

Oman Telecommunications Company S.A.O.G

Corporate Governance Report for the year ended 31st December 2018

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.

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.

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

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.

Mr. Saud bin Ahmed Al-Nahari was the Chief Executive Officer of Port Services Corporation SAOG. He holds a Post-graduate Diploma in Port Management. He is a Deputy Chairman in Oman United Insurance Co. SAOG and board member in Oman Al Arabi Fund (Ubhah GCC Fund). He has extensive management experience and is familiar with corporate governance systems and a board member licensed by the Capital Market Authority.

Mr. Abdul Kader Askalan was the Chief Executive Officer of Oman Arab Bank until 31 December 2013 and has a past experience in the banking sector.

Mr. Mehdi bin Mohammed Jawad Al-Abduwani is the Chief 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, a board member of Al Maha Ceramics SAOG.

Mr. Abdul Rahim bin Salem Al-Harmi was Director General of Civil Aviation and Meteorology at the Ministry of Transport and Communications. He has extensive experience in the field of civil aviation and meteorology. His last position was the Advisor to the Minister of Transport and Communications for Meteorology Affairs. 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 Chief Executive Officer of Infoline LLC. He was the Director General of Knowledge Oasis Muscat, and has vast work experience in the field of Management and Information Technology for more than 20 years with a Master Degree in Business Administration.

Sheikh. Aimen bin Ahmed Al Hosni is the Chief Executive Officer of Oman Airports Management Company SAOC. He holds a Bachelor Degree in Political Science and a Master's Degree in Public Administration. He is the Chairman of Oman National Engineering & Investment Company SAOG and the Chairman of Muscat Insurance Company SAOG & Member of HSBC Bank Oman SAOG.

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Sayed. Zaki bin Hilal Al-Busaidi is the Chief Executive Officer of the Institute of Public Administration. He has a long experience in the field of management. He holds Master Degree in Public Administration.

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 25 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:

Article (22) of the Articles of Association of the Company shall be applied in the election of the members of the Board of Directors. The necessary action will be taken to apply the new amendments contained in the new Commercial Companies Law issued by the Royal Decree No. 18/2019 dated 13/2/2019.

4. Board performance appraisal

In compliance with the “Code of Corporate Governance for Public Listed Companies, the AGM of the company appointed on 28 March 2018 the Protiviti as an independent consultant to evaluate the Board of Directors performance based on the parameters that were approved by Shareholders. The Protiviti completed their assignment and sent their complete report to the Chairman of the Board of Directors highlighting certain improvement opportunities. Summary of the report is included in the agenda of the AGM.

5. Meetings of the Board of Directors

The Board of Directors held 7 meetings during the year 2018. These were in the following order:

Board Meetings	Date of the Meeting
1 st Meeting	21-February-2018
2 nd Meeting	22-March-2018
3 rd Meeting	15 –May-2018
4 th Meeting	14-August-2018
5 th Meeting	07-October-2018
6 th Meeting	13 -November-2018
7 th Meeting	12 -December -2018

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Board Meetings Attendance:

Name of the Board Member	Position	Number of Meetings attended
H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	4
Mr. Saud bin Ahemed Al-Nahari	D. Chairman	7
Mr. Abdulkader Ahmed Askalan	Member	4
Mr. Mehdi bin Mohammed Al-Abdwani	Member	7
Mr. Abdul Rahim bin Salem Al-Harmi	Member	7
Eng. Matar Saif Al-Mamari	Member	5
Eng. Mohamed bin Hamad Al-Maskari	Member	7
Sheikh. Aimen bin Ahmed Al Hosni	Member	6
Sayyed. Zaki bin Hilal Al-Busaidi	Member	5

The Committees stemming from the Board of Directors

1. Executive Committee

A. Committee meetings

The Executive Committee held 2 Meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	2
Mr. Saud bin Ahmed Al-Nahari	D. Chairman	2
Mr. Mehdi bin Mohammed Al-Abdwani	Member	2
Eng. Matar bin Saif Al-Mamari	Member	2

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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;

2. The Audit Committee

A. Committee meetings

The Audit Committee held 5 meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
Sheikh. Aimen bin Ahmed Al-Hosni	Chairman	5
Mr. Abdulkadir Ahmed Askalan	D. Chairman	3
Sayyed. Zaki bin Hilal Al-Busaidi	Member	5

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. Oversee the adequacy of the internal control system through the regular reports of the internal and external auditors. The committee may also appoint external consultants when required.
3. Oversee the internal audit function in general and with particular reference to reviewing the 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.

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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.
6. Oversee 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.

3. Nomination, Remuneration & HR Committee

A. Committee meetings

The HR committee held 4 meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
Mr. Mehdi bin Mohammed Al-Abduwani	Chairman	4
Mr. Abdulkader Ahmed Askalan	D. Chairman	2
Mr. Abdulrahim Salem Al-Harmi	Member	4
Eng. Mohammed Hamad Al-Maskari	Member	4

B. The committee's terms of reference:

1. Provide succession planning for the executive management.
2. Develop a succession policy of plan for the board or at least the chairperson.
3. Prepare detailed job description of the role and responsibilities for directors including the chairperson. This will facilitate orientate directors towards their tasks and roles, and appraise their performance.
4. Look for and nominate qualified persons to act as interim directors on the board in the event of a seat becomes vacant.

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5. Notwithstanding the articles of association senior executive position, as required or directed by the board.
6. Prepare a bonus, allowances and incentive policy for the executive management.
7. Review such policies periodically, taking into account market conditions and company performance.
8. Taking into consideration avoiding conflict of interests, the committee may, upon obtaining the approval of the board, seek the assistance and advice of any other party in order to better deliver its tasks.
9. To review factors and developments which require an amendment to the organizational structure of the company;
10. To review the structure and the level of salaries and compensation before submission to the Board of Directors;
11. To review and recommend strategic plan and policies relating to Human Resources;
12. Any other business as directed by the Board.

4. Tender Committee

A. Committee meetings

The Tender committee held 4 Meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
Mr. Saud bin Ahmed Al-Nahari	Chairman	4
Mr. Mehdi bin Mohammed Al-Abduwani	D. Chairman	4
Eng. Matar bin Saif Al-Mamari	Member	2
Sayyed. Zaki bin Hilal Al-Busaidi	Member	4
Eng. Mohamed Hamad Al-Maskari	Member	4

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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.

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 2018:

Name of Board Member	Sitting fee (RO)
H.E Eng. Sultan bin Hamdoon Al-Harthy	2,800
Mr. Saud bin Ahmed Al-Nahari	5,900
Mr. Abdul Kader Askalan	4,000
Mr. Mehdi bin Mohammed Jawad Al-Abduwani	7,500
Mr. Abdul Rahim Salem Al-Harmi	5,100
Eng. Matar Saif Al-Mamari	4,100
Eng. Mohamed Hamed Al-Maskari	6,700
Mr. Aimen bin Ahmed Al Hosni	5,000
Mr. Zaki bin Hilal Al Busaidi	6,100
Total	47,200

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Remunerations (continued)

2. Directors' Remuneration:

Details	Amount in (RO)
Total directors' remuneration recommended for the year 2018	152,800
Total directors' remuneration paid for the year 2017	116,400

- The company provides telephone and Internet services to board members

3. The following table shows the details of the financial allocations paid to the executive management (top five) during 2018:

Salary and other allowances	Bonus	Social Security Cost and End of service benefits	Total
(RO)	(RO)	(RO)	(RO)
1,041,972	865,000	66,027	1,972,999

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

Details of Non-compliance by the Company

Year	Amount	Penalty Imposed By	Reason
2018	Nil	Nil	Nil
2017	680,000	TRA	Not achieving the required Fixed Broad Band coverage obligation
2016	Nil	Nil	Nil

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.
- Presentation on the company's financial performance is made to analysts on quarterly basis.
- The report of the Company's management and governance constitutes a part of its Annual Report.

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Details of Market Shares

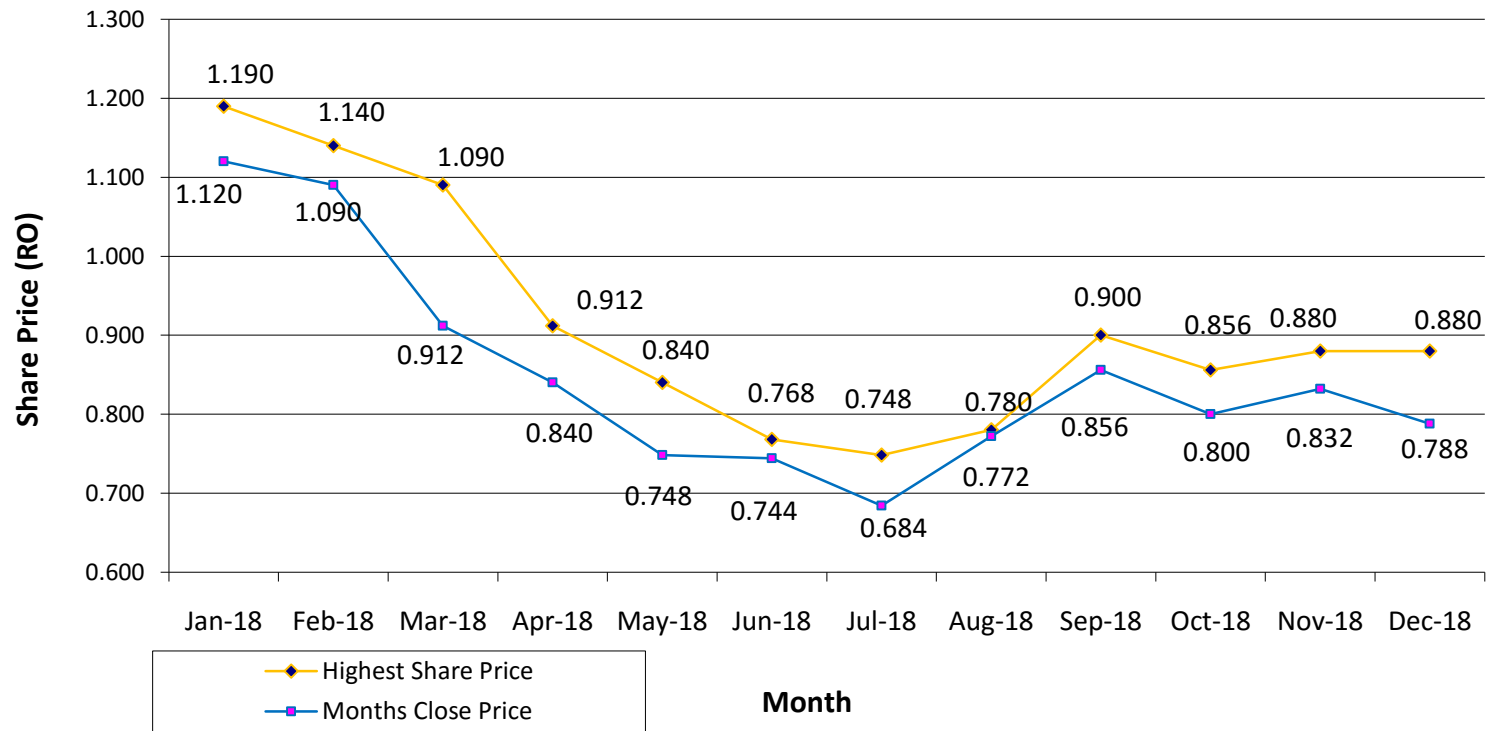
A) Details of prices for traded company shares:

Following are the details of the company's shares traded on the Muscat Securities Market (MSM) during the year 2018:

Month	Highest Share Price	Lowest Share Price
January	1.190	1.115
February	1.140	1.060
March	1.090	.860
April	0.912	0.832
May	0.840	0.720
June	0.768	0.740
July	0.748	0.680
August	0.780	0.660
September	0.900	0.764
October	0.856	0.800
November	0.880	0.792
December	0.880	0.776

Details of Market Shares (continued)

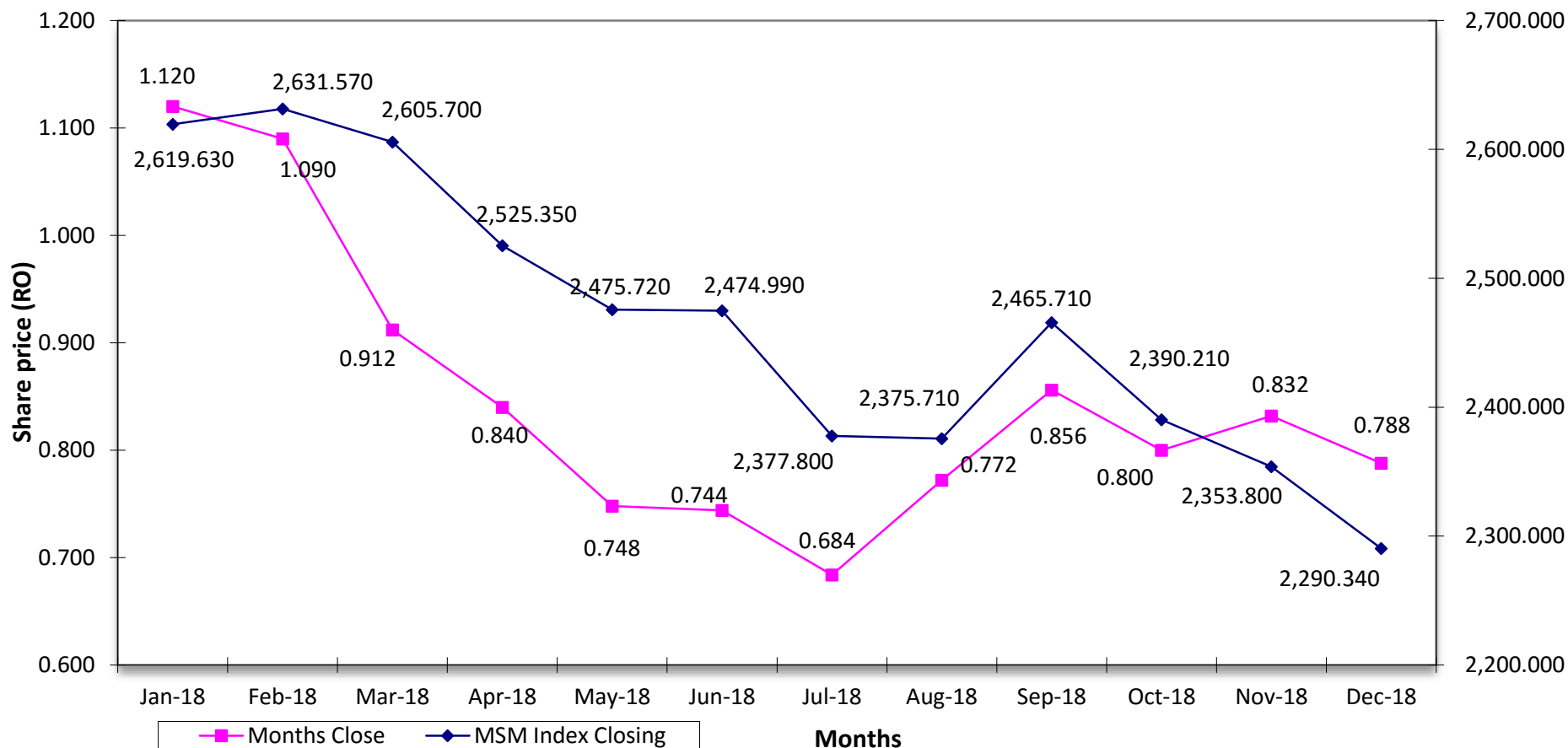
Omantel share price movement 2018



Details of Market Shares (continued)

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

Performance compared to MSM Index (Service)



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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 convertible to shares issued to the general public or investment establishments or any segment of investors.

Distribution of Company's shares

The following table illustrates the distribution of ownership of the Company's shares until 31/12/2018:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	12,068
2	501 – 1,000	4,154
3	1,001 – 5,000	4,890
4	5,001 – 10,000	979
5	10,001 – 15,000	359
6	15,001 – 20,000	145
7	20,001 – 50,000	279
8	50,001 – 800,000	252
9	800,001 – 1,000,000	4
10	1,000,001 – 15,000,000	33
11	15,000,001 and above	7
Total		23,170

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Professional Background of External Auditors

External auditor for Omantel

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Details	Amount (RO)
Audit services	124,050
Other permitted Services	963
Total	125,013

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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-BOARD OF DIRECTORS