

# CORPORATE GOVERNANCE REPORT

## Company's philosophy

Muscat City Desalination Company S.A.O.G (**Company**) is a purpose driven organisation. The Company has a strong business foundation due to its core values.

Corporate governance is a framework of principles, criteria and procedures, which a company adopts to achieve organisational discipline, ensure accountability, transparency and fairness.

The Company's Board of Directors (**Board**) is constantly striving towards better governance and has undertaken the necessary measures to implement the Capital Market Authority ("**CMA**") prescribed SAOG Code of Corporate Governance and applicable rules. The Board oversees the executive management's functions and safeguards the long-term interests of the Company. The Board is fully committed to apply the highest possible standards of corporate governance.

## Board of Directors

All members of the Board are non-executive in accordance with the requirement of the Code. During the Financial Year ended 31 December 2021, the Board consisted of the following Directors:

No.	Name of director	Date of appointment	Independent / non independent	Mode of representation
1.	Tamer Cankardes	27 March 2019	Non-independent	Shareholder representative
2.	Anwar Syahrin bin Abdul Ajib	6 December 2020	Non-independent	Shareholder representative
3.	Kei Nakamura*	27 March 2019	Non-independent	Personal capacity
4.	Mohammed Nazersham bin Mansor**	29 March 2021	Non-independent	Personal capacity
5.	Sultan Obaid Said Al Ghaiti	27 March 2019	Independent	Personal capacity
6.	Ajeev Gopinathan	27 March 2019	Independent	Personal capacity
7.	Vishwanath Sankaranarayanan	13 May 2020	Independent	Personal capacity
8.	Tsutomu Sakamoto***	16 November 2021	Non-independent	Personal capacity

\* Kei Nakamura resigned with effect from 16 November 2021.

\*\* Mohammed Nazersham bin Mansor was initially appointed as a temporary member on 27 July 2020. His term ended on 29 March 2021 and he was elected at the Company's annual general meeting held on 29 March 2021.

\*\*\* Tsutomu Sakamoto was appointed as a temporary director on 16 November 2021 with effect from Kei Nakamura's departure. His term ended on 9 December 2021 and he was elected at the Company's ordinary general meeting held on 9 December 2021.

## Board meetings / shareholders meetings and attendance in 2021

No	Name of the director	Position	Attendance							
			Board Meetings						Shareholders Meeting	
			Feb 14	Apr 26	Jul 26	Oct 26	Nov 16	Total	AGM May 29	OGM Dec 9
1	Tamer Cankardes	Chairman (Shareholder Representative)	●	●	●	●	●	5	●	●
2	Anwar Syahrin bin Abdul Ajib	Deputy Chairman (Shareholder Representative)	●	●	●	●	P	4	●	●
3	Kei Nakamura*	Member until 16 November 2021	●	●	-	●	P	3	●	-
4	Nazersham bin Mansor	Member	●	●	●	●	●	5	●	●
5	Sultan Obaid Said Al Ghaithi	Member	●	●	●	●	●	5	●	●
6	Ajeev Gopinathan	Member	●	●	●	●	●	5	●	●
7	Vishwanath Sankaranarayanan	Member from 13 May 2020	●	●	●	●	●	5	●	●
8	Tsutomu Sakamoto	Member from 16 November 2021	-	-	-	-	-	-	-	●

● : Attended, P: Proxy

\* Kei Nakamura resigned with effect from 16 November 2021.

### Performance Appraisal for the Board of Directors

Dentons & Co Oman Branch had conducted the Board evaluation based on the criteria approved by the shareholders and presented to the shareholders at the Company's Annual General Meeting held on 29 March 2021. The CMA has announced that the Board evaluation should be conducted once during the term of the Board. In light of this announcement and given that the current Board's term ends on 29 March 2022, the Board has agreed to undertake the next board evaluation in the Financial Year ending 31 December 2022 and the evaluation report shall be presented at the shareholders annual general meeting proposed to be held in 2023.

### Board Audit Committee

The role of the Board Audit Committee includes the following:

- To consider the external auditor in the context of their independence (particularly with reference to any other non-audit services), fee and terms of engagement, and recommending the auditors to the Board and shareholders for appointment.
- To review the audit plan and results of the audit.
- To implement appropriate systems to check financial fraud and ensure the fairness of financial statements;

- (d) Ensure oversight of the internal audit function.
- (e) Ensure oversight of the adequacy of the internal control systems.
- (f) Ensure oversight of financial statements in general including the review of annual and quarterly financial statements before issue, qualifications contained in draft financial statements, and discussions of accounting principles therein and changes in accounting standards adopted by the Company.
- (g) Serve as a channel of communication for the Board with the external and internal auditors.
- (h) Review risk management policies.
- (i) Review all related party transactions and provide recommendations to the Board, in relation to the transactions.

The Board Audit Committee comprises the following members during the Financial Year 2021:

No.	Name of the BAC Member	Position	Audit committee meeting dates				
			Feb 14	Apr 26	Jul 26	Oct 26	Nov 16
1	Sultan Obaid Said Al Ghaithi	Chairman	●	●	●	●	●
2	Ajeev Gopinathan	Member	●	●	●	●	●
3	Vishwanath Sankaranarayanan	Member	●	●	●	●	●
4	Mohammed Nazersham bin Mansor	Member	●	●	●	●	●

● : Attended, P: Proxy

#### Board Nomination and Remuneration Committee (BNRC)

With the aim of adopting a transparent nomination policy, and to attract directors and key executives with high competence, the Board in accordance with the requirements of the Code established the BNRC.

The primary purpose of the BNRC is to review and approve the Directors' selection criteria and relevant procedures for the appointment of the Chief Executive Office, senior management and other key positions as may be required from time to time. Another important task of the BNRC is to ensure that proper succession planning is implemented.

The BNRC comprises the following members during the Financial Year 2021:

No.	Name of the BNRC Member	Position	BNRC meeting dates		
			Feb 14	Oct 26	12 Nov
1	Tamer Cankardes	Chairman	●	●	●
2	Anwar Syahrin bin Abdul Ajib	Member	●	●	●
3	Kei Nakamura*	Member until 16 November 2021	●	●	●
4	Tsutomu Sakamoto	Member from 16 November 2021	-	-	-

● : Attended, P: Proxy

\* Kei Nakamura resigned with effect from 16 November 2021.

### Procedure for Nomination of Directors

Directors are nominated and elected in accordance with the applicable statutory provisions including but not limited to the rules prescribed by the CMA and the Articles of Association of the Company. Directors have a three-year term, subject to re-election.

If the office of a director becomes vacant in the period between two ordinary general meetings, the Board may appoint a temporary director in accordance with the Commercial Companies Law promulgated by Royal Decree 18/19 (**Companies Law**) and the Company's Articles of Association.

### Remuneration

#### a) Sitting Fees to Members of Board and Its Committees

A total amount of RO 34,300 is expensed as sitting fees for the Financial Year ended 31 December 2021. The Board Audit Committee and BNRC have also accrued sitting fees of RO 6,000 and RO 2,700 respectively. The aggregate sitting fee for each Director did not exceed RO 10,000 per Director as per the guidelines issued by the CMA. This will be tabled for shareholders' approval at the upcoming Annual General Meeting on 29 March 2022.

#### b) Other Payments to Directors

There was no other payment to the Directors other than their sitting fees as stated above.

#### c) Key Executives of the Company

The Executive Management (as defined in the Companies Law) of the Company received an aggregate amount of RO 227,886 for the Financial Year ended on 31 December 2021. This includes salaries, bonus and other benefits. The remuneration paid to these key executives commensurate with their key performance indicators established for the financial year.

### Internal Auditor

Following resignation of the Company's previous internal auditor in 2019, the Company had engaged Grant Thornton for its internal audit services whilst it searched for qualified candidates. The Board appointed a full time internal auditor with effect from 2 January 2022 and terminated the contract with Grant Thornton.

### Details of non-compliance by the Company during the last three years

There were no penalties levied on the Company by the CMA, Muscat Stock Exchange (**MSX**) or any other statutory authority on any matter for the past 3 years up to 31 December 2021.

### Means of Communication with the Shareholders and Investors

The Company's means of communication and disclosures are in accordance with the regulatory requirements. The Company discloses its annual un-audited financial results, un-audited interim

financial statements, and audited annual financial statements on the MSM website within the regulatory deadlines. The Company also publishes relevant financial information in two local newspapers. Communication with the shareholders is undertaken in both English and Arabic languages.

## Market Price Data

a) High/low share price and performance comparison during each month in 2021.

Month	Price (Baizas)				MSM Index (Service sector)	
	High	Low	Closing	Change from 3 January 2021 Opening Price	Closing	Change from 3 January 2021 Opening MSM Index
January	0.1000	0.0920	0.097	0.00%	1,594.91	-0.48%
February	0.1000	0.0880	0.089	-8.25%	1,549.89	-3.29%
March	0.0900	0.0830	0.085	-12.37%	1,544.90	-3.61%
April	0.0900	0.0860	0.088	-9.28%	1,588.43	-0.89%
May	0.0900	0.0850	0.088	-9.28%	1,623.79	1.32%
June	0.0940	0.0880	0.093	-4.12%	1,722.96	7.51%
July	0.0910	0.0860	0.086	-11.34%	1,709.25	6.65%
August	0.0880	0.0820	0.083	-14.43%	1,704.36	6.34%
September	0.0840	0.0780	0.079	-18.56%	1,697.29	5.90%
October	0.0840	0.0760	0.080	-17.53%	1,674.89	4.51%
November	0.0990	0.0760	0.094	-3.09%	1,614.83	0.76%
December	0.0980	0.0890	0.090	-7.22%	1,620.87	1.14%

Source: MSM's website.

b) Distribution of shareholdings as at 31 December 2021

Category	Number of Shareholders	Number of Shares Held	Share Capital %
5 % and above	4	120,657,165	77.57%
Less than 5%	2,533	34,893,235	22.43%
<b>Total</b>	<b>2,537</b>	<b>155,550,400</b>	<b>100.00%</b>

Source: Muscat Clearing and Depository's Website.

## Professional Profile of Statutory Auditor

### About Deloitte

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DME is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

During the year 2021, Deloitte total fees amounted to RO 20,143 in relation to professional services rendered to the Company (RO 17,500 for audit and RO 2,643 for other services).

### **Specific areas of Non-Compliance of Corporate Governance**

There was no penalty levied on the Company by any statutory authority on any matter related to corporate governance in 2021.

### **Board Acknowledgement**

The Board accepts responsibility for the preparation of the financial statements in line with International Financial Reporting Standards (IFRS), the disclosure requirements of the CMA and the Companies Law. The Board confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company and is pleased to inform the shareholders that adequate and appropriate internal controls are in place, which are in compliance with the relevant rules and regulations. The Board also confirms that there are no material matters that would affect its sustainability and ability to continue its operations up to the end of the next financial year.



Chairman