شركة مسقط الوطنية القابضة ش.م.ع.ع
MUSCAT NATIONAL HOLDING COMPANY S.A.O.G.

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 - CMA Circular No. E/4/2015 dated 22/7/2015. 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 January 2016 to December 2016

Elected member to the Board of Directors	Name of Representative	Membership	Category	No. of BOD meetings Incl. OGM/EGM /AGM
Mr. Aimen bin Ahmed Al Hosni (Non-shareholder)	Representing Himself	Chairman	Independent (Non-Executive)	**9**
Mr. Bipin Dharamsey Nensey (Non-shareholder)	Representing Himself	Deputy Chairman	Non- Independent (Non-Executive)	**7**
Mr. Qais bin Mahmoud Al Khonji (Non-shareholder)	Representing Himself	Director	Independent (Non-Executive)	**8**
Mr. Issa bin Ali Al Hoqani (Non-shareholder)	Representing Himself	Director	Independent (Non-Executive)	**10**
National Heaters Industries Co. (Shareholder)	Mr. Gamal Mohamed *Mr. Rajiv Dhar	Director *(up to 28 March 2016)* Director *(from 28 March 2016)*	Independent (Non-Executive)	**4** **4**
**Mr. Ahmed bin Humaid Al Hinaai (Non-Shareholder)	Representing Himself	Director *(from 28 March 2016)*	Non- Independent (Non-Executive)	**5**

** Mr. Rajiv Dhar, new representative for the shareholder National Heaters Industries Co was elected to the Board of Directors in the Annual General Meeting held on 28th March 2016*

***Mr. Ahmed bin Humaid Al Hinaai was elected to the Board of Directors in the Annual General Meeting held on 28th March 2016*

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

Mr. Aimen bin Ahmed Al Hosni, Chairman
Qualification: Bachelor Degree - Political Science and Master's Degree - Public Administration
Experience: Mr. Al Hosni is the Chief Executive Officer of Oman Airports Management Company SAOC. Mr. Al Hosni is also the Chairman of Oman National Investment & Engineering Company S.A.O.G., and Director on the Boards of HSBC Bank Oman SAOG and Oman Telecommunications Company SAOG. Most recently, the Airports Council International (ACI) has selected Mr. Al Hosni to be one of the representing members for Asia and Pacific regions.

Mr. Bipin Dharamsey Nensey, Deputy Chairman
Qualification: Bachelor's Degree – Accounting & Finance
Experience: Director with Dharamsey Nensey Company, Muscat since 1977. Mr. Bipin is the Chairman of the general insurance subsidiary Muscat Insurance Company SAOC, and has been on the Board of Muscat National Holding Company since 14th July 2007.

Mr. Qais bin Mahmoud Al Khonji, Director
Qualification: Bachelor of Commerce, De Montfort University (2001)
Experience: Qais Al-Khonji is Omani businessman. Mr. Al Khonji is the founder of Qais United Enterprises Trading, and Genesis International. Mr. Al-Khonji runs his own enterprises, but also serves as a prominent board member for many Omani companies and organizations, such as Oman National Engineering and Investment Company, Sharakah SAOC, Entrepreneurs Organization: Oman Chapter, Fund for Development of Youth Projects. He is especially known for his endeavors in assisting the Omani people in efforts to start their own businesses.

Mr. Issa bin Ali Al Hoqani, Director
Qualification: Higher Secondary
Experience: Omani businessman, CEO of Al Hoqani International Group.

Mr. Ahmed bin Humaid Al Hinaai, Director
Qualification: Master Degree in MBA at Bedfordshire University, UK and Bachelor Degree in Economics from Sultan Qaboos University, College of Commerce and Economics.

Experience: Office Director of The Office of the Special Advisor to His Majesty The Sultan for External Liaison.
Mr. Al Hinaai is a Director on the Board of Oman Textiles Holding Co SAOG and the Deputy Chairman for the life subsidiary Muscat Life Assurance Company SAOC.

Mr. Rajiv Dhar, Director
Qualification: Chartered Accountant - Bachelor's Degree with Honors from Delhi University and Alumni of Wharton Business School.
Experience: Executive Director – Finance, Omar Zawawi Establishment "Omzest". Mr. Rajiv Dhar serves as a Board member being the representative for our shareholder National Heaters Industry Company LLC. Mr. Rajiv also sits on the board of many other prominent Omani companies, with focus on enhancing shareholders value.

2.2.1. Profile on the Executive Management

Mr. Philip K Philip, Chief Executive Officer
Qualification: Bachelors of Science (Mathematics & Physics – 1979)
Experience: A qualified reinsurance specialist with more than 33 years' experience in the Middle East of which the last 22 years have been with MIC. He has wide ranging experience of handling reinsurance placements of major energy clients in GCC as well as many other major industrial risks. In recognition of his skills and abilities, he was promoted to the position of General Manager, Muscat Insurance Company in 2011 and to the position of CEO for the Holding Company in January 2015. Mr. Philip also holds Directorship on the Board of an SAOC company in the Sultanate of Oman.

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 23 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 SAE as a lawyer till 2006. He was seconded as a legal advisor in October 2006 to Muscat National Holding Company.

Mr. Mohamed Yunus, Chief Financial Officer
Qualification: Chartered Accountant (1999) and Master Degree (Com) India
Experience: A high grade finance professional with 14 years of experience with proven record. Mr. Mohamed obtained his Chartered Accountancy qualification (1999) from Institute of Chartered Accountant of India. Mr. Mohamed has held many positions as head of

finance & admin in leading corporate entities within the Gulf region including the Sultanate. Mr. Mohamed Yunus joined Muscat National Holding Company as Chief Financial Officer on 1st March 2016.

2.3. Board of Directors meeting attendance during 2016

Board of Directors Meeting Schedule Dates up to AGM held on 28 March 2016				
Directors	**1st Mtg 14/1/16**	**OGM/EGM 21/2/16**	**2nd Mtg 21/2/16**	**EGM/AGM 28/3/16**
Mr. Aimen bin Ahmed Al Hosni	Yes	Yes	Yes	Yes
Mr. Bipin Dharamsey Nensey	Yes	Proxy	Proxy	Yes
Mr. Qais bin Mahmoud Al Khonji	Yes	Yes	Yes	Proxy
Mr. Issa bin Ali Al Hoqani	Yes	Yes	Yes	Yes
Mr. Gamal Mohamed Mohamed	Yes	Yes	Yes	Yes

Board of Directors Meeting Schedule Dates after AGM of 28 March 2016						
Directors	**3rd Mtg After AGM 28/3/16**	**4th Mtg 08/05/16**	**5th Mtg 06/6/16**	**6th Mtg 14/8/16**	**7th Mtg 03/11/16**	**8th Mtg 08/12/16**
Mr. Aimen bin Ahmed Al Hosni	Yes	Yes	Proxy	Yes	Yes	Yes
Mr. Bipin Dharamsey Nensey	Yes	Yes	Yes	Proxy	Yes	Yes
Mr. Qais bin Mahmoud Al Khonji	Proxy	Yes	-	Yes	Yes	Yes
Mr. Issa bin Ali Al Hoqani	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Ahmed bin Humaid Al Hinaai	-	Yes	Yes	Yes	Yes	Yes
Mr. Rajiv Dhar	-	Yes	Yes	Yes	Yes	Proxy

3. Chairmanships/Directorship on the Board of Omani Public Joint Stock Companies 'SAOG'

Name of Board Director	No. of Boards on which a Director (including MNHC)	No. of Boards on which a Chairman (includes MNHC)
Mr. Aimen bin Ahmed Al Hosni	**2**	**2**
Mr. Bipin Dharamsey Nensey	**1**	**-**
Mr. Qais bin Mahmoud Al Khonji	**3**	**-**
Mr. Issa bin Ali Al Hoqani	**1**	**-**
Mr. Ahmed bin Humaid Al Hinaai	**2**	**-**
Mr. Rajiv Dhar	**2**	**-**

3.1 Membership on Sub-Committees of other Public Joint Stock Companies 'SAOG'

Name of Board Director	Audit Committee	Executive Committee	Nomination & Remuneration	Other
Mr. Aimen bin Ahmed Al Hosni		**1**		**1**
Mr. Bipin Dharamsey Nensey	-	-	-	-
Mr. Qais bin Mahmoud Al Khonji	-	**1**	**1**	-
Mr. Issa bin Ali Al Hoqani	-	-	-	-
Mr. Ahmed bin Humaid Al Hinaai	**1**	-	**1**	-
Mr. Rajiv Dhar	**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, and Second, Third and Fourth (for the Chairman) principles of the New Code of Corporate Governance mandated by CMA Circular No. E/4/2015 dated 22/7/2015 and all other pertinent laws.

4 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. Issa bin Ali Al Hoqani, Deputy Chairman
- Mr. Rajiv Dhar, Member

4.1. The Audit Committee meeting attendance up to 28th March 2016

Audit Committee Meeting Schedule Dates up to 28th March 2016				
Audit Committee Members	**1st Mtg 21/2/16**	**2nd Mtg 10/3/16**	**3rd Mtg 21/3/16**	**Total of attendance**
Mr. Qais bin Mahmoud Al Khonji	Yes	Yes	Yes	**3**
Mr. Issa bin Ali Al Hoqani	Yes	Yes	Yes	**3**
Mr. Gamal Mohamed Mohamed *(up to 28/3/2016)*	Yes	Proxy	Proxy	**1**

4.2. The Audit Committee meeting attendance after 28th March 2016

Audit Committee Meeting Schedule Dates after 28th March 2016						
Members	**4th Mtg 08/05/16**	**5th Mtg 15/5/16**	**6th Mtg 11/7/16**	**7th Mtg 08/8/16**	**8th Mtg 09/8/16**	**9th Mtg 20/9/16**
Mr. Qais bin Mahmoud Al Khonji	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Issa bin Ali Al Hoqani	Yes	Yes	Yes	Yes	Proxy	Yes
Mr. Rajiv Dhar	Yes	Yes	Yes	Yes	Yes	Proxy

Members	**10th Mtg 03/11/16**	**11th Mtg 08/12/16**	**Total of attendance**
Mr. Qais bin Mahmoud Al Khonji	Yes	Yes	**8**
Mr. Issa bin Ali Al Hoqani	Yes	Yes	**7**
Mr. Rajiv Dhar	Yes	Proxy	**6**

4.3 The Audit Committee functions:-

The Audit Committee undertakes its functions as per Tenth Principle and the code of reference for their responsibilities and accountabilities as per of the new CMA Code of Corporate Governance for Public Joint Stock Companies (SAOG) issued by CMA Circular No. E/4/2015 dated 22/7/2015 and Commercial Companies Law No. 4/1974 as amended, any other pertinent Laws.

5 Executive Committee

The Board of Directors has an Executive Committee comprising of the following members as at date;

- Mr. Aimen bin Ahmed Al Hosni, Chairman
- Mr. Bipin Dharamsey Nensey, Deputy Chairman

- Mr. Issa bin Ali Al Hoqani, Member
- Mr. Rajiv Dhar, Member

5.1. The Executive Committee meeting attendance during 2016

Executive Committee Meeting held during 2016					
Members	**1st Mtg 14/1/16**	**2nd Mtg 31/1/16**	**3rd Mtg 21/3/16**	**4th Mtg 06/06/16**	**5th Mtg 13/7/16**
Mr. Aimen bin Ahmed Al Hosni	Yes	Yes	Yes	Proxy	Yes
Mr. Bipin Dharamsey Nensey	Yes	Proxy	Proxy	Yes	Yes
Mr. Issa bin Ali Al Hoqani	Yes	Yes	Yes	Yes	Proxy
Mr. Rajiv Dhar *(after 28th March 2016)*	-	-	-	Yes	Yes

Members	**6th Mtg 22/9/16**	**7th Mtg 18/10/16**	**Total of attendance**
Mr. Aimen bin Ahmed Al Hosni	Yes	Yes	**6**
Mr. Bipin Dharamsey Nensey	Yes	Proxy	**4**
Mr. Issa bin Ali Al Hoqani	Yes	Proxy	**5**
Mr. Rajiv Dhar *(after 28th March 2016)*	Proxy	Yes	**3**

5.2 The Executive Committee functions:-

Functions are as follows:-

a) Oversee of the Group Company Business Strategy to enhance the Group Company's profitability.
b) Oversee of the Group Company's yearly Budget plan for recommendation to the Board.
c) Oversee and developing the investment portfolio in local and international markets of the Group Company.
d) Supervise strategic investment in both subsidiaries.
e) Oversee of the new investment project "Construction of New Head Office Premises" with full supervision of the project which includes the appointment of Contractor to the final completion of the project.
f) Review of all Tender documentation and recommendations to the Board for the new Investment Building Construction Project and;
g) Oversee of the Merge "Restructuring Plan" and issue recommendations to the Board - within guidelines and approval of regulatory compliance.
h) Oversee of all studies and relevant documentation as prepared by the appointed advisors and experts in respect of merger project for the Parent Company and its Subsidiaries and recommendations to the Board for implementation.

6 Nomination & Remuneration Committee

The Board of Directors has formed a Nomination & Remuneration Committee on 28th March 2016 comprising of the following members as at date;

- Mr. Issa bin Ali Al Hoqani, Chairman (appointed in the first meeting held on 14/11/2016)
- Mr. Bipin Dharamsey Nensey, Deputy Chairman
- Mr. Ahmed bin Humaid Al Hinaai, Member

6.1. The Nomination & Remuneration meeting attendance during 2016

Nomination & Remuneration Meeting held in 2016		
Members	**1st Mtg 14/11/16**	**Total of attendance**
Mr. Issa bin Ali Al Hoqani	Yes	**1**
Mr. Bipin Dharamsey Nensey	Proxy	**-**
Mr. Ahmed bin Humaid Al Hinaai	Yes	**1**

**NRC has met once in 2016, and will ensure NRC meets at least twice in 2017*

6.2 The Nomination & Remuneration Committee functions:-

The Nomination & Remuneration Committee undertakes its functions as per Eleventh Principle of the new CMA Code of Corporate Governance for Public Joint Stock Companies (SAOG) issued by CMA Circular No. E/4/2015 dated 22/7/2015 and as per the Commercial Companies Law amendment vide MD no. 201/2016 dated 31st August 2016, and any other pertinent Laws.

Functions as follows:-

a) Subject to the provisions of Administrative Decision No. 11/2005 on the rules of remuneration and sitting fees for directors of public joint stock companies the committee shall exert its efforts to assist the company in formulating clear, credible and accessible policies to inform shareholders about directors and executives remuneration.
b) Provide succession planning for the executive management.
c) Develop a succession policy or plan for the Board and Chairperson
d) Prepare detailed job description of the role and responsibilities for directors including the Chairperson.
e) Nominate qualified persons to act as interim directors on the board in the event of a seat becoming vacant
f) Notwithstanding the articles of association of the company, nominate qualified persons to assume senior executive positions, as required or directed by the board
g) Prepare a bonus, allowances and incentive policy for the executive management
h) Review such policies periodically, taking into account market conditions and company performance
i) Taking into consideration by avoiding conflict of interests, the committee may upon obtaining the approval of the board seek the assistance and advice of any other external party in order to better deliver its tasks.

7. 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 2019. 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 and amendments vide ministerial; decision no. 201/2016. 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.

8. Remuneration to Directors

8.1. As approved by the annual general meeting of 28th March 2016 the Directors are entitled to receive sitting fees for attendance at the Board meeting and Sub-Committee(s) in the following amounts namely:

- OMR 400 as a sitting fee payable for every Board of Directors meeting
- OMR 300 as a sitting fee for every Audit Committee meeting
- OMR 300 as a sitting fee for every Executive Committee meeting and;
- OMR 300 as a sitting fee for every Nomination & Remuneration Committee

8.2. As all members of the Board are non-executive Directors, no fixed remuneration or performance linked incentive are applicable.

8.3. The total sitting fees paid to the Directors during 2016 amounted to **OMR 26,300/=** (Rial Omani : Twenty Six Thousand and Three Hundred Only) in accordance with the following table:

Name of Director	Sitting Fees - OMR	Total
Mr. Aimen bin Ahmed Al Hosni	2,900/-	2,900/-
Mr. Bipin Dharamsey Nensey	2,900/-	2,900/-
Mr. Qais bin Mahmoud Al Khonji	5,700/-	5,700/-
Mr. Issa bin Ali Al Hoqani	6,700/-	6,700/-
Mr. Ahmed bin Humaid Al Hinaai	2,700/-	2,700/-
Mr. Gamal Mohamed Mohamed/ Mr. Rajiv Dhar– (Representative of shareholder – National Heaters Industry Co. LLC)	5,400/-	5,400/-
Grand Total	**26,300/-**	**26,300/-**

8.4. The total remuneration paid during 2016 to the senior members of the Executive Management team including salary, benefits, bonuses, gratuity, travel etc. amounted to **OMR 229,945/=.**

8.4.1 There are no contractual incentives payable to the senior members of the Executive Management team. Based on performance appraisal criteria bonus payment awarded based on performance vs. KPI evaluation standards (Excellent/Very Good/Good/Average) for each position.

8.4.2. Service contracts are valid for two years, with a notice period of 6 month or salary in lieu of notice in case of the executive management. The notice period for senior management is 3 months or salary in lieu of notice.

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

9. Details of Non-Compliance by the Company

9.1 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.

9.2 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).

10. Means of Communication with the Shareholders

10.1 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.

10.2 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 are uploaded and available at the MSM website on the Internet.

10.3 Management Discussion and Analysis Report is a part of this Annual Report.

10.4 Company's website – address: www.muscatnationalholding.com

10.5 There was no presentation made to the Company's Shareholders during the year 2016.

11. Market Data

11.1. Company Share Price Movement:

MONTH	HIGH	LOW	AVG. INDEX MSM (Financial Sector)
January '16	1.860	1.860	6133
February '16	-	-	6558
March'16	-	-	6771
April'16	1.860	1.860	7352
May'16	1.800	1.800	7634
June'16	-	-	7388
July'16	1.800	1.790	7416
August'16	-	-	7491
September'16	-	-	7372
October'16	1.640	-	7263
November'16	-	-	7115
December'16	-	-	7459

11.2. Distribution of Shareholding as of December 31, 2016

% Shareholding	No. of Shareholders
Up to 5%	417
> 5% up to 10%	1
> 10% up to 15%	2
>25%	1
Total	421

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

12. Professional profile of the statutory auditor

KPMG – External Auditors

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2016. KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1973. KPMG in Oman employs more than 180 people, amongst whom are 4 Partners, 5 Directors and 24 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in over 152 countries and has around 189,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOG's).

Due to CMA rules, KPMG will not be able to stand for reappointment in 2017 as they have served 4 years and the Board thanks KPMG for their service during the prior 4 years.

13. Audit fees of the Company and Subsidiaries, and Fees for any Other Services

During the year 2016 the amount paid to the external auditors (KPMG) towards professional services was **OMR 31,000/=** (Rial Omani: Thirty One Thousand Only).

14. 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,

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Aimen Ahmed Al Hosni
Chairman