

# Oman Telecommunications Co (S.A.O.G)

## Report on Corporate Governance for the year ended 31st December 2009

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### **First: Principles and Foundations of Organization**

The Oman Telecommunications Company SAOG (Omantel) 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 CMA's 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**

#### **A. Composition of the Board of Directors**

The Board of Directors of the Company is composed of nine members, seven of them representing the government share, among them the Board Chairman and the other two members were elected by the private sector shareholders at the General Meeting held on 31 August 2008. The composition of the Board is now in the following order:

Name of Board Member	Date of Appointment / Election	Membership Duration	Position in the Board	Type of Representation	Membership of other Committees	Membership of Boards of other Joint Stock Companies	Whether Attended last AGM
H.E Eng. Sultan bin Hamdoon Al-Harthy	10/10/2007	3 Years	Chairman	Independent, representing Govt. Share	1	Nil	Yes
Mr. Abdul Kader Askalan	10/10/2007	3 Year	Deputy Chairman	Independent, representing Govt. Share	1	1	Yes
Eng. Mohamed Hamad Al-Maskari	10/10/2007	3 Year	Member	Independent, representing Govt. Share	1	Nil	Yes
Dr. Salim Sultan Al-Ruzaiqi	10/10/2007	3 Year	Member	Independent, representing Govt. Share	1	Nil	Yes
Mr Abdul Rahim bin Salem Al-Harmi	10/10/2007	3 Year	Member	Independent, representing Govt. Share	1	1	Yes
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	10/10/2007	3 Years	Member	Independent, representing Govt. Share	3	2	Yes

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<b>Dr.Gerhard* Wittkemper</b>	18/12/2007	1 Year	Member	Independent, representing Govt. Share	-	-	No
<b>Mr. Saud bin Ahemed Al-Nahari</b>	31/8/2008	3 Years	Member	Independent	3	2	Yes
<b>Sheikh Aimen bin Ahmed Al Hosni</b>	31/08/2008	3 Years	Member (Representing Qurum Business Group)	Independent	2	1	Yes

\*Dr Gerhard Wittkemper is a nominated director representing the Government's interest. The Government engaged him for a period of one year. Government took a decision to reduce their representation on the Board from seven persons to six persons. Accordingly, the composition of the Board now stands reduced to eight persons instead of nine persons. The change is now included as part of agenda in the forthcoming Extra ordinary General Meeting (EGM) to be held on March 29, 2010.

## **B. Profile of Directors and Executive management**

### **H.E Eng. Sultan bin Hamdoon Al-Harthy**

H.E Eng. Sultan Al Harthy is the Chairman of Muscat Municipality. He worked for different government organizations and his last position was Undersecretary of Heritage in the Ministry of Culture and Heritage. He holds a Master's degree in Architecture.

### **Mr. Abdul Kader Askalan**

Mr. Abdulkader Askalan is the Chief Executive Officer of Oman Arab Bank and has vast experience in banking sector. He is a board member of Oman International Development & Investment Co. SAOG.

### **Eng. Mohamed bin Hamed Al-Maskari**

Mr. Mohamed Al Maskari is the Director General of Knowledge Oasis Muscat, and has a vast work experience in the field of management and information technology for more than 14 years with a Master Degree in Business Administration

### **Dr. Salim bin Sultan Al-Ruzaiqi**

Dr. Salim Al Ruzaiqi is the Executive President of Information Technology Authority. He has more than 18 years of experience. He holds a Doctorate in the field of information and communication systems.

### **Mr. Abdul Rahim bin Salem Al-Harmi**

Mr. Abdulrahim Salem Al Harmi is the Director General of Civil Aviation Meteorology in the Ministry of Transport and Communications. He holds a Master's Degree in Business Administration.

### **Mr. Mehdi bin Mohammed Jawad Al-Abdwani**

Mr. Mehdi Al Abdwani is the Director General of Development Planning in the Ministry of National Economy. He holds a Bachelor's Degree in Economics and post-graduate diploma of Development Planning Techniques (DPT). He is a board member of Al Anwar Holding Company SAOG and Chairman of Computer Stationary Industry Co. SAOG.

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### **Dr. Gerhard Wittkemper**

Dr. Gerd is an international telecom expert who worked for several multinational companies like Booz Allen and Hamilton, Mckinsey and Procter & Gamble.

### **Mr. Saud bin Ahemed Al-Nahari**

Mr. Saud Al Nahari is the Chief Executive Officer of Port Services Corporation. He has more than 28 years of work experience. He holds a Post-graduate Diploma in port management. Mr. Saud is a board member in other two joint stock companies namely: Oman United Insurance Co. SAOG, and Al Hassan Engineering Co. SAOG.

### **Sheikh Aimen bin Ahmed Al Hosni**

Sheikh Aiman is the Director General of Information and Statistics in the Ministry of Civil Service. He holds a Bachelor Degree in Political Science and a Masters Degree in Public Administration. He is the Chairman of Oman National Investment & Engineering Company S.A.O.G.

### **Dr. Amer bin Awadh Al-Rawas**

Dr. Amer is the Chief Executive Officer of the Company since March 30<sup>th</sup>, 2009. He has a PhD in computer science and artificial intelligence from Sussex University, United Kingdom. He was the Chief Operating Officer of the Company.

### **C. 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 shall be subject to the 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 will be elected at the General Meeting by following the procedures laid down in the Commercial Companies Law and the Executing Decisions.

### **D. Meetings of the Board of Directors:**

The Board of Directors held 13 meetings during the year 2009. These were in the following order:

	Name	1 12/1/2009	2 2/3/2009	3 24/3/2009	4 30/3/2009	5 9/5/2009	6 13/5/2009	7 11/7/2009	8 24/8/2009
1	H.E Eng. Sultan bin Hamdoon Al-Harthy	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
2	Mr.AbdulKader Askalan	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
3	Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Abdul Rahim bin Salemi	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Dr. Salim bin Sultan Al-Ruzaiqi	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
6	Eng. Mohamed bin Hamad Al-Maskari	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
7	Mr. Saud bin Ahemed Al-Nahari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
8	Sheikh Aimen bin Ahmed Al Hosni	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes

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	Name	9 18/10/2009	10 10/11/2009	11 5/12/2009	12 20/12/2009	13 23/12/2009
1	H.E Eng. Sultan bin Hamdoon Al-Harthy	No	Yes	Yes	No	Yes
2	Mr.AbdulKader Askalan	Yes	Yes	Yes	Yes	Yes
3	Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Yes	Yes	Yes	Yes	Yes
4	Mr. Abdul Rahim bin Salem Al-Harmi	Yes	Yes	Yes	Yes	Yes
5	Dr. Salim bin Sultan Al-Ruzaiqi	Yes	Yes	Yes	No	No
6	Eng. Mohamed bin Hamad Al-Maskari	Yes	Yes	Yes	Yes	Yes
7	Mr. Saud bin Ahemed Al-Nahari	Yes	No	Yes	Yes	Yes
8	Sheikh Aimen bin Ahmed Al Hosni	Yes	Yes	Yes	Yes	Yes

**Fourth: The Committees stemming from the Board of Directors are:**

**Executive Committee**

**A. Committee meetings:**

The Executive Committee held 13 Meetings during the year 2009. These were in the following order:

	Name	Position	1 31/1/2009	2 22/2/2009	3 21/3/2009	4 5/4/2009	5 19/4/2009	6 22/4/2009	7 2/6/2009
1	H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Dr. Salim Sultan Al-Ruzaiqi	Member	Yes	Yes	Yes	Yes	Yes	No	Yes
4	Mr. Saud bin Ahemed Al-Nahari	Member	Yes	Yes	Yes	No	No	Yes	Yes

	Name	Position	8 11/7/2009	9 12/9/2009	10 28/9/2009	11 24/10/2009	12 5/12/2009	13 20/12/2009
1	H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Member	Yes	Yes	Yes	Yes	Yes	Yes
3	Dr. Salim Sultan Al-Ruzaiqi	Member	Yes	Yes	Yes	Yes	Yes	No
4	Mr. Saud bin Ahemed Al-Nahari	Member	Yes	Yes	Yes	Yes	Yes	Yes

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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.
7. To decide on matters that requires board approval.

### **The Audit Committee**

#### **A. Committee meetings:**

The Audit Committee held 8 meetings during the year 2009. These were in the following order:

Sl. No	Name	Position	1 26/1/2009	2 23/2/2009	3 13/4/2009	4 13/5/2009	5 3/8/2009	6 14/9/2009	7 7/11/2009	8 12/12/2009
1	Mr. Mehdi bin Mohammed Jawad Al-Abduwani	Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Abdul Kader Askalan	Member	Yes	Yes	Yes	No	No	Yes	Yes	Yes
3	Eng. Mohamed Hamad Al Maskari	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Mr. Saud bin Ahemed Al-Nahari	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Sheikh Aimen bin Ahmed Al Hosni	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

#### **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. They 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. They 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.

**HR Committee:**

**A. Committee meetings:**

The HR committees held 4 Meetings during the year 2009. These were in the following order:

SL	Name	Number of Meetings and date held				
		Position	1 23/5/2009	2 27/5/2009	3 4/7/2009	4 21/11/2009
1	Mr. Saud bin Ahemed Al-Nahari	Chairman	Yes	Yes	Yes	Yes
2	Mr. Mehdi bin Mohammed Al-Abduwani	Member	Yes	Yes	No	Yes
3	Mr. Abdulrahim Salem Al-Harmi	Member	Yes	Yes	Yes	Yes
4	Sheikh Aimen bin Ahmed Al Hosni	Member	Yes	Yes	Yes	Yes

**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 Takes directed by the Board

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**Fifth: Remunerations**

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

**Meetings of the Board of Directors:**

Chairman and Members: RO 500 per meeting

**Meetings of the Committees stemming from the Board:**

Chairman and Committee Members: RO 400 per meeting

A. The following table shows the details of the financial allocations paid to members of the Board of Directors during 2009:

Name of Board Member	Sitting fee (RO)
H.E Eng. Sultan bin Hamdoon Al-Harthy	6,200
Mr. Abdul Kader Askalan	5,000
Eng. Mohamed Hamed Al-Maskari	5,800
Dr. Salim Sultan Al-Ruzaiqi	5,800
Mr. Abdul Rahim Salem Al-Harmi	4,300
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	9,900
Mr. Saud bin Ahemed Al-Nahari	9,800
Sheikh Aimen bin Ahmed Al Hosni	6,600
<b>Total</b>	<b>53,400</b>

- The company provides telephone facility to Board Members.

**B. Director Remuneration:**

Details	Amount in (R.O)
Total Director remuneration recommended for the Financial Year 2009	146,000
Total Director remuneration paid to members for the year 2008	145,000

C. The following table shows the details of the financial allocations paid to the executive management (top five) during 2009:

Particulars	Salary and other allowance (R.O)	Bonus (R.O)	Social Security Cost and end of service benefits (R.O)	Other Expenses* (R.O)	Total (R.O)
<b>Total</b>	515,336	74,218	25,124	22,053	636,731

\* Other expenses represent travel on duty and other reimbursements.

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

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### **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.

During the year the Company paid a penalty of RO 0.129 million for the delay in payment of frequency rent charges.

### **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 Capital 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.

### **Eight: Details of Market Shares:**

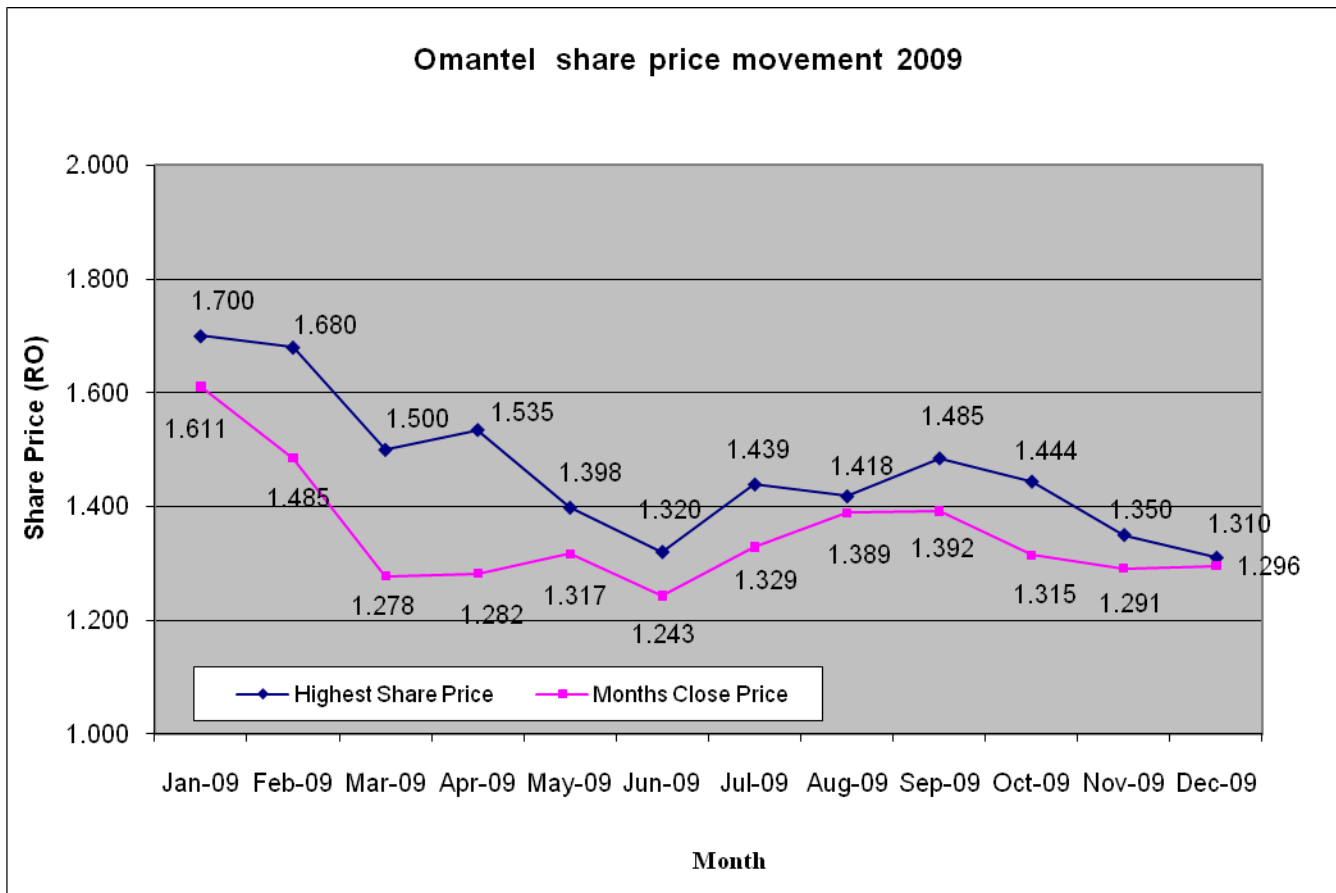
#### **A. Details of Prices for Traded Company Shares:**

Following are the details of the Company's shares traded on the Muscat Securities Market (MSM):

Month	Highest Share Price	Lowest Share Price
January 2009	1.700	1.300
February 2009	1.680	1.425
March 2009	1.500	1.232
April 2009	1.535	1.130
May 2009	1.398	1.269
June 2009	1.320	1.229
July 2009	1.439	1.240
August 2009	1.418	1.330
September 2009	1.485	1.390
October 2009	1.444	1.260
November 2009	1.350	1.280
December 2009	1.310	1.242

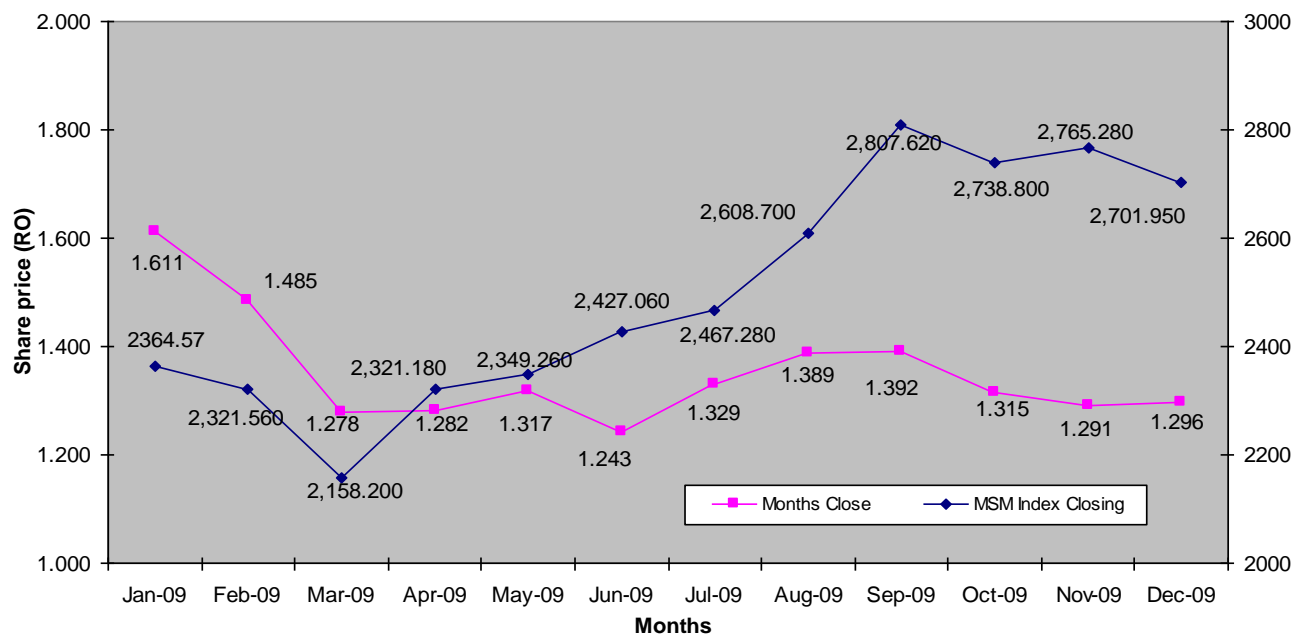


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**B. Comparison of Share Price with MSM Index (service):**

**Performance compared to MSM Index (Service)**



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C. 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 Shares Ownership:**

The following table illustrates the distribution of ownership of the Company's shares:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	14,380
2	501 – 1000	5,321
3	1001 – 5000	6,143
4	5001 – 10000	472
5	10001 – 15000	205
6	15001 – 20000	96
7	20001 – 50000	222
8	50001 – 800000	241
9	800001 – 1000000	9
10	1000001 – 15000000	32
11	15000001 and above	3
<b>Total</b>		<b>27,124</b>

**Tenth: Professional Background of External Auditors:**

**External auditor for Omantel and its subsidiary (Oman Mobile Telecommunications LLC)**

Deloitte Touche Tohmatsu is an organization of member firms devoted to excellence in providing professional services and advice. Deloitte is focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of 168,000 people worldwide, our member firms, including their affiliates, deliver services in four professional areas: audit, tax, consulting, and financial advisory.

Deloitte & Touche in the Middle East is the oldest and largest indigenous professional services firm with more than 1,700 people serving businesses and governments in 14 countries through 25 offices. The Oman Practice currently has three Partners and over 65 professionals.

The total audit fee paid/payable to the external auditor for the Company including the subsidiary is as follows:

Particulars	2009	2008
Audit fees	69,000	78,080*
Quarterly review fee	26,250	21,000
Corporate governance report	2,000	2,000
Tax consultancy	17,205	32,500
Certification	2,650	-
<b>Total</b>	<b>117,105</b>	<b>133,580</b>

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\* Audit fees for year 2008 include an amount of RO 40,580 related to the external audit procedures for consolidation purposes on Worldcall Telecom Limited (subsidiary) for the year ended December 31, 2008. The services were contracted and performed in year 2009. The audit fees previously disclosed for year 2008 of RO 37,500 did not include the above mentioned amount.

### **External auditor for Worldcall Telecommunications Limited (Subsidiary)**

KPMG Taseer Hadi & Co. was established in 1969, and with 32 partners and directors and more than 1300 professional staff, is one of the leading firms of accountants in Pakistan. The practice is a member firm of KPMG International and a member of the cohesive business unit that serves the Middle East and South Asia (KPMG's MESA business unit) in response to an environment requiring the resources of a globally aligned organization combined with detailed knowledge of local laws, regulations, markets and competition.

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

Audit fee	RO 27,418
Half yearly review fee	<u>RO 4,612</u>
<b>Total</b>	<b><u>RO 32,030</u></b>

### **Eleventh: Acknowledgement by the Board of Directors:**

The Board of Directors acknowledges:

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