

Oman Telecommunications Company S.A.O.G

Corporate Governance Report for the year ended 31st December 2014

First: Principles and Foundations of Organization

Oman Telecommunications Company SAOG (“The Company”) is committed to the highest standards of the Code of Corporate Governance. In pursuit of this goal, the company has applied the various principles of the Code of Corporate Governance with regard to the appointment of members of the Board of Directors, ensuring the adequacy and efficiency of Internal Controls in all aspects of the Company’s operations and transparency in all business dealings.

Second: Disclosure Policy

The company is committed to Capital Market Authority’s (CMA) standards and guidelines on disclosure of material information. Further, it is committed to the rules and regulations issued by the Telecommunications Regulatory Authority (TRA). The Board has approved the disclosure policy issued by CMA.

Third: Board of Directors

1. Composition of the Board of Directors:

The Board of Directors of the Company is composed of nine members; five members are representing the government share including the Board Chairman. The other four members were elected by the AGM. The composition of the Board is in the following order:

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Board of Directors (continued)

Composition of the Board of Directors (continued)

Name of Board Member	Date of Appointment/ Election	Membership Duration	Position in the Board	Type of Representation	Membership of other Committees	Membership of Board of other Joint Stock Companies	Whether Attended last AGM
H.E Eng. Sultan bin Hamdoon Al-Harthy	24/3/2014	3 Years	Chairman	Non-Executive, Independent, representing Govt. Share	1	Nil	Yes
Mr. Saud bin Ahmed Al-Nahari	24/3/2014	3 Years	Deputy Chairman	Non-Executive, Independent, from share holders	2	3	Yes
Mr. Abdul Kader Askalan	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	1	1	Yes
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	24/3/2014	3 Years	Member	Non-Executive, Independent, from share holders	4	2	Yes
Mr. Abdul Rahim bin Salem Al-Harmi	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	No
Eng. Matar bin Saif Al-Mamari	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	Yes
Eng. Mohamed Hamad Al-Maskari	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	Yes
Mr. Aimen bin Ahmed Al Hosni	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Qurum Business Group	3	2	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	24/3/2014	3 Years	Member	Non-Executive, Independent, from share holders	2	1	No

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Board of Directors (continued)

2. Profile of Directors and Executive Management

H.E Eng. Sultan bin Hamdoon Al-Harthy is an Advisor at the Supreme Council for Planning. He worked for different government organizations and his last position was the Chairman of Muscat Municipality. He holds a Master's degree in Architecture.

Mr. Saud bin Ahmed Al-Nahari is the Chief Executive Officer of Port Services Corporation SAOG. He holds a Post-graduate Diploma in Port Management. He is a board member in other three joint stock companies: Oman United Insurance Co. SAOG, Al Hassan Engineering Co. SAOG and Oman Al Arabi Fund.

Mr. Abdul Kader Askalan was the Chief Executive Officer of Oman Arab Bank until 31 December 2013 and has a vast experience in the banking sector. He is a board member of Oman International Development & Investment Co. SAOG.

Mr. Mehdi bin Mohammed Jawad Al Abduwani is the Executive Officer of National Ferry Company. He holds a Bachelor's Degree in Economics and post-graduate diploma in Development Planning Techniques (DPT). He is the Chairman of Computer Stationery Industry Co. SAOG and is a board member of Al Anwar Holding Company SAOG.

Mr. Abdul Rahim bin Salem Al-Harmi is an Advisor to the Minister of Transport and Communications for Meteorology Affairs. He has extensive experience in the field of civil aviation and meteorology. His last position was Director General of Civil Aviation and Meteorology at the Ministry of Transport and Communications. He holds a Master's Degree in Business Administration.

Eng. Matar bin Saif Al-Mamari is working in the field of telecommunications and information technology since 1989 and participated in several government committees in the same field. He holds a Master's Degree in Business Administration from the University of Lincoln and Bachelor's Degree in Electrical and Electronic Engineering from Widener University of USA. He is a Board member of Information Technology Authority.

Eng. Mohamed bin Hamed Al-Maskari is the Director General of Knowledge Oasis Muscat, and has vast work experience in the field of Management and Information Technology for more than 14 years with a Master Degree in Business Administration. He is a board member of Infoline LLC.

Mr. Aimen bin Ahmed Al Hosni is the Director General of Muscat International Airport. He holds a Bachelor Degree in Political Science and a Master's Degree in Public Administration. He is the Chairman of Oman National Investment & Engineering Company SAOG. and Member of HSBC Bank Oman SAOG.

Sayyed. Zaki bin Hilal Al-Busaidi is the Director General of the Institute of Public Administration, he has a long experience in the field of management. He holds Master Degree in Public Administration and he is a Board Member of Port Services Corporation SAOG.

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Mr. Talal Said Al Mamari is the Chief Executive Officer of Omantel since 29 June 2014. He has a bachelor degree in Business Administration from Duquesne University, Pittsburgh – Pennsylvania. Prior to his appointment as CEO, he held several leadership positions including his last position as Chief Financial Officer of Omantel. He has 22 years of experience in the Telecommunications sector. He has had played an instrumental role in different initiatives and projects, carried out by the company.

3. Procedures and Conditions for the Selection of Board Members:

The appointment of the members of the Company's Board of Directors representing the government share are subject to same procedures followed in the appointment of board members representing the government share in other companies. As for members of the Board representing the private sector, they are elected at the General Meeting by following the procedures laid down in the Commercial Companies Law, and rules and regulations issued by the CMA.

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4. Meetings of the Board of Directors

The Board of Directors held 15 meetings during the year 2014. These were in the following order:

A. Board Meetings:

Name of the Board Member	Number and date of meeting														
	1 14/1/14	2 2/2/14	3 11/2/14	4 2/3/14	5 23/3/14	6 24/3/14	7 12/5/14	8 29/6/14	9 9/7/14	10 13/8/14	11 24/9/14	12 12/11/14	13 17/11/14	14 20/11/14	15 19- 20/12/14
H.E Eng. Sultan bin Hamdoon Al-Harthy	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Mr. Saud bin Ahemed Al-Nahari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdulkader Ahmed Askalan	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abdwani	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Mr. Abdul Rahim bin Salem Al-Harmi	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Matar Saif Al-Mamari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No	Yes
Eng. Mohamed bin Hamad Al-Maskari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Mr. Aimen bin Ahmed Al Hosni	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
*Sayyed. Zaki bin Hilal Al-Busaidi	-	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* Was elected at last AGM held on 24/3/2014

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Fourth: The Committees stemming from the Board of Directors

1. Executive Committee

A. Committee meetings

The Executive Committee held 6 Meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting					
		1	2	3	4	5	6
		2/2/14	23/3/14	23/6/14	18/8/14	23/11/14	11/12/14
H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	Yes	Yes	Yes	No	Yes	Yes
Mr. Saud bin Ahmed Al-Nahari	D. Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abdwani	Member	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Matar bin Saif Al-Mamari	Member	Yes	Yes	Yes	Yes	No	Yes
Mr. Aimen bin Ahmed Al-Hosni	Member	Yes	Yes	No	Yes	Yes	Yes

The Committees stemming from the Board of Directors (continued)

Executive Committee (continued)

B. The Committee's terms of reference:

1. To review the Company's business plan;
2. To study the Company's annual budget and submit their recommendations to the Board;
3. To study and approve new tariffs;
4. To study and approve the proposed changes to Company policies;
5. To take action on the matters submitted by the Board or Chairman of the Board;
6. To take an action on urgent matters submitted by Company's CEO and which fall within the committee's authority;
7. To decide on matters that require board approval.

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2. The Audit Committee

A. Committee meetings

The Audit Committee held 6 meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting					
		1 9/2/14	2 7/5/14	3 11/8/14	4 15/10/14	5 9/11/14	6 23/11/14
Mr. Aimen bin Ahmed Al-Hosni	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abduwani	D. Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Mohamed Hamad Al-Maskari	Member	Yes	Yes	Yes	Yes	Yes	Yes
*Mr. Abdul Rahim bin Salem Al-Harmi	Member	-	Yes	Yes	Yes	Yes	Yes
*Sayyed. Zaki bin Hilal Al-Busaidi	Member	-	No	No	Yes	Yes	Yes
*Mr. Saud bin Ahmed Al-Nahari		YES	-				

* as per the new composition of the committee, Mr. Abdul Rahim and Sayyed Zaki joined the committee;

* Mr. Saud Al-Nahari left the committee.

The Committees stemming from the Board of Directors (continued)

The Audit Committee (continued)

B. The committee's terms of reference:

1. Considering the name of the auditor in the context of their independence (particularly with reference to any other non-audit services), fees and terms of engagement and recommending their name to the Board for putting before AGM for appointment.
2. Oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors. The committee may appoint external consultants if the need arose.
3. 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.
4. Serving as a channel of communication between external auditors and the Board and also internal auditors and the Board.
5. Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. The committee should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.

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6. 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.
7. Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any.
8. Reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the Board.

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The Committees stemming from the Board of Directors (continued)

3. HR Committee

A. Committee meetings

The HR committee held 6 meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting					
		1	2	3	4	5	6
		5/2/14	10/4/14	1/6/14	6/7/14	19/8/14	15/12/14
Mr. Mehdi bin Mohammed Al-Abduwani	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Aimen bin Ahmed Al-Hosni	D. Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdulrahim Salem Al-Harmi	Member	Yes	Yes	Yes	Yes	Yes	Yes
*Mr. Abdulkader Ahmed Askalan	Member	-	No	No	No	No	No
*Mr. Saud bin Ahmed Al-Nahari		Yes	-				

* as per the new composition of the committee, Mr. Abdulkader joined the committee;

* Mr. Saud Al-Nahari left the committee.

B. The committee's terms of reference:

1. To review factors and developments which require an amendment to the organizational structure of the company;
2. To review the structure and the level of salaries and compensation before submission to the Board of Directors;
3. To review and recommend strategic plan and policies relating to Human Resources;
4. Any other task as directed by the Board.

The Committees stemming from the Board of Directors (continued)

4. Tender Committee

A. Committee meetings

The Tender committee held 5 Meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting				
		1 4/6/14	2 23/7/14	3 18/8/14	4 14/10/14	5 12/11/14
Mr. Saud bin Ahmed Al-Nahari	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abduwani	D. Chairman	Yes	Yes	Yes	Yes	Yes
Eng. Matar bin Saif Al-Mamari	Member	Yes	Yes	Yes	Yes	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	Member	Yes	Yes	Yes	Yes	Yes
Eng. Mohamed Hamad Al-Maskari	Member	Yes	Yes	Yes	Yes	Yes

B. The committee's terms of reference:

1. Representing the Board in reviewing, discussing and award tenders as per the given Tenders' Manual of Authority;
2. Study the mechanisms and procedures that used for evaluation of bids, and propose improvement by use of appropriate technologies;
3. Study any other matter that referred to by the Board and decide as per its authority.

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Fifth: Remunerations

Fee paid to Board member for attending the meetings of the Board of Directors and the committees stemming from it are paid in the following manner:

Board Meetings	RO 500 per meeting
Committee Meetings stemming from the Board	RO 400 per meeting

1. The following table shows the details of the financial allocations paid to members of the Board of Directors during 2014:

Name of Board Member	Sitting fee (RO)
H.E Eng. Sultan bin Hamdoon Al-Harthy	8,500
Mr. Saud bin Ahmed Al-Nahari	10,000
Mr. Abdul Kader Askalan	6,000
Mr. Mehdi bin Mohammed Jawad Al-Abduwani	10,000
Mr. Abdul Rahim Salem Al-Harmi	10,000
Eng. Matar Saif Al-Mamari	9,500
Eng. Mohamed Hamed Al-Maskari	10,000
Mr. Aimen bin Ahmed Al Hosni	10,000
Mr. Zaki bin Hilal Al Busaidi	8,200
Total	82,200

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Fifth: Remunerations (continued)

2. Directors' Remuneration:

Details	Amount in (RO)
Total directors' remuneration recommended for the year 2014	117,792
Total directors' remuneration paid to members for the year 2013	135,600

3. The following table shows the details of the financial allocations paid to the executive management (top five) during 2014:

Salary and other allowances	Bonus	Social Security Cost and end of service benefits	Total
(RO)	(RO)	(RO)	(RO)
803,844	975,000	79,137	1,857,981

4. All work contracts are in conformity with the requirements of the Omani Labour Law.

Sixth: Details of Non-compliance by the Company

The Board is pleased to confirm that there were no penalties imposed on the company by the CMA or MSM.

Seventh: Channels and Methods of Communication with Shareholders and Investors

- The Company's quarterly financial reports are published in the local newspapers and are also uploaded to the website of Muscat Securities Market and on the Company's website. In addition, the shareholders are notified of the details of the financial results by sending them to the shareholders at their request.
- The Company has a website which includes the Company's profile and the services offered by it. This website is constantly updated.
- The report of the Company's management and governance constitutes a part of its Annual Report.

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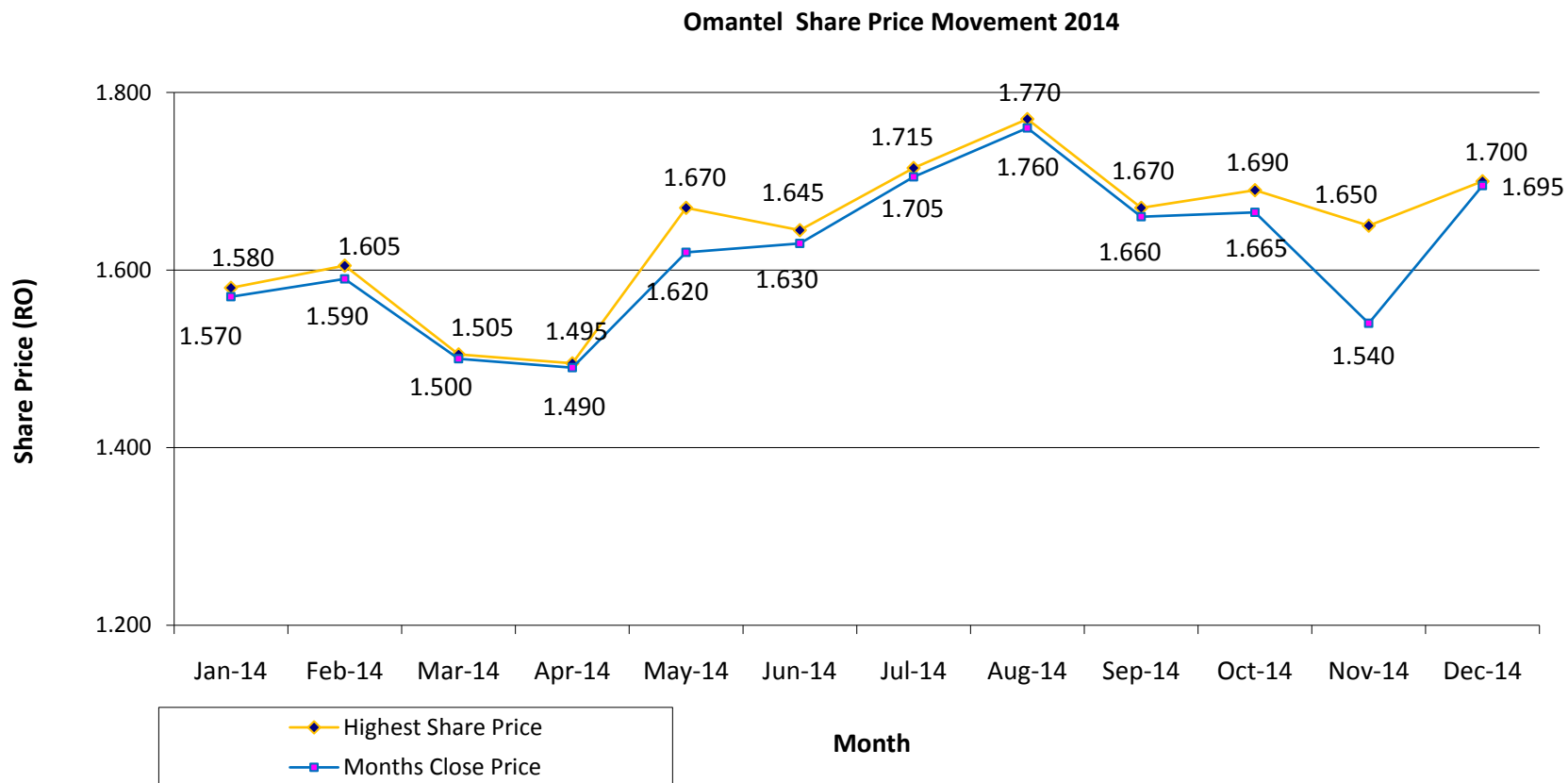
Eight: Details of Market Shares

A) Details of prices for traded company shares:

Following are the details of the company's shares traded on the Muscat Securities Market (MSM) during the year 2014:

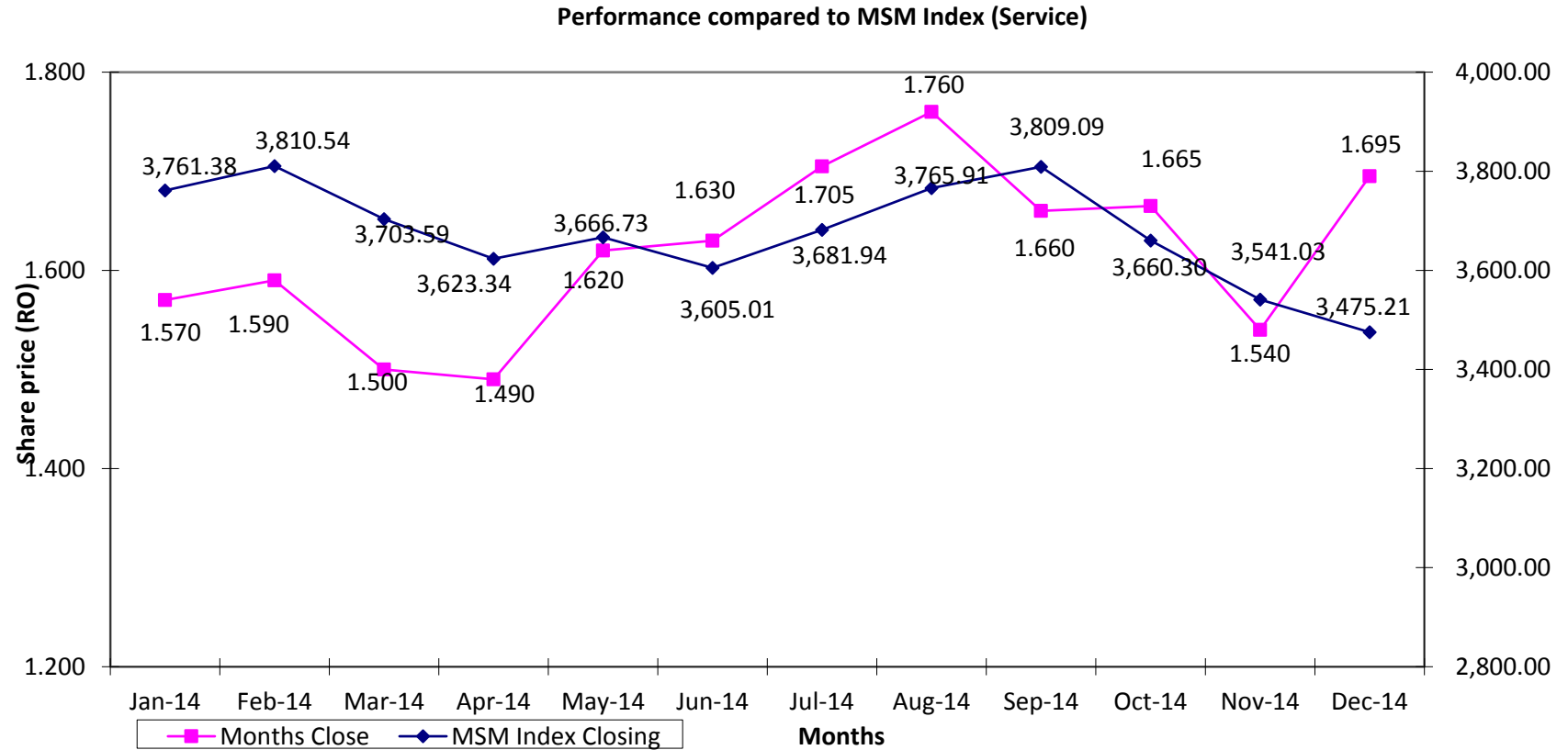
Month	Highest Share Price	Lowest Share Price
January	1.580	1.560
February	1.605	1.575
March	1.505	1.495
April	1.495	1.485
May	1.670	1.580
June	1.645	1.610
July	1.715	1.700
August	1.770	1.740
September	1.670	1.655
October	1.690	1.655
November	1.650	1.500
December	1.700	1.675

Eight: Details of Market Shares (continued)



Eight: Details of Market Shares (continued)

A. Comparison of Share Price with MSM Index (services)



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Eight: Details of Market Shares (continued)

B. Comparison of Share Price with MSM Index (services) (continued)

-) The Company does not have any securities or financial instruments transferable to shares issued to the general public or investment establishments or any segment of investors.
- D) The Board of Directors and the Audit Committee continuously study operating policies and business-related risks from time to time and then take appropriate measures pertaining to such policies.

Ninth: Distribution of Company's shares

The following table illustrates the distribution of ownership of the Company's shares until 31/12/2014:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	12,921
2	501 – 1,000	4,666
3	1,001 – 5,000	5,366
4	5,001 – 10,000	1,148
5	10,001 – 15,000	357
6	15,001 – 20,000	112
7	20,001 – 50,000	200
8	50,001 – 800,000	251
9	800,001 – 1,000,000	2
10	1,000,001 – 15,000,000	37
11	15,000,001 and above	8
Total		25,068

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Tenth: Professional Background of External Auditors

External auditor for Omantel

EY is the statutory auditors of the Company. EY has been operating in the Sultanate of Oman since 1974 and is the largest professional services firm in the country. EY Oman, forms part of EY's EMEA practice, with 4,015 partners and over 90,500 professionals in 462 offices throughout the EMEA geographical area. Globally, EY operates in more than 150 countries and employs 190,000 professionals.

The total audit fee paid/payable to the external auditor of the company for the financial year 2014 is as follows:

Details	Amount (RO)
Audit and related services	206,450
Other permitted services	138,800
Total	345,250

External auditor for Worldcall Telecommunications Limited (Subsidiary)

A. F. Ferguson & Co. came into existence on November 1, 1952 and at present has 45 partners and more than 1,800 employees including 214 qualified Chartered Accountants based in four offices i.e. Karachi, Lahore, Islamabad and Kabul and is a member firm of the PwC network. A. F. Ferguson & Co. has ready access to the technical expertise present in the PwC network firms worldwide. Drawing on the knowledge and skills of more than 146,000 people in 150 countries, PwC provides a full range of business services to leading global, national and local companies and to public institutions. These services include audit, accounting and tax advice; management, information technology and human resources consulting; financial advisory services including mergers and acquisitions, business recovery, project finance, and litigation support; and business process outsourcing.

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Professional Background of External Auditors (continued)
External auditor for Worldcall Telecommunications Limited (Subsidiary) (Continued)

The total audit fee paid/payable to the external auditor of the Company for the financial year 2014 is as follows:

Details	PKR ('000)
Audit fee	2,500
Half year Review	1,000
Other services	150
Reporting to group auditors	2,000
Out of pocket expenses	500
Total	6,150

Eleventh: Acknowledgement by the Board of Directors

The Board of Directors acknowledges

1. Its liability for the preparation of the financial statements in accordance with the applicable standards and rules applicable in the Sultanate of Oman.
2. The review of the efficiency and adequacy of internal control system of the company and compliance with internal rules and regulations.
3. That there are no material issues that affect the continuation of the company and its ability to continue its operations during the next financial year.

Chairman