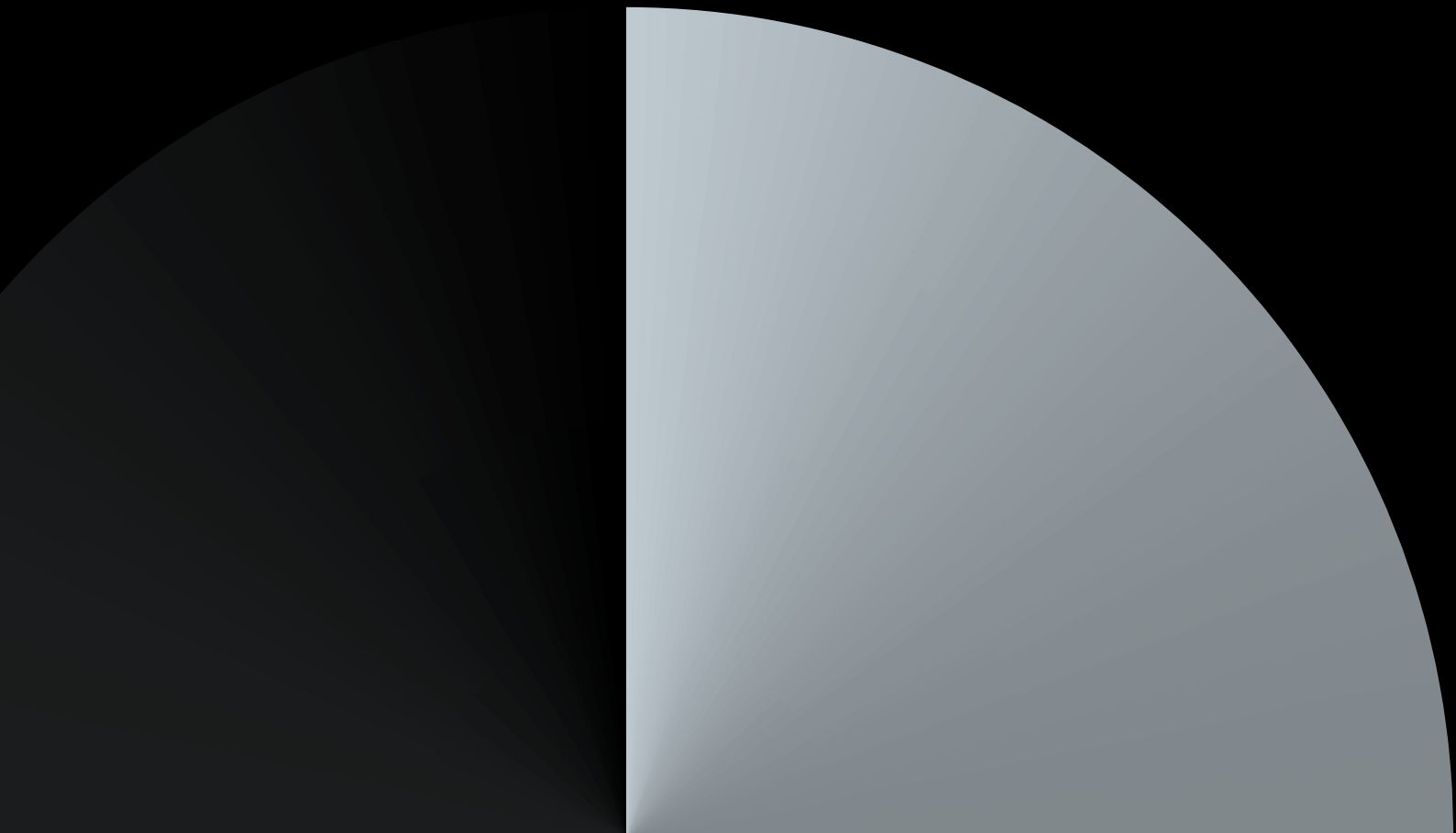


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# Corporate Governance

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and the distractions to deliver  
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PR No. HMH/15/2015; HMA/9/2015

## REPORT OF FACTUAL FINDINGS

### TO THE SHAREHOLDERS OF SOHAR INTERNATIONAL BANK SAOG (previously "BANK SOHAR SAOG")

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Sohar International Bank SAOG (the "Bank") as at and for the year ended 31 December 2017 and its application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Bank's compliance with the Code as issued by the CMA and are summarised as follows:

- 1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Bank includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and
- 2) We obtained the details regarding areas of non-compliance with the Code identified by the Bank's Board of Directors for the year ended 31 December 2018. The Bank's Board of Directors has identified certain areas of non-compliance with the Code, which are included in the Bank's report.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of Sohar International Bank SAOG to be included in its annual report for the year ended 31 December 2018 and does not extend to any financial statements of Sohar International Bank SAOG, taken as a whole.

*Ernst & Young LLC*

12 March 2019  
Muscat



# CORPORATE GOVERNANCE REPORT

## 1. PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance Philosophy in Sohar International Bank SAOG (the “Bank” and/or “Sohar International”) (previously “Bank Sohar SAOG”) has been developed within the directives and guidelines of the Central Bank of Oman (“CBO”), the Capital Market Authority (“CMA”) and the Commercial Companies Law of Oman (“CCL”). The four universal values synonymous with corporate governance – accountability, fairness, responsibility and transparency are an integral part of it.

Corporate governance is a set of processes, customs, policies, laws and practices affecting the manner in which the organisation – namely Sohar International is directed, administered or controlled. Corporate governance also covers the relationships between the many parties or stakeholders involved in the Bank and the aims and objectives for which the Bank is governed. The principal relationships at the Bank are between the shareholders of the Bank, the management and the Board of Directors. Other relationships include the customers, employees of the Bank, regulators, suppliers, the environment and the community in which the Bank exists. An additional aspect of governance is that of an economic efficiency view, through which the governance system of the Bank also aims to optimise economic results, thereby placing emphasis on the shareholder’s welfare.

The Board of Directors of the Bank is committed to the highest standards of Corporate Governance. The Bank is committed to raising the bar even further so as to set a leading example of commitment with the letter and spirit of the Code of Corporate Governance laid out by the CMA and the regulations for Corporate Governance of Banking and Financial Institutions issued by CBO. The CMA Code of Corporate Governance for Public Listed Companies and the CBO circular BM 932, Corporate Governance of Banking and Financial Institutions are the principal codes and drivers of Corporate Governance practices in the Sultanate of Oman. The Bank has complied with all of their provisions, except for certain instances which are stated in the ‘Statement of Compliance’ section of this report. The CMA Code of Corporate Governance can be found at the following website [www.cma.gov.om](http://www.cma.gov.om).

The basic framework of the Bank’s corporate governance requires that the Board of Directors, Sharia ‘Supervisory Board (“SSB”) for its Islamic Banking Window (Sohar Islamic) and management shall:

- Maintain the highest standard of corporate governance and regulatory compliance
- Promote transparency, accountability, responsiveness and social responsibility
- Conduct its affairs with its stakeholders, customers, employees, investors, vendors, government and the society at large in fairness and in an open manner.
- Create an image of the Bank as a legally and ethically compliant entity

## 2. BOARD OF DIRECTORS

The Bank’s Board of Directors (the “Board”) is the highest governing authority within the Bank structure. Its role is to ensure that the Bank conducts itself in accordance with its core values and develops them further on a continuous and sustainable basis. The Board consists of professionals from various fields and professions and gives representation to the stakeholders & administrators in the process of decision making. The predominance of independent directors has enabled the Board to have meaningful discussions and take an unbiased and qualitative view on matters placed before it. There is a clear segregation between the ownership of the Bank and the management. The roles of the Chairman of the Board and the Chief Executive Officer (“CEO”) are separated with a clear division of responsibilities at the head of the Bank between the running of the Board and the executive management responsibility for running the Bank’s business. The Board is responsible for overseeing how management serves the long-term interests of shareholders and other key stakeholders.

### 2.1 Composition and classification of the Board

The constitution of the Board, election process for Board members and shareholders’ interests are areas of prime concern for the good governance commitment of the Bank. Details of the elected Board members are outlined in “Table 1”.

**Table 1: Composition and classification of the Board**

Name of Director	Category	Represents
Mr. Mohammed Bin Mahfoodh Alardhi, Chairman	Non-Executive	Independent
Mr. Abdullah Al Harthy Deputy Chairman	Non-Executive	Independent
Mr. Abdullah Humaid Said Al Mamary *	Non-Executive	Independent
Mr. Salim Mohammed Al Mashaikhy	Non-Executive	Independent
Mr. Tareq Al Mugheiry	Non-Executive	Independent
Mr. Said Ahmed Safrar	Non-Executive	Independent
Engr. Ahmed Hamed Al Subhi	Non-Executive	Non- Independent
Mr Bipin Dharamsey Nensey**	Non-Executive	Independent

\* Resigned from the Board effective 5<sup>th</sup> April 2018.

\*\* Appointed as a directors effective 1<sup>st</sup> July 2018.

## 2.2 Profile of Directors

### **Mr. Mohammed Bin Mahfoodh Al Ardhi - Chairman**

The Executive Chairman of the global investment firm Investcorp [www.investcorp.com](http://www.investcorp.com)

A retired Air Vice Marshal by profession, Mr. Al Ardhi joined the Royal Air Force of Oman in 1978, and was subsequently appointed as Chief of Omani Air Force. In 2000, he was awarded the “Order of Oman” by His Majesty Sultan Qaboos bin Said Al-Said.

Two years after taking up his role at Investcorp, and under his mandate and new vision of growth, Investcorp doubled its assets under management to USD 22 billion.

Mr. Alardhi holds a Bachelor of Science degree in Military Science from the Royal Air Force Staff College in Bracknell, UK and a Master’s in Public Policy from John F. Kennedy School of Government, Harvard University, USA. He also graduated from the Royal Air Force Military Academy in Cranwell, UK and the National Defence University in Washington D.C., USA.

Mr. Al Ardhi regularly speaks on international trade, the relationship between the Middle East and the West and the security of the Gulf. He is also the author of three books: “Arabs Down Under”, “Pearls from Arabia” and “Arabs Unseen”.

Current affiliations:

- International Advisory Board of The Brookings Institution in Washington, D.C.
- Trustee for the Eisenhower Fellowship in Philadelphia
- Member of Community Chairmen Group, World Economic Forum
- Member of Harvard Kennedy School Dean’s Council
- Member of The Arab Gulf States Institute in Washington

In addition to his position as the Chairman of the Board of Directors at the Bank, he also holds the position of the Chairman of the Executive, Nomination and Remuneration committee (ENRC).

### **Mr. Abdullah Al Harthy – Deputy Chairman**

Mr. Abdullah Al Harthy is Chief Financial Officer of State General Reserve Fund (SGRF) and leads the finance and investment operations. With his role, Al Harthy is also responsible for overseeing strategic planning, and information technology departments.

With over 16 years of career with SGRF, Al Harthy occupied several positions in the investment and business strategy departments. In 2010, he headed the Business Strategy unit which developed the fund’s asset allocation framework, built economic research capabilities in addition to managing internal and external portfolio mandates. From 2005, he has engaged in many initiatives which aimed at setting up investment platforms including joint ventures in Vietnam and Brunei.

Al Harthy is currently is chairing the board of directors of Vietnam Oman Investment company (VOI) and he’s vice chairman of Muscat National Development and Investment Company (ASSAS). He is also a member of the board of directors of Dubai Mercantile Exchange, Oman Trading Company, Oman Investment Corporation (OIC) and Al Khawthar Fund, which invest in securities listed in GCC markets.

Al Harthy holds a Master of Business Administration (MBA) from IMD Business School, Switzerland and a Bachelor degree in Finance from Sultan Qaboos University in 2001. He is a Chartered Financial Analyst (CFA) since 2004, and a member of the CFA Institute.

Al Harthy currently holds the position of the Deputy Chairman of Sohar International, Chairman of the Audit Committee, member of the Risk Management Committee (RMC), as well as the Executive, Nomination and Remuneration committee (ENRC)

#### **Mr. Abdullah Humaid Said Al Mamary \*- Director**

Mr. Abdullah Humaid Said Al Mamary holds a Masters Degree in Business Administration (MBA) from the University of Lincolnshire and Humberside, UK. He also holds the Bachelors Degree in Business Administration from the International University, London.

Mr. Abdullah Humaid Said Al Mamary currently serves as the Director of the Sultan's Special Force Pension Fund (SSFPPF), and the Deputy Chairman of the Hotel Management Company International and a member of the Board of Directors of the Middle East College of Information Technology. In addition to his role as a member of the Bank's Board of Directors, Mr Abdullah Al Mamary was also a member of Credit Approval Committee (CAC) and the Executive, Nomination and Remuneration committee (ENRC).

Mr Abdullah Humaid Said Al Mamary resigned from the Board effective 5<sup>th</sup> April 2018.

#### **Mr. Salim Mohamed Masaud Al Mashaiky - Director**

Mr. Salim Mohamed Masaud Al Mashikhi Holds a Bachelor's Degree in Mathematics, he is currently employed in the Expenditure Department of the Royal Court Affairs. Mr. Salim Al Mashaiky is the Deputy Chairman of Oman Fixed Income Fund (OMFI). Mr. Salim Al Mashaiky is a member of the Board Audit Committee, and the Board Risk Committee (BRC)

#### **Mr. Said Ahmed Safrar - Director**

Mr. Said Ahmed Safrar holds a Master in Business Administration (MBA) from the University of Hull in the UK, a Business Management Diploma from King's College Bournemouth in the UK and a Specialised Diploma from the Arab Academy for Banking and Financial Science in Jordan.

Mr. Said has over 24 years of experience in the Banking and Telecommunications' Sector, he is Board member of The Financial Corporation (FINCORP) and Dhofar Power, currently Mr. Said holds the position of Chief Executive Officer of Oman Investment & Finance Co. SAOG.

In addition to his role as a member of the Bank's Board of Directors, Mr. Said Safrar is also the Chairman of the Credit Approval Committee (CAC) and member of Executive, Nomination and Remuneration committee (ENRC).

#### **Engr. Ahmed Hamed Al Subhi - Director**

Engr. Ahmed Hamed Al Subhi is the Chief Executive Officer of ACWA Power Barka SAOG.

Engr. Ahmed Hamed Al Subhi holds an MBA from the University of Strathclyde, two Post Graduate Diplomas in Engineering and Honours Degree in Electrical Power engineering.

Engr. Ahmed Al Subhi is widely recognised in the power generation and desalination industry. He has been actively involved in developing and implementing of Mega Independent Power and Desalination Project and other such projects in the region.

Ahmed has been involved in many transformations and restructuring of private companies based in his solid operational experience working with many multinational organisations.

Currently, he is the Chairman and member of Board of Directors of few listed Companies in Muscat Securities Market.

In addition to his role as a member of the Bank's Board of Directors, Engr. Ahmed Al Subhi is also the Chairman of the Board Risk Committee (BRC) and member of the Board Audit Committee.

#### **Mr. Tareq Al Mugheiry - Director**

Mr. Tareq Al Mugheiry is the Chief Investment Officer of Oman Investment Corporation SAOC (OIC). Prior to joining OIC, Tareq worked with a number of international companies including: Philips Electronics in corporate strategy and mergers & acquisitions; J.P. Morgan in investment Banking covering the European technology sector; and Oman LNG's project finance team. He holds a

Bachelor of Law (LLB) and Bachelor of Commerce (B. Com) from the University of Western Australia. Tareq serves on the boards of Innovation Development Oman, Takaful Oman Insurance, Sembcorp Salalah O&M Company and TMK GIPI.

Mr. Tareq Al Mugheiry is a member of the Credit Approval Committee (CAC), and the Executive, Nomination and Remuneration committee (ENRC).

### **Mr. Bipin Dharamsey Nensey**

Mr. Bipin Dharamsey Nensey holds a Bachelor's Degree in Accounting and Finance. He is the Director of Dharamsey Nensey Company since 1977. He is currently Independent Non-Executive Director of Al Suwadi Power Company SAOG as well as Muscat Insurance Company SAOG since 14th July 2007. He served as the Vice Chairman of one of the local Banks for over 15 years. In Sohar International, he is a member of the Credit Approval Committee.

## **2.3 Board of Directors – Executive Powers**

Sohar International's Board of Directors:

- Is vested with the powers of general superintendence, direction and management of the affairs and business of the Bank.
- Has the ultimate responsibility for the overall compliance and management of the Bank
- Guides the Bank to achieve its objectives in a prudent and efficient manner.
- Is primarily responsible for ensuring that all financial transactions are legal and that all disclosures are made as per regulations.
- Lays down a comprehensive code of conduct for all Board Members and Senior Management of the Bank, to be followed under all circumstances.
- Approves the delegation of power to the executive management as well as nominee members of the sub-committees and specify their roles, responsibilities and power.
- Authorises the management to implement the strategy for the Bank that is designed to deliver increasing value to the shareholders.
- Develops strategies for managing risks associated with the business and for meeting challenges posed by competitors.
- Develops vision to anticipate crisis and to act proactively when necessary.
- Ensures that information flows upward and that authority flow downward and thus the Bank is under their control, direction and superintendence.

### **During the year under review, the Board has:**

- Reviewed and approved the Bank's financial objective, plans and actions
- Reviewed the Bank's performance
- Evaluated whether the business is properly managed according to the Bank's objectives
- Ensured compliance with laws and regulations through proper internal systems of controls
- Reviewed the efficiency and adequacy of the internal control systems and confirmed its compliance with internal rules and regulations

The Board of Directors has approved the Code of Conduct, including the Code of Conduct for the Senior Management of the Bank. The purpose of this code is to articulate highest standards of honesty, integrity, ethical and law abiding behavior.

The Board has approved the three quarterly reports and the annual financial statements and report to the shareholders on the annual report about the ongoing concern status of the Bank with supporting assumptions and qualifications as necessary.

The Board has taken steps to comply with rules, regulations and international best practice, reviewed compliance reports prepared by the Bank's management of all applicable provisions of the law.

Sohar International's Board of Directors has exercised all such powers and performed all such acts as the Board is authorised to exercise and do.

The Bank prepares a Management Discussion and Analysis report which is included as a separate section in the Annual Report.

During the year 2018, the Bank issued 178,464,624 new bonus shares of RO 0.100 each aggregating to RO 17.846 million as part of dividend distribution for the year 2017.

During April 2018, the third and last tranche of one-third of compulsorily convertible bonds amounting to RO 2.38 million have been converted into ordinary shares of the Bank resulting in issuance of 19,535,525 shares of RO 1.95 million. The balance of RO 0.430 million has been credited to share premium account.

## 2.4 Meetings and Remuneration of the Board

The Board of Directors meets regularly, monitors the executive management, and exercises necessary control over the Bank's functioning. The Board conducts its business in formal meetings. In Board meetings, the "majority" is computed as the absolute majority of the directors present in person or proxy, whether or not they participate in the voting process.

The total number of meetings of the full Board during the year 2018 was 9. The maximum interval between any two meetings was in compliance with rule (10) of the 2<sup>nd</sup> principle of the Code of Corporate Governance, which requires meetings to be held within a maximum time gap of four months. The dates of the meetings of the Board of Directors, and its sub-committees during year 2018 were as follows:

### Board Meetings held in 2018 and dates on which they were held

Name of Director	07- Jan-18	29- Jan-18	29- Mar-18	23- Apr-18	27- May-18	29- Jul-18	29- Oct-18	04- Nov-18	19- Nov-18
Mr Abdullah Al Mamary *	✓								
Mr Mohammed Al Ardhi	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Abdullah Al Harthi	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Salim Al Mashaikhy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Said Ahmed Safrar	✓	✓	✓		✓	✓	✓	✓	✓
Eng. Ahmed Al Subhi	✓	✓		✓	✓	✓			✓
Mr Tareq Al Mugheiry	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Bipin Dharamsey Nensey **						✓	✓		✓

\* Resigned effective 5 Apr 18

\*\* Appointed on 1 Jul 18

Sitting fee remuneration is paid to the Directors for attending the Board or its sub-committee meetings. The fee is within the limits stipulated by the Commercial Companies Law and the directives of the Capital Markets Authority.



**Table3: Attendance & Remuneration – Board of Directors**

Name of Director	No of Board Meetings Attended	Board Sub-Committee memberships	Name of Sub-Committee	No of Sub-Committee meetings attended	Total Sitting Fees (Board & Sub Committees)	Attendance of AGM – March 2018
Mr Mohammed Al Ardhi	9	1	ENRC	7	7300.00	Present
Mr Abdullah Al Harthi	9	3	ENRC, AC, BRC	ENRC 6 / AC 5 / BRC 3	10000.00	Present
Mr Salim Al Mashaikhy	9	2	AC, BRC, ENRC* CAC*	AC 4 / BRC 4 / ENRC1, CAC 1	8500.00	Present
Mr Said Ahmed Safrar	8	2	ENRC, CAC	ENRC 7 / CAC 5	8400.00	Present
Mr Ahmed Al Subhi	6	2	BRC, AC, ENRC*	BRC 4 / AC 5 / ENRC 1	6200.00	Absent
Mr Tareq Al Mugheiry	9	2	ENRC, CAC	ENRC 6 / CAC5	8500.00	Present
Mr Bipin Dharamsey	3	1	CAC	none	1500.00	N.A.
Mr Abdullah Al Mamary	1	2	ENRC, CAC	ENRC 2 / CAC 3	3300.00	Absent

*\*attended meeting as member of sub-committee due to resignation of member from the sub-committee*

An amount of RO **130,500** was paid in 2018 as board remuneration for the year 2017. The remuneration paid was within the limit prescribed by the commercial law No. (4/1974) as amended by Royal Decree No. (99/2005).

Sitting fees paid to Directors during 2018 is given below:

Sl. No	Name	Sitting fees paid during 2018
1	Abdullah Humaid Said Al Mamary	3,300
2	Salim Mohammed Al Mashaikhy	8,500
3	Said Ahmed Safrar	8,400
4	Eng. Ahmed Hamed Al Subhi	6,200
5	Mr. Mohammed Mahfoodh Al Ardhi	7,300
6	Mr. Abdullah Salim Al Harthi	10,000
7	Mr. Tareq Mohamed Al Mugheiry	8,500
8	Mr Bipin Dharamsey Nensey	1,500
	<b>Total</b>	<b>53,700</b>

## 2.5 Board Evaluation

In March 2018, the shareholders approved the engagement of KPMG to appraise the performance of the board in accordance with the standards and benchmark approved by the general meeting in line with the requirements of Code of the Corporate Governance for public listed companies. The Board Evaluation is currently in progress and will be completed before the AGM date.

## 2.6 Committees of the Board

The Board of Directors has created various subcommittees for specific purposes with clearly defined terms of reference and responsibilities. The committees' mandate is to ensure focused and specialised attention to specific issues related to the Bank's governance. The various sub-committees of the Board together with the Internal Audit and Compliance department form an important tool in the process of corporate governance. The subcommittees and their primary responsibilities were as follows:

The Corporate Governance Structure of Bank Sohar SAOG is depicted below:

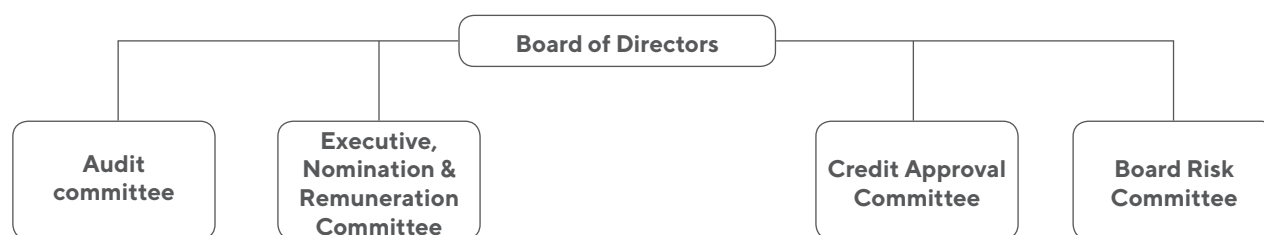


Table 4: Board Sub-Committees meetings held in 2018 / number of meetings attended

Name of Director	Executive, Nomination & Remuneration Committee (ENRC)	Audit Committee	Credit Approval Committee	Board Risk Committee
Mr. Abdullah Humaid Al Mamary	2	-	3	-
Mr. Salim Mohammed Al Mashaikhy	1	4	1	4
Mr Said Ahmed Safrar	7	-	5	-
Mr Ahmed Al Subhi	1	5	-	4
Mr Mohammed Al Ardhi	7	-	-	-
Mr Tareq Al Mugheiry	6	-	5	-
Mr Abdullah Al Harthi	6	5	-	3
Mr Bipin Dharamsey Nensey	-	-	-	-

Mr Bipin is a member of only the CAC. Hence he has not attended any other subcommittee meeting. He joined on 01 Jul 18 and there was only one CAC meeting held on 23 Dec 18, which Mr Bipin did not attend.

#### 2.6a Executive Nomination & Remuneration Committee

The Board Executive, Nomination and Remuneration Committee (“ENRC”) is a sub-committee of the Board of directors and, as such, assists the Directors to discharge the Board’s responsibilities of oversight and governance in relation to : (1) General Performance aspects of the Bank such as strategy setting and implementation, Banking business, annual budget recommendations, information technology and generally to assist the board in reviewing business proposals and other related issues that require a detailed study and analysis. (2) HR, Nomination and Remuneration issues such as to provide direction and guidance to have the right CEO and Senior Management team and provide support and direction to the Bank and its stakeholders and ensure their interests are protected, etc.

#### 2.5b Audit Committee

The main functions of Audit Committee are to assess and review the financial reporting system of the Bank to ensure that the financial statements are correct, sufficient and credible. The Committee reviews with the Management the quarterly / annual financial statements before their submission to the Board for adoption. The Committee also reviews the adequacy of regulatory compliance, regulatory reporting, internal control systems and structure of Internal Audit and Compliance Departments. The Committee also holds discussions with the internal auditors/external auditors on significant finding on the control environment.

The role of Head of Internal Audit is to provide reasonable assurance that the management control framework used within the Bank is operating effectively. The role of Head of Compliance is to ensure that the Bank complies with all the laws, rules and regulations as applicable under the regulatory framework in Sultanate of Oman and international best practice. Both heads report directly to the Audit committee of the Board.

#### 2.6c Credit Approval Committee

The Board Credit Approvals Committee (CAC) is a sub-committee of the Board of Directors and as such approves loans which are above the lending mandate of Executive Credit Committee (ECC) of the management, reviewing credit product policies, credit policy, credit portfolio and existing credit facilities on annual basis.

## **2.6d Board Risk Committee**

The Board Risk Committee (BRC) assists the Directors to discharge the Board's responsibilities of oversight and governance in relation to the risk performance of the Bank. The Committee is responsible for making recommendations to the Board of Directors on the risk appetite of the Bank in relation to credit, interest rate, market, liquidity and operational risk.

The committee ensures the implementation of risk strategy and policy in addition to ensuring that a robust risk framework is in place within the Bank which optimises the quality and return on deployment of assets. The Committee also provides guidance and direction on all credit, market, interest rate, liquidity and operational risk policy matters.

### **SHARI'AH SUPERVISORY BOARD OF SOHAR ISLAMIC (Islamic Banking Window of Sohar International Bank SAOG)**

#### **Shari'ah Supervisory Board of Sohar Islamic (Islamic Banking Window of Sohar International)**

##### **Profile of the Sharia Supervisory Board Members:**

##### **Dr. Hussain Hamed Hassan (Chairman)**

Honorable Dr. Hussain is a Professor of Shari'ah and Comparative Law at Cairo University. He did his PhD in the Faculty of Shari'ah from Al Azhar University, Egypt and Master of Comparative Jurisprudence from University of New York, USA and graduated in Law and Economics from University of Cairo, Egypt, and he has an honorable PhD in Civil Law from Durham University in United Kingdom. He has over 50 years of experience in Islamic Banking and is the Chairman of Shari'ah Supervisory Boards of more than 30 Banks and financial intuitions. He is also the author of more than 50 books and research papers, has written over 400 extensive articles and has also supervised the grand plan of translating 200 Islamic books into different languages. Additionally, he has successfully converted many conventional Banks and financial intuitions into Islamic ones.

##### **Dr. Mudassir Siddiqui (Deputy Chairman)**

Dr. Mudassir Siddiqui is an internationally renowned expert of Islamic Studies and Western laws. He did his PhD in law from Chicago Kent College of Law, USA; Master of Law from Harvard Law School, USA; and Islamic Studies from Islamic University of al-Madina al-Munawwarah, Kingdom of Saudi Arabia. He is a member of the AAOIFI Shari'ah Standards Committee; the Fiqh Council of North America; and a Research Fellow at the International Shari'ah Research Academy for Islamic Finance in Malaysia. He has more than 30 years of experience in providing Shari'ah and Law consultancy, Islamic Banking documentation, research, lectures and arbitration for more than 40 worldwide organisations, universities and research centres.

##### **Sheikh Azzan bin Nasir Farfoor Al Amri (Member)**

Holding Bachelor's degree in Islamic Studies and with a specialisation in Judiciary, Sheikh Azzan bin Nasir Farfoor Al Amri has been working as the secretary to the Grand Mufti of the Sultanate of Oman in the Fatwa Section since 2001. He is also well versed in Shari'ah Law, having done numerous courses in relevant fields and participated in many related workshops and conferences.

##### **Sheikh Fahad Mohamed Hilal Al Khalili (Member)**

Sheikh Fahad graduated from the Florida Atlantic University USA after which he joined the Central Bank of Oman (CBO), where he was part of Treasury and Investment Division. Thereafter, Sheikh Fahad joined Al Madina Investment where he quickly became the Deputy General Manager of Investment Banking. His key responsibilities included portfolio management, promotion of Greenfield ventures and handling high net worth individuals. Recently, Fahad founded Bayan Investment House, which is focused on building long-term relationships by provided investment Banking and advisory services.

## **Table : Attendance & Remuneration – Shari'ah Supervisory Board**

Name of Sharia Board Members	14-April-18	8-Jul-18	22-Oct-18	19-Nov-18	No. of Board Meetings Attended	Total annual fees including Sitting Fees \$
Dr. Hussain Hamed Hassan	✓	✓	✓	✓	4	RO 15,400/-
Dr. Mudassir Siddiqui	✓	✓	✓	✓	4	RO 11,550/-
Sheikh Azzan bin Nasir Farfoor Al Amri	✓	✓	✓	✓	4	RO 7,700/-
Sheikh Fahad Mohamed Hilal Al Khalili	✓	✓	✓	✓	4	RO 7,700/-

#### 4. MANAGEMENT TEAM

The management of the Bank has been entrusted by the Board to a Management Team. The top management team has over 200 years of Banking expertise between them. The top management keeps the Board of Directors informed on all issues concerning the operations of the Bank and takes directions from the Board on matters that concern and affect the business of the Bank and the objectives it should pursue. In the interest of good governance, the top management places all the key information before the Board, where it forms part of the agenda papers.

##### 4.1 Profile Senior Management Team<sup>1</sup>

###### Mr. Ahmed Jafar Al Musalmi

###### Chief Executive Officer

Mr. Ahmed Al Musalmi's distinguished career spans more than two decades and has included senior leadership roles at several organisations. His extensive Banking experience covers Retail Banking and Wealth Management, Corporate Banking, SME, Trade Finance, Capital Markets, IT, HR and Strategy & Business Planning.

Mr. Al Musalmi is the Deputy Chairman of Oman Bankers Association, a member of the College of Banking and Financial studies' board, and is a committee member of the Bank Deposits Insurance Scheme (BDIS) at the Central Bank of Oman. He also sits on the boards of a number of prominent institutions including Oman Aviation Group, Special Economic Zone of Duqm (SEZAD), Majan College, and Oman Takaful.

Mr. Ahmed Al Musalmi completed the Harvard Business School Advanced Management Programme and holds an MBA with distinction from the University of Luton, UK as well as an International Diploma in Financial Services. He is a Chartered Market Analyst with Financial Analyst Designate, Chartered Portfolio Manager and Chartered Wealth Manager. He is a fellow of the American Academy of Financial Management and has attended a number of advanced programmes including an intensive high performance leadership programme at the IMD business school in Switzerland.

###### Mr. Khalil Salim Al Hedaifi

###### GM- Chief Retail Banking Officer

Mr. Khalil Salim Al Hedaifi enjoys an experience of more than 18 years in Banking business in general and the areas of Retail Banking, Wealth Management, Strategic Planning, Product Management, and People Management, in particular. Mr. Khalil holds an MBA qualification from Northampton University and his last position was the DGM – Deputy Chief Retail Banking Officer in one of the local Banks.

###### Mr. Mujahid Said Al-Zadjali

###### DGM – IT & Alternate Channels

Prior to joining Bank Sohar in 2006, Mr. Mujahid had worked for Bank Dhofar. He is a pioneer in setting up Bank Sohar's Information Technology Department (ITD). He was also instrumental in setting up state-of-the-art Technology with many accolades viz; First Bank in the Sultanate with ISO/IEC 27001:2005 certification for ITD and fastest Core Banking System implementation which was recognised and awarded in the Banking Technology Award from London. Mr. Mujahid holds a Bachelor's degree in Computer Science from India and had completed his higher studies in the United Kingdom (UK) to be a Masters holder in Business Administration from Luton University. He has over 20 years of experience in Banking Technology sector in Oman. He has also

completed General Management Programme from Harvard Business School, USA in 2013 and graduated the National CEO Program under the patronage of the Diwan of Royal Court in May 2017.

**Salim Khamis Al Maskry**  
**DGM & Head, Sohar Islamic**

Salim joined the Bank in 2007 as AGM – Head of Branches. He has 29 years of experience in Branch Banking. Salim has extensive knowledge and experience in Retail Business, Marketing Retail Products, and Branch Operations. He holds a Master of Business Administration through Hull University, a Diploma in Business English from Business Training Ltd. UK, a Diploma from the Institute of Leadership and Management UK and holds a CIMA Certificate for Islamic Banking and Takaful Products. Prior to joining Bank Sohar, Salim held several supervisory and senior managerial roles in Bank Muscat and Oman International Bank.

**Abdulali Abdullah Al Lawati**  
**Sr. AGM & Acting Head, HR & Corporate Support**

Abdulali Al Lawati joined the Bank in 2008 with decades of experience in many management functions. He has 38 years of varied experience in Education, Administration, Corporate Governance, Corporate Support, IT and Management. He is currently heading the HR & Corporate Support Division and is involved in most of the strategic initiatives of the Bank.

Abdulali completed his ILM IMQ Diploma in Management. He was subsequently awarded 'The Level 7 Diploma in Strategic Management and Leadership' from the Chartered Management Institute (CMI), UK and is a member and fellow of CMI. Due to his wide experience and exposure, he was involved in the Re-structuring, Implementation of Strategies and in Facilitating Change Management in the Bank. He is a certified Islamic Banker and was a part of the Islamic Banking formation Committee.

Considering his involvement in many aspects of business and his commitment and dedication, Abdulali Al Lawati was appointed as Acting Head – HR & Corporate Support after functioning as Senior AGM Corporate Support and Secretary to the Board for over 5 years.

**Mr. Kamran Haider**  
**Sr. AGM & Head – Internal Audit**

Mr. Kamran is a qualified Chartered Certified Accountant and Certified Internal Auditor with over 16 years of experience in the Financial Services Sector. Before joining Bank Sohar, he served as Deputy Head of Internal Audit of Alawwal Bank in the Kingdom of Saudi Arabia. Mr. Kamran has previously worked at Big4 audit firms, such as KPMG in Saudi Arabia & Pakistan and PwC Ireland. Kamran gained extensive experience of financial accounting, financial reporting, internal controls framework, Sarbanes-Oxley, internal audit, external audit, IFRS and group consolidation during his career.

**Craig Barrington Bell**  
**Chief Financial Officer**

Mr. Craig Barrington Bell joined Sohar International as Chief Financial Officer in January 2019 bringing with him over 25 years of Banking experience; 15 of which have been in CFO roles with HSBC and Deutsche Bank including three years as CFO of the Saudi British Bank. Mr. Bell has extensive finance background and deep experience of managing complex international businesses across dynamic and changing markets. Commencing his Banking career with CitiBank in 1985, Mr. Bell has a plethora of technical and management skills in financial and regulatory reporting, management reporting, financial analytics, system infrastructure & controls, balance sheet management, strategic planning, investor relations and tax. Prior to joining Sohar International, Mr. Bell served for over 2 years as CFO with Al Hilal Bank (Abu Dhabi). He is a distinguished member of the Institute of Chartered Accountants of Australia & New Zealand and graduated from Auckland University with a Bachelor of Commerce degree majoring in Accounting.

**Mr. Karim Fayek Mohamed**  
**Sr. AGM & Head – Risk Management**

Mr. Karim is a Professional Banker holding over 20 years of experience in global Banking and Financial risk management, during which time he acquired expertise in both Conventional and Islamic Banking sectors across the GCC/MENAP regions.

He has worked in the entire spectrum of Commercial, SMEs, Retail and Investment Banking including Shariah-compliant Banking. He has diverse and extensive Banking background, gleaned from a prodigious career that includes: Credit Risk Management,

Operational Risk Management, Market Risk Management, Liquidity Risk Management, Assets-Liability Management, Business Continuity Management, Capital Planning, Risk Analytics & Frameworks, the articulation of Risk Appetite & Risk Regulatory Governance so as to transform and spread Risk-Based Culture across organisations.

His last held position was at Union National Bank (UNB) as a Senior Vice President - Head of Risk Management Division. Mr. Karim completed an MBA in Financial Management from the Arab Academy for Banking and Financial Sciences, and current finalisation for the Doctorate Degree in Banking and Financial Systems Stability with ESLSCA Business School, Paris, France.

**Mr. Khalid Khalfan Rashid Al Subhi**

**AGM and Head of Compliance**

Khalid Khalfan Rashid Al Subhi is AGM & Head of Compliance. Before joining the service of Bank Sohar, Mr. Khalid Al Subhi was associated with Central Bank and he has 19 years of experience in Banking. He has worked as a Bank Examiner conducting on-site examinations of Banks and Finance and Leasing Companies, including Islamic Banks and the operations of Islamic Banking windows. Mr. Khalid holds a Bachelor in Banking and Financial Sciences from Arab Academy for Banking and Financial Sciences.

**Mr. Elsamawal Abdulhadi Idris**

**AGM - Head of Legal Affairs & Board Secretary**

Before joining the service of Bank Sohar, Mr. Elsamawal worked for major Banks and law firms in Sudan. He has around 17 years of extensive legal experience. He holds Master's degree 'LLM' and Bachelor's degree 'LLB' in the field of law from the University of Khartoum.

**4.2 Remuneration of senior managers for the year 2017**

The total remuneration paid/accrued to the top eight (8) management executives of the Bank for the year 2018 was RO 1,310,105/- This remuneration includes salary, allowances, gratuity, pensions and performance related incentives.

**5. PROCEDURES FOR STANDING AS CANDIDATE FOR THE BOARD OF DIRECTORS**

The Board of Directors is elected by the shareholders of the Bank at the Annual General Meeting. The term of office of the Board of Directors is for a maximum period of three years, subject to re-election. The Board reports to the shareholders at the Annual General Meeting (AGM) or specially convened general meetings of the shareholders. The meetings of the shareholders are convened after giving adequate notice and with detailed agenda notes being sent to them. The Board comprised of seven members, elected by the shareholders at the Bank's AGM on 31 March 2016 for a period of three years. The Board exercised its right to appoint alternate directors to fill vacant seats of the Board.

The election process is through direct secret ballot by the shareholders of the Bank, where each shareholder shall have a number of votes equal to the number of shares held by them. Every shareholder shall have the right to vote in entirety to one candidate or divide the shares amongst the nominees, subject to the stipulation that the total votes cast shall not exceed the number of shares owned by such shareholders.

The entire process of nomination and election of the Board of Directors, including the eligibility criteria, is governed by Articles 19 to 21 of the Bank's Articles of Association, as well as in compliance with the relevant provisions of the Commercial Companies Law of the Sultanate of Oman, the Code of Corporate Governance for General Omani Joint Stock Companies (S.A.O.G.) issued by the Capital Market Authority and the relevant guidelines issued by the Central Bank of Oman.

**6. DIVIDEND POLICY**

The Bank's dividends policy complies with the CBO & CMA guidelines. The Board of Directors follow a conservative dividend policy and recommend on the distribution of the dividends to the shareholders after due consideration of the regulatory guidelines, the future growth expectations and other factors.

**7. STATEMENT ON COMPLIANCE**

The Board of Directors of the Bank have been appointed in line with the guidelines of the Commercial Companies Law of Oman

(1974) and in accordance with the regulations of the Central Bank of Oman. The Board of Directors has complied with all the guidelines for the appointment of Directors prescribed by the Commercial Companies Law of Oman (1974) and the Central Bank of Oman's regulations with reference to eligibility.

The Board of Directors of the Bank consists of seven directors from among shareholders and non-shareholders. The Directors of the Bank affirm that no member of the Board:

- Is an employee of the Bank or an employee of any other Bank in the Sultanate of Oman.
- Is on the Board of any other Bank registered in the Sultanate of Oman.
- Sits on the Board of more than four joint stock companies registered in Oman.
- Is a Chairman of more than two joint stock companies registered in Oman.

During the year under report, the Bank has complied with the directives of the CMA, Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading, the Guidelines of the Commercial Companies Law and the Code of Corporate Governance of the Capital Markets Authority for listed companies except for the following:

- The Chairman of the Board Audit Committee is also a member of the Board Risk Management Committee and the Executive, Nomination and Remuneration committee. This is due to the limited number of Board Members as compared to the number of board committees, required to be formed by the Board of Directors.
- The evaluation of the Bank's Board of Directors is still under progress and will be completed prior to the AGM.

In the last three years, the Bank paid a total amount of RO 190,000 in penalties to both the Central Bank of Oman "CBO" and the Capital Market Authority "CMA". The CBO penalties for the year 2018 were in the Medium to Low risk categories; mainly for non-compliance with asset related ceilings, charges, outsourcing controls, policy reviews and system related matters. The Bank has addressed most of the issues and is taking time bound action on the remaining points.

## **8. CHANNELS OF CONTACT WITH SHAREHOLDERS AND INVESTORS**

Bank Sohar has endeavoured to establish meaningful relations with its shareholders and investors. The Bank is committed to ensure timely disclosure and communication of all material to the shareholders and the market regulators. The Bank has provided investor related information in the quarterly, half-yearly reports and the Annual Report as per the statutory guidelines and the terms of the Bank's listing agreement.

The Annual Report includes interalia, the report of the Board of Directors, Corporate Governance report, Management Discussion and Analysis report and the Audited Financial results. The management has taken the responsibility for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report of the Bank. The summary of Annual Report will be sent to all shareholders of the Bank in line with the rules for the same as stipulated by the Capital Markets Authority.

Additionally the Bank has posted the financial statements on its website [www.soharinternational.com](http://www.soharinternational.com).

### **8.1 Sohar International Shares - Market Price**

Monthly share prices of Sohar International's shares quoted at the Muscat Securities Market (MSM) and the bands for the Banking sector stocks on the MSM. (This information is available from news agencies and it is a published information. This is given here as part of the requirements of the Code of Corporate Governance for MSM listed companies. This is not a solicitation in any manner to subscribe to the Bank's shares.)

The following table represents monthly share prices of Sohar International SAOG as listed with Muscat Security Market "MSM" (Par value of share is 100 Baizas/share)

**Table: 6 Sohar International Shares – Market Price**

Month 2018	Sohar International Share price Rial Omani			MSM Banks & Investment Index closing
	High	Low	Closing	
Jan 31, 2018	0.157	0.156	0.156	7,375.74
Feb 28, 2018	0.155	0.155	0.155	7,364.51
Mar 29, 2018	0.153	0.152	0.153	7,121.43
Apr 30, 2018	0.149	0.146	0.147	7,266.84
May 31, 2018	0.137	0.135	0.135	7,184.28
Jun 28, 2018	0.137	0.137	0.137	7,056.29
Jul 31, 2018	0.123	0.123	0.123	6,737.50
Aug 30, 2018	0.13	0.127	0.129	6,891.94
Sep 30, 2018	0.13	0.127	0.128	7,032.54
Oct 31, 2018	0.127	0.125	0.126	6,925.43
Nov 29, 2018	0.122	0.122	0.122	6,890.27
Dec 31, 2018	0.112	0.11	0.111	6,827.20

## 8.2 Distribution of share ownership

The authorised share capital of the Bank is 4,000,000,000 shares of RO 0.100 each (31 December 2017: 2,000,000,000 of RO 0.100 each). The issued and paid up share capital of the Bank is 1,982,646,391 shares of RO 0.100 each (31 December 2017: 1,784,646,242 shares of RO 0.100 each). As of 31 December 2018, the following shareholders held 5% or more of the Bank's capital:

Name of Shareholder	Percentage of Shareholding
Oman Investment and Finance Company	15.36909
Royal Court Affairs	14.56903
Seventh Moon Investment LLC	9.02803
Neptune National Investment company LLC	7.81079
Oman Investment Fund	7.60147
State General Reserve Fund	4.33979
MARS Development and Investment LLC	4.22580

## 9. STATUTORY ACCOUNTS

The Bank has adopted the International Financial Report Standards ("IFRS") in the preparation of its accounts and financial statements.

## 10. AUDITOR'S PROFILE

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 6,700 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,500 partners and approximately 1,06,079 professionals. Globally, EY operates in more than 150 countries and employs 256,500 professionals in 728 offices. Please visit [ey.com](http://ey.com) for more information about EY.

During the year RO 79,900/- was charged by external auditors against the services rendered by them to the organisation (RO 71,000/- for audit of Bank's conventional Banking operations, RO 7,500/- for audit of Bank's Islamic Banking operations and RO 1,400/- for tax services).

## 11. RIGHTS OF SHAREHOLDERS

All the Bank's shares shall carry equal rights which are inherent in the ownership thereof, namely the right to receive dividends declared and approved at the general meeting, the preferential right of subscription for new shares, the right to a share in the



distribution of the Bank's assets upon liquidation, the right to transfer shares in accordance with the law, the right to inspect the Bank's statement of financial position, statement of comprehensive income and register of shareholders, the right to receive notice of and the right to participate and vote at general meetings in person or by proxy, the right to apply for annulment of any decision by the general meeting or the Board of Directors, which is contrary to the law or the Articles of the Bank or regulations, and the right to institute actions against the directors and auditors of the Bank on behalf of the shareholders or on behalf of the Bank pursuant to the provisions of Article (110) of the Commercial Companies Law No. (4/1974) and its amendments. Bank Sohar gives minority shareholders prime importance in terms of safeguarding their interests and ensuring that their views are reflected in shareholders meetings. The "one share one vote" principle applies to all shareholders so that minority shareholders can nominate members of the Board and can take action against the Board or the management if the actions of the Board or management are in any way prejudicial to their interests.

## **12. RELATED PARTY TRANSACTIONS, DEALINGS AND POLICY**

There is a comprehensive policy on related party dealings, and processes and procedures laid down which are followed in the matter of all loans and advances given to directors and their related parties and also any transactions with companies in which directors have a significant/controlling interest. Details of loans and advances, if any, given to any Director or his related parties are furnished with full details in the notes to the financial statements given in the annual report as public disclosures. Any other transactions with Directors carried in the normal course of business and without any preferential treatment are disclosed to the shareholders along with the agenda notes for the AGM.

## **13. CONCLUSION**

The Board of Directors acknowledge that the preparation of the Annual Report of the Bank together with the Management Discussion and Analysis Report, the Corporate Governance Report and the audited financial statements has been done with their full knowledge and in line with the standards for accounting and the statutory rules governing disclosure by the Capital Markets Authority and the Central Bank of Oman.

The Board of Directors also acknowledge that there is no material information and material things that will in any way affect the continuation of the business of the Bank in the coming financial year.

