

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 organizational 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's ("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 2022, 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.	Mohd Nazersham bin Mansor	29 March 2021	Non-independent	Personal capacity
4.	Sultan 'Obaid Said Al Ghaithi* ¹	27 March 2019	Independent	Personal capacity
5.	Tsutomu Sakamoto	16 November 2021	Non-independent	Personal capacity
6.	Ajeev Gopinathan	27 March 2019	Independent	Personal capacity
7.	Vishwanath Sankaranarayanan* ²	13 May 2020	Independent	Personal capacity
8.	Ashish Gupta	29 March 2022	Independent	Personal capacity

Note:

*¹ Sultan 'Obaid Said Al Ghaithi resigned with effect from 12 December 2022.

*² All of the above members of the Board were elected at the Company's annual general meeting held on 29 March 2022 except for Vishwanath Sankaranarayanan

Board meetings / shareholders meetings and attendance in 2022

No.	Name of the director	Position	Attendance									
			Board Meetings							Shareholders Meeting		
			Feb 14	Mar 29	Apr 25	Jul 25	Oct 26	Nov 16	Total	AGM Mar 29	OGM Dec 11	
1	Tamer Cankardes	Chairman	●	●	●	●	●	●	●	6	●	●
2	Anwar Syahrin bin Abdul Ajib	Deputy Chairman	●	●	P	●	●	●	●	5	●	●
3	Tsutomu Sakamoto	Member	●	●	●	●	●	●	P	5	●	●
4	Mohd Nazersham bin Mansor	Member	●	●	●	P	●	●	●	5	●	●
5	Sultan 'Obaid Said Al Ghaithi	Member	●	●	●	●	●	●	●	6	●	-
6	Ajeev Gopinathan	Member	●	●	●	●	●	●	●	6	●	●
7	Vishwanath Sankaranarayanan* ¹	Member until 29 March 2022	●	-	-	-	-	-	-	1	●	-
8	Ashish Gupta* ²	Member	-	●	●	●	●	●	●	5	-	●

● : Attended, P: Proxy

Note:

*¹ Vishwanath Sankaranarayanan was not elected at the Company's annual general meeting held on 29 March 2022.

*² Ashish Gupta was elected at the Company's annual general meeting held on 29 March 2022.

Performance Appraisal for the Board of Directors

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 2025, the Board has agreed to undertake the next board evaluation in the Financial Year ending 31 December 2023 and the evaluation report shall be presented at the shareholders annual general meeting proposed to be held in 2024.

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.

- (c) 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 2022:

No.	Name of the BAC Member	Position	Audit committee meeting dates				
			Feb 14	Apr 25	Jul 25	Oct 26	Nov 16
1	Sultan 'Obaid Said Al Ghaithi ^{*1}	Chairman	●	●	●	●	●
2	Ajeev Gopinathan	Member	●	●	●	●	●
3	Vishwanath Sankaranarayanan ^{*2}	Member until 29 March 2022	●	-	-	-	-
4	Mohd Nazersham bin Mansor	Member	●	●	P	●	●
5	Ashish Gupta ^{*3}	Member	-	●	●	●	●

● : Attended, P: Proxy

Note:

^{*1} Sultan 'Obaid Said Al Ghaithi resigned with effect from 12 December 2022.

^{*2} Vishwanath Sankaranarayanan was not elected at the Company's annual general meeting held on 29 March 2022.

^{*3} Ashish Gupta was elected at the Company's annual general meeting held on 29 March 2022.

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 2022:

No.	Name of the BNRC Member	Position	BNRC meeting dates	
			Feb 14	Oct 25
1	Tamer Cankardes	Chairman	●	●
2	Anwar Syahrin bin Abdul Ajib	Member	●	●
3	Tsutomu Sakamoto	Member	●	●

● : Attended, P: Proxy

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 38,700 is expensed as sitting fees for the Financial Year ended 31 December 2022. The Board Audit Committee and BNRC have also incurred sitting fees of RO 5,700 and RO 1,800 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 23 March 2023.

(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 251,132 for the Financial Year ended on 31 December 2022. 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

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 2022.

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 MSX website within the regulatory deadlines. The Company has conducted an interactive discussion session with the investor community on 25 August 2022 to present its unaudited financial results for the period ended 30 June 2022. 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 2022.

Month	Price (Baizas)				MSX Index (Service sector)	
	High	Low	Closing	Change from2 January 2022 OpeningPrice	Closing	Change from2 January 2022 Opening MSX Index
January	0.0920	0.0850	0.092	2.22%	1602.4450	-1.39%
February	0.1240	0.0870	0.122	35.56%	1643.9440	1.16%
March	0.1200	0.1070	0.117	30.00%	1617.5120	-0.46%
April	0.1250	0.1160	0.119	32.22%	1636.9600	0.73%
May	0.1210	0.1120	0.113	25.56%	1581.8890	-2.66%
June	0.1200	0.1100	0.113	25.56%	1566.5550	-3.60%
July	0.1130	0.1110	0.111	23.33%	1658.0780	2.03%
August	0.1170	0.1110	0.114	26.67%	1675.0970	3.08%
September	0.1160	0.1100	0.116	28.89%	1624.4080	-0.04%
October	0.1160	0.1100	0.110	22.22%	1529.5640	-5.88%
November	0.1150	0.1080	0.110	22.22%	1551.1030	-4.55%
December	0.1180	0.0980	0.098	8.89%	1616.5970	-0.52%

Source: MSX's website.

- b) Distribution of shareholdings as at 31 December 2022

Category	Number of Shareholders	Number of Shares Held	Share Capital %
5 % and above	4	120,657,165	77.57%
Less than 5%	2,424	34,893,235	22.43%
Total	2,428	155,550,400	100.00%

Source: Muscat Clearing and Depository's Website.

Professional Profile of Statutory Auditor

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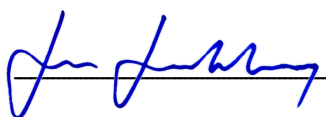
During the year 2022, Deloitte total fees amounted to RO 20,240 in relation to professional services rendered to the Company (RO 17,500 for audit and RO 2,740 for other services).

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 2022.

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