



REPORT ON CORPORATE GOVERNANCE

1. Company Philosophy

The Company has adopted 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

2.1. List of Board of Directors for the period up to the AGM on 30th March 2013

Elected member to the Board of Directors	Name of Representative	Membership	Category	No. of meetings incl. AGM, attended
HSBC Oman SAOG (Oman International Bank SAOG)	Mr. Bipin Dharamsey Nensey	Chairman	Independent (Non-Executive)	2
National Heaters Industries Co.	Mr. Gamal Mohamed Mohamed	Deputy Chairman	Independent (Non-Executive)	2
Oman Mechanical Services Co	Mr. Arun Kumar Vyas	Director	Independent (Non-Executive)	2
Oman Services & Supply Co.	Mrs. Amrita Kashyap	Director	Independent (Non-Executive)	2
Mr. Vikrant Mahajan (Non-shareholder)	Represented by himself	Director	Independent (Non-Executive)	2



2.1.1. List of Board of Directors for the period after the AGM held on 30th March 2013

Elected member to the Board of Directors	Name of Representative	Membership	Category	No. of meetings
National Heaters Industries Co.	Mr. Gamal Mohamed Mohamed	Chairman	Independent (Non-Executive)	5
Mr. Bipin Dharamsey Nensey (Non-shareholder)	Representing Himself	Deputy Chairman	Independent (Non-Executive)	2
Mr. Qais bin Mahmoud Al Khonji (Non-shareholder)	Representing Himself	Director	Independent (Non-Executive)	4
Mr. Issa bin Ali Al Houqani (Non-shareholder)	Representing Himself	Director	Independent (Non-Executive)	5
Mr. Vikrant Mahajan (Non-shareholder)	Represented by himself	Director	Independent (Non-Executive)	3

2.2. Profile on the present members of the Board of Directors

Mr. Gamal Mohamad Mohamad Ahmad, Chairman

Qualification : B.Com – Accountancy (1977)

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

Tax Inspector in Joint Stock Companies, Tax Department, Ministry of Finance from 1983 to 1997. Tax Inspector for the Secretariat General for Taxation, Sultanate of Oman from 1997 to 2000 and presently is Tax Advisor, Omar Zawawi Establishment since 2000. Mr. Gamal Mohamed holds Directorship on the Board of several companies in the Sultanate of Oman and is the Chairman of Muscat Life Assurance Company SAOC.

Mr. Bipin Dharamsey Nensey, Deputy Chairman

Qualification: Bachelor's Degree – Accounting & Finance

Experience: Director with Dharamsey Nensey Company, Muscat since 1977. Mr. Bipin has been on the Board of Muscat National Holding Company since 14th July 2007 and with effect from 4th November 2012 was nominated as Chairman

Mr. Qais bin Mahmoud Al Khonji, Director

Qualification: Bachelor of Commerce, De Montfort University (2001)

Experience: Omani business man, he is the founder of Qais United Enterprises Trading. Mr. Al Konji serves as a Board member for Oman Fishereis SAOG, Oman Engineering & Investment Company SAOG and Sharakah Fund for Development of Youth projects SAOC

Mr. Issa bin Ali Al Houqani, Director

Qualification: Higher Secondary

Experience: Omani business man, CEO of Al Huqani International Group and Chairman of the Board of Directors for Oman Filters Company SAOG

Mr. Vikrant Mahajan, Director

Qualification: MBA – Finance (Feb 2008), B. Tech – Electrical (May 2004)

Experience: Corporate Finance, Vedanta Resources PLC for three years, Electrical Engineer, Hindustan Zinc Limited, India for two years and is presently working in the Finance Dept, Omar Zawawi Establishment. Mr. Vikrant also holds Directorship on the Board of an SAOC company in Sultanate of Oman.



2.2.1. Profile on the present Executive Management

Mr. Saurabh Mishra, Chief Executive Officer

Qualification: 'Associate' degree (A.I.I.I.) from Insurance Institute of India and carries a twin Masters' degree in Computer Applications (PGDCTA) and in Business Administration (MBA) respectively.

Experience: Mr. Mishra carries a rich and diverse experience of nearly two decades in the field of General Management, Strategic Planning, Marketing & Corporate Communications, Sales & Distribution, Business Development, Product Development and Channel Management - working across different geographies, ethnicities and culture.

Prior to joining MNHC, Mr. Mishra served at Star Union Dai-ichi Life Insurance Company in India as their Chief Marketing & Distribution Officer and also served as Chief Business Development Officer. A career BFSI professional, Mr. Mishra has served the HDFC Group for over a decade in various roles and capacities across its financial services outfits that include IL&FS, HDFC Securities and HDFC Standard Life. Mr. Mishra also served in Oman between 2004 & 2006 at Bank Muscat SAOG as their Head - Bancassurance for both its Life & General Insurance operations - a pioneering effort that marked the beginning of Bancassurance in the Sultanate. Mr. Mishra has been a regular invitee at various banking & financial services conferences across APAC & GCC region and associated to a range of business networks/ forums responsible for overall industry growth.

Mr. Vithal Laxman Nerulkar, Chief Financial Officer

Qualification: Chartered Accountant

Experience: A high grade finance professional with 30 years of experience in Oman with proven record. Obtained Chartered Accountancy qualification (September 1980) from Institute of Chartered Accountant of India. Mr. Nerulkar has held many positions as head of finance & accounts in leading corporate entities in the Sultanate. Mr. Nerulkar was previously employed by Muscat Insurance Company from January 1999 to August 2000 as Financial Controller and with MNHC as the Chief Financial Officer from August 2000 to December 2007. Mr. Nerulkar was the Head of Finance & Accounts of Oman International Bank SAOG (now HSBC Oman) from January 2008 until his re-employment with MNHC in December 2012.

Mr. Mohamed Amer Satur, Chief Legal & Compliance Officer

Qualification: LLB – Lawyer

Experience: Graduated from Faculty of Law, Alexandria University in 1990. Holds a Master Degree in legal sciences specialized in Insurance and Marine Insurance Law. Mr. Mohamed has several published researches about the legal system of the joint stock companies. He is a member in the Egyptian Bar Association and a registered lawyer at the Supreme Court in Arabic Republic of Egypt. He is a member of the Marine Arbitration Regional Center. Mr. Mohamed has 22 years of experience in insurance industry in the Middle East. He started his career as energy insurance specialist in Alexandria Petroleum Company and its subsidiaries from August 1990 till August 1993. He joined Misr Insurance Company LLC as a lawyer till 2004. He was seconded as a legal advisor and risk manager in Al-Fujairah Insurance Company in UAE from 2004 till October 2006. In October 2006 joined Muscat National Holding Company as the legal advisor.

2.3. Board of Directors meeting attendance details 2013 (prior to AGM on 30 March 2013)

Board of Directors Meeting Schedule Dates + AGM		
Board of Directors	1st Mtg 26.2.13	AGM 30.3.13
Mr. Bipin Dharamsey Nensey	Yes	Yes
Mr. Gamal Mohamed Mohamed	Yes	Yes
Mr. Amrita Kashyap	Yes	Yes
Mr. Arun Kumar Vyas	Yes	Yes
Mr. Vikrant Mahajan	Yes	Yes

2.3.1. Board of Directors meeting attendance details 2013 (after AGM on 30 March 2013)

Board of Directors Meeting Schedule Dates					
Board of Directors	2nd Mtg 30.3.13	3rd Mtg 15.5.13	4th Mtg 04.8.13	5th Mtg 07.11.13	6th Mtg 19.12.13
Mr. Gamal Mohamed Mohamed	Yes	Yes	Yes	Yes	Yes
Mr. Bipin Dharamsey Nensey	Yes	Proxy	Proxy	Proxy	Yes
Mr. Qais bin Mahmoud Al Khonji	Proxy	Yes	Yes	Yes	Yes
Mr. Issa bin Ali Al Houqani	Yes	Yes	Yes	Yes	Yes
Mr. Vikrant Mahajan	Yes	Proxy	Yes	Proxy	Yes



2.4. Membership in Boards or Chairmanships of Omani Public Joint Stock Companies

Name of Board Director	No. of Boards on which member (including MNHC)	No. of Boards on which Chairman (including MNHC)
Mr. Gamal Mohamed Mohamed	2	1
Mr. Bipin Dharamsey Nensey	1	
Mr. Qais bin Mahmoud Al Khonji	3	
Mr. Issa bin Ali Al Houqani	1	1
Mr. Vikrant Mahajan	1	

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 and amended by 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 date;

- Mr. Qais bin Mahmoud Al Khonji, Chairman
- Mr. Gamal Mohamed Mohamed
- Mr. Issa bin Ali Al Houqani

The Audit Committee met during 2013 on the following dates and attendance details are set out below:-

Audit Committee Meeting Schedule Dates – prior to 30.3.13	
Audit Committee Members	1 st Mtg 26.2.13
Mr. Bipin Dharamsey Nensey	Yes
Mr. Gamal Mohamed Mohamed	Yes
Mr. Vikrant Mahajan	Yes

Audit Committee Meeting Schedule Dates – after 30.3.13				
Audit Committee Members	2 nd Mtg 15.5.13	3 rd Mtg 04.8.13	4 th Mtg 07.11.13	5 th Mtg 19.12.13
Mr. Qais bin Mahmoud Al Khonji,	Yes	Yes	Yes	Yes
Mr. Gamal Mohamed Mohamed	Yes	Yes	Yes	Yes
Mr. Issa bin Ali Al Houqani	Yes	Yes	Yes	Yes

The Audit functions:-

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 3rd 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 27th June 2007, and any other pertinent Laws.



Audit Committee Functions as follows:-

- 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 comes up for election once in three years. Accordingly, the present Board will come up for election in 2016. In case of a vacancy arising due to resignation of any one of its members, the same to be filled up temporarily by the Board, and 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.

In accordance with Ministerial Decision no. E/53/2008 the Company should file the elected Directors nomination forms together with the Minutes of the Annual General Meeting with CMA and within the period specified by law for filing the minutes.

5. Remuneration Matters

- a. The Board of Directors' proposed remunerations during 2013 to be approved with retrospective effect at the forthcoming AGM in March 2014.

At the forthcoming AGM in March 2014 and on the approval of the shareholders, the sitting Fees to the Directors per meeting of Board (at OMR 400/-) and of the Audit Committee (at OMR 300/-) with retrospective effect from 30th March 2013, amounting to OMR 11,200/= for the year 2013, will be paid.

The top 5 executive management of Muscat National Holding Company received a total of OMR 127,389/=

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 are 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.
- d) Company's website – address : www.muscatnationalholding.com

8. Market Data

a. Company Share Price Movement:

MONTH	HIGH	LOW	AVG. INDEX MSM (BANK & INV)
January '13	1.750	1.700	6,763.170
February '13	1.723	1.723	6,974.500
March '13	1.726	1.726	7,235.060
April '13	-	-	7,606.593
May '13	-	-	7,593.131
June '13	1.800	1.726	7,836.884
July '13	1.800	1.584	8,060.348
August '13	1.745	1.745	8,414.765
September '13	1.660	1.645	8,060.469
October '13	-	-	8,135.175
November '13	-	-	8,222.424
December '13	-	-	8,165.535

b. Distribution of Shareholding as of December 31, 2013

% Shareholding	No. of Shareholders
Up to 5%	426
> 5% up to 10%	1
> 10% up to 15%	2
>25%	1
Total	430

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

9. Professional profile of the statutory auditor

KPMG – External Auditors

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2013. KPMG is a leading accounting firm in Oman and is a part of KPMG Lower Gulf that was established in 1974. KPMG in Oman employs more than 130 people, amongst whom are 4 Partners, 5 Directors and 20 Managers, including Omani nationals and is a member of the KPMG network of independent firms affiliated with KPMG International Co-operative. KPMG is a global network of independent firms providing Audit, Tax and Advisory services and has more than 155,000 people working together in 155 countries worldwide.



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

The amount paid to the auditors for the year is OMR 28,100/= (Rial Omani Twenty Eight Thousand One 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 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,

Gamal Mohamed Mohamed
Chairman