

## **REPORT ON CORPORATE GOVERNANCE**

### **1. Company Philosophy**

The company has adopted to the principles of Corporate Governance in accordance with the code of Corporate Governance for MSM listed companies as pronounced by the Capital Market Authority of Oman. The Company's Board consists of Non-executive and Independent Directors. The Board has adequately empowered the Executive Management on all day to day matters, subject to the overall authority vested in the Board. The Company lays strong emphasis on audit and internal controls, having regard to the nature of the Company's business and introduced suitable checks and balances to ensure sound integrity of the operations. The Company also lays a very high emphasis on total compliance with the various laws and regulations of the country, and total transparency in its accounts in accordance with the International Financial Reporting Standards (IFRS).

### **2. Board of Directors**

#### ***Composition:***

#### **Muscat National Holding Company SAOG**

				<b><u>No. of Meetings Attended + AGM</u></b>
Miss Reem bint Omar Zawawi	Represented by Herself	Chairperson	Independent (Non-Executive)	7
Oman Mechanical Service Co.	Represented by Mr. Juma bin Abdullah Al Hinai	Deputy Chairperson	Independent (Non-Executive)	6
Oman Services & Supply Co	Represented by Mr. Ranjit Singh	Director	Independent (Non-Executive)	5
Oman International Bank SAOG	Represented by Mr. Bipin Dharamsey Nensey	Director	Independent (Non-Executive)	5
National Heaters Industries Co	Represented by Gamal Mohamed Mohamed	Director	Independent (Non-Executive)	7

## **Profile on the members of the Board of Directors**

### **Miss Reem Omar Zawawi, Chairperson**

A graduate of Georgetown University and a Certified Professional Director from the National Association of Corporate Directors – Washington DC, USA. In addition holds Directorship on the Board of several companies in the Sultanate of Oman since 1996. Miss Reem Zawawi is currently the Chairperson of Oman International Bank SAOG, Chairperson of Muscat National Holding Company SAOG, and the Chairperson of Muscat Insurance Company SAOC.

### **Mr. Juma bin Abdullah Al Hinai, Deputy Chairman**

Qualification: MBA, Financial Management – Hull University-United Kingdom

Experience: Mr. Al Hinai has 21 years experience in Oil and Gas Sector Financial affairs and holds many positions. He is a Chairman of Oman Polypropylene and a Board Director in Oman International Bank and Oil and Gas Companies the most important being Petroleum Development Oman (PDO), Occidental Oman and Oman Refineries and Petrochemicals Company (ORPC). In Addition he has a membership with foreign companies, which the most important is Oman Trading International Company (OTI), Dubai Mercantile Exchange (DME). Furthermore, he is presently occupying as a Chairman of PDO Major Tender Board.

### **Mr. Gamal Mohamad Mohamad Ahmad, Director**

Qualification : B.Com – Accountancy (1977)

Experience : Accountant in United Arab Stevadoring Company, Alexandria, Egypt from 1977 to 1983.

Tax Inspector in Joint Stock Company, Tax Department, Ministry of Finance from 1983 to 1997, Tax Inspector for the Secretariat General for Taxation, Sultanate of Oman from 1997 to 2000. Tax Advisor, Omar Zawawi Establishment since 2000 to present date.

### **Mr. Bipin Dharamsey Nensey, Director**

Qualification: Bachelor's Degree – Accounting & Finance

Experience: Director with Dharamsey Nensey Company, Muscat since 1977. Mr. Bipin Dharamsey Nensey is the Deputy Chairman of Oman International Bank since 2002.

### **Mr. Raj Singh, Director**

Qualification : Bachelor's Degree of Science & MBA – USA

Experience: Mr. Singh presently works for Swiss Re, Zurich as Chief Risk Officer and a Member of the Executive Committee. Mr. Singh held the position of Group Chief Risk Officer with Allianz SE from 2002 to 2007 and with Citigroup from 1989 to 2001 where he held a number of senior positions, mainly in the area of credit and structured finance.

Mr. Singh is a member and former Chairman of the International Financial Risk institute, founding Chairman of the Chief Risk Officer Forum and an associate of the American Banking Association.

## **Profile on the Executive Management**

### **Mr. Anthony Paton, General Manager**

Qualification: Chartered Insurer

Experience: 43 years in the insurance industry & management. 30 years working in Regional and General Management with International Insurance Companies in the G.C.C. & 9 years working with Muscat National Holding Company SAOG. From March 2008 Mr. Paton was elected as Deputy Chairman of Muscat Life Assurance Company SAOC.

### **Mr. Chittur Balakrishnan Raman**

Qualification : B. Com, ACA

Also passed the final qualifying examinations of the (i) The Institute of Cost and Works Accountants of India;(ii) Institute of Internal Auditors , USA and; (iii) CISA program of The EDP Auditors Association USA

Experience: over 15 years in senior positions in Internal Audit and Finance and 15 years as Head of Finance. Total of 30 years.

### **Board of Directors Meeting Schedule Dates + AGM**

	<u>1<sup>st</sup> Mtg</u>	<u>2<sup>nd</sup> Mtg</u>	<u>3<sup>rd</sup> Mtg</u>	<u>4<sup>th</sup> Mtg</u>	<u>5<sup>th</sup> Mtg</u>	<u>6<sup>th</sup> Mtg</u>
	<b>28.02.09</b>	<b>30.04.09</b>	<b>29.07.09</b>	<b>24.10.09</b>	<b>06.12.09</b>	<b>22.12.09</b>
<b>Board of Directors</b>						
Miss Reem bint Omar Zawawi	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Juma bin Abdullah Al Hinai	Yes	Proxy	Yes	Yes	Yes	Yes
Mr. Bipin Dharamsey Nensey	Yes	Yes	Yes	Proxy	Proxy	Yes
Mr. Ranjit Singh	Yes	Proxy	Yes	Yes	Yes	Proxy
Mr. Gamal Mohamed Mohamed	Yes	Yes	Yes	Yes	Yes	Yes

	<b><u>AGM</u></b>
	<b>31.03.09</b>
<b>Board of Directors</b>	
Miss Reem bint Omar Zawawi	Yes
Mr. Juma bin Abdullah Al Hinai	Yes
Mr. Bipin Dharamsey Nensey	Yes
Mr. Ranjit Singh	Yes
Mr. Gamal Mohamed Mohamed	Yes

### **Membership in Boards or Chairpersonships of Omani Public Joint Stock Companies:-**

<b>Name of Board Director</b>	<b>No. of Boards on which member (including MNHC)</b>	<b>No. of Boards on which Chairperson (including MNHC)</b>
Miss Reem bint Omar Zawawi	<b>0</b>	<b>2</b>
Mr. Juma bin Abdullah Al Hinai	<b>2</b>	
Mr. Bipin Dharamsey Nensey	<b>2</b>	<b>-</b>
Mr. Ranjit Singh	<b>2</b>	<b>-</b>
Mr. Gamal Mohamed Mohamed	<b>4</b>	<b>-</b>

The Board's responsibilities are in compliance with all applicable laws of the Sultanate of Oman.

The functions of the Board of Directors are as per Commercial Companies Law, Article 5 of CMA Code of Corporate Governance mandated by Circulars No. 11/2002, No.1/2003 and Administrative Decision 5/2007 and all other pertinent laws.

### **3. Audit Committee**

The Board of Directors has an Audit Committee comprising of the following members as at present date:

- Miss Reem bint Omar Zawawi, Chairperson
- Mr. Juma bin Abdullah Al Hinai, Deputy Chairperson
- Mr. Gamal Mohamed, Member

***The Audit Committee met during 2009 on the following dates and attendance details are set out below:-***

#### **Audit Committee Meeting Schedule Dates**

	<u>1<sup>st</sup> Mtg</u>	<u>2<sup>nd</sup> Mtg</u>	<u>3<sup>rd</sup> Mtg</u>	<u>4<sup>th</sup> Mtg</u>	<u>5<sup>th</sup> Mtg</u>	<u>6<sup>th</sup> Mtg</u>	<u>7<sup>th</sup> Mtg</u>
	<b>24.02.09</b>	<b>30.04.09</b>	<b>25.07.09</b>	<b>29.07.09</b>	<b>24.10.09</b>	<b>06.12.09</b>	<b>22.12.09</b>
<b>Audit Committee Members</b>							
Miss Reem bint Omar Zawawi	Yes	Yes	Yes	Yes	Yes	Proxy	Yes
Mr. Juma bin Abdullah Al Hinai	Proxy	Proxy	Yes	Yes	Yes	Yes	Yes
Mr. Gamal Mohamed	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The Audit Committee undertakes its functions as per Article 8 of CMA Code of Corporate Governance for Public Joint Stock Companies (SAOG) issued by Circulars No. 11/2002 dated 3<sup>rd</sup> June 2002 as amended by Circular No.1/2003 appendix no. 3, Commercial Companies Law No. 4/1974 as amended, Administrative Decision 5/2007 dated 27<sup>th</sup> June 2007, and any other pertinent laws including the following:-

- a) Considering the name of the auditor in the context of their independence (particularly with reference to any other non audit services), fee and terms of engagement and recommending its name to the board for putting before AGM for appointment.
- b) Reviewing audit plan and results of the audit and as to whether auditors have full accesses to all relevant documents.
- c) Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. They should put in place an appropriate system to ensure adoption of appropriate accounting polices and principles leading to fairness in financial statements.
- d) Oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.
- e) Oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors. They may appoint external consultants if the need arose.
- f) Oversight of financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Financial Reporting Standards (IFRS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.
- g) Serving as a channel of communication between external auditors and the board and also internal auditors and the board.
- h) Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the company, if any.
- i) Reviewing proposed specified transactions with related parties for making suitable recommendations to the board and setting rules for entering into small value transaction with related parties without obtaining prior approval of the audit committee and the board

#### **4. Process of Nomination of Directors**

The Company's Board of Directors was elected on the 31<sup>st</sup> March 2007 and comes up for election once in three years. Accordingly, the present Board will come up for election in March 2010. In case of the vacancy arising due to resignation of one of its members, the same has been filled up temporarily by the Board, subject to re-election at the Annual General Meeting.

Persons wishing to get nominated for the position of Director must hold minimum qualifying shares, as stipulated under Article 26 of the Company's Articles and Memorandum of Association, in addition to meeting other requirements as stipulated under the Commercial Companies Law. Currently the minimum number of shares for qualification is 10,000.

The shareholder who wishes to be nominated, subject to the above qualifications, shall collect the nomination forms either from the Company's office or the Capital Market Authority and complete the same and deposit it with the Company two (2) days before the date of the Annual General Meeting. The candidate shall ensure that all information required in the form is provided in an accurate and clear manner.

The Company's Legal Advisor shall review the candidates form to ensure that all the required information is recorded as well as ensuring the candidates satisfy all the terms and conditions of the election process, which is carried be out in accordance with the applicable laws and regulations.

As per Ministerial Decision No. E/53/2008 the Company shall file the elected Directors forms together with the Minutes of the Annual General Meeting with CMA within the period specified by law for filing the minutes.

## **5 Remuneration Matters**

a. The Board of Directors has received no remunerations.

The top two executive management of Muscat National Holding Company received a total of OMR 176,019.

The above includes salary, benefits, perquisites, bonuses, gratuity, travel etc.

b. There are no contractual incentives payable to the above based on performance criteria.

c. Service contracts are valid for two years, with a notice period of 3 months or 3 months salary in lieu of notice in case of senior management staff.

d. There is no severance fees included in the employment contracts.

## **6. Details of Non-Compliance by the Company**

- a. There are no penalties, fines, restrictions enforced by the CMA or MSM or any other administrative, supervisory or regulatory authority during the last three years.
- b. The Company is committed to all the CMA and MSM regulations. There are no penalties, fines, restrictions against the Company regarding any matter relevant to the Code of Corporate Governance for the Public Joint Stock Companies (SAOG).

## **7. Means of Communication with the Shareholders**

- a) Quarterly results are published in two local Newspapers and the Shareholders are notified that the detailed accounts will be sent to any shareholder who requests the same. Also the full set of financial statements and the report of the Board of Directors is filed with the Capital Markets Authority and Muscat Securities Market.
- b) Annual Reports containing the audited financial statements together with the Board of Directors Report, Corporate Governance Report, Related Party Transactions and invitation to attend the AGM are sent by post to all shareholders. The Financial Reports and its attachments as listed in a & b are uploaded and available at the MSM website on the Internet.
- c) Management Discussion and Analysis Report is a part of this Annual report.

## 8. Market Data

### a. Company Share Price Movement:

MONTH	HIGH	LOW	AVG. INDEX MSM (BANK & INV)
January '09	2.502	2.502	6,040.922
February '09	2.502	2.502	5,958.547
March'09	2.502	2.502	6,151.931
April'09	2.502	2.252	6,653.509
May'09	2.300	2.000	7,321.165
June'09	2.000	1.800	7,662.915
July'09	2.350	1.980	7,612.915
August'09	2.200	2.109	8,774.803
September'09	2.500	2.110	9,800.163
October'09	2.500	2.110	10,304.400
November'09	2.400	2.400	9,887.889
December'09	2.500	2.160	9,125.233

### b. Distribution of Shareholding as of December 31, 2009

% Shareholding	No. of Shareholders
Up to 5%	453
> 5% up to 10%	2
> 10% up to 15%	2
>15% up to 25%	1
Total	458

### c. Outstanding GDRs /ADRs /Warrants / Convertible instrument: not applicable.

## 9. Professional profile of the statutory auditor

The shareholders of the company have appointed KPMG as the auditors for the year 2009. KPMG is one of the leading accounting firms in Oman. Oman practice of KPMG, which forms parts of KPMG Lower Gulf, was established in 1974 and currently has a staff complement of professional staff in excess of 130, including 3 partners, 4 directors and 21 managers.

KPMG Lower Gulf (UAE and Oman), is a member of the KPMG network of independent firms affiliated with KPMG International Co-operative .The KPMG network operates in 144 countries and employs 137,000 people worldwide, KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOG's).

## 10. Audit fees of the Company and Subsidiaries and Fees for Other Services

The amount paid to the auditor (KPMG) for the year is OMR 30,600/= (Rial Omani Thirty Thousand Six Hundred only).

#### **11. Acknowledgment by the Board of Directors:**

The board of directors confirms to the best of their knowledge and ability the following:

- Its liability for the preparation of the financial statements in accordance with the applicable standards and rules
- Review of the efficiency and adequacy of Internal Control Systems of the Company and that it complies with internal rules and regulations.
- That there is no material things that affect the continuation of the Company and its ability to continue its productive operations during the next financial year.

**For and on behalf of the Board of Directors,**

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Reem Omar Zawawi  
Chairperson