the BRCC, and 04 meetings each by the BAC and 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. Last external evaluation was carried out in CY23 and a formal report was issued. The BoD performed excellently, while the BEC showed the most significant need for improvement, scoring the lowest among all committees. The recent performance evaluation was carried out in-house during the ongoing year.</p> <p>The audit plans are comprehensive, as is the case for proposed plan for 2024, covering various key areas across all four quarters of the year. It ensures that both annual and semi-annual reviews are conducted, with audits scheduled consistently throughout the year.</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. Zalmai Rahman Uddin Khan, who had been in the position since November 2022. 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. Out of five directors, three directors have</p>

Ansari is serving as an Independent Director /Chairman on the Board of Directors of Parwaaz Financial Services Limited and on the Board of Director of Pak Oman Asset Management Company Limited and Orient Power Company (Pvt) Limited.

completed Directors' Training Program, rest of the two directors of the Company plan to complete the same during on-going year.

The stability of the management team plays a significant role in determining the corporate governance rating. During the review period, there were changes in the senior management team, including appointment of a new Chief Finance Officer, Chief Risk Officer and Head of Investment Banking and Private Equity. The management team consists of experienced professionals. 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 respective Board-level committees. Succession plan for key management positions is reviewed annually.

The policy and procedure manual shows a consistent pattern of being regularly updated, with most policies having undergone review in 2023 or 2024. This demonstrates the organization's commitment to staying current with regulatory changes and ensuring that its governance framework evolves alongside new legal requirements. Several policies reference specific regulatory circulars, illustrating the organization's alignment with central bank, ensuring that all practices meet external standards. These references serve as a foundation for the organization's governance structure, indicating compliance with national and international regulations.

Documents such as the Inherent Risk Assessment Report, Stress Testing Policy Manual, Liquidity Risk Policy Manual, and Operational Risk Management Policy highlight the organization's structured approach to identifying, managing, and mitigating risks. The frequent review dates, particularly in Mar'23 and Dec'23, suggest that risk management is not just a static exercise but a dynamic process, adjusted in response to evolving market conditions and organizational needs.

An emphasis on ethics and integrity is evident through the Whistle Blower and Fraud Prevention Policies, which are crucial for maintaining stakeholder trust. The organization's commitment to stakeholder engagement is reflected in its consumer grievance mechanisms and litigation policy, ensuring effective handling of complaints and disputes. Transparency is maintained through financial reporting, guided by the Accounting & Disclosure and IFRS 9 policies, essential for investor confidence. Additionally, the Green Banking and Contribution & Donations policies illustrate the organization's dedication to sustainability and corporate social responsibility. Regularly updated HR policies ensure fair workforce management, aligning with overall governance standards.

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 I				
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		Medium to Long Term	Short Term	Rating Outlook	Rating Action	
		RATING TYPE: ENTITY				
		11-Sep-24	CGR-9+	-	-	Upgraded
		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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