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Report of Factual Findings on the corporate governance reporting of Oman & Emirates Investment Holding Company SAOG and its application of the corporate governance practices in accordance with the CMA's code of corporate governance

TO THE SHAREHOLDERS OF OMAN & EMIRATES INVESTMENT HOLDING COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority's (CMA) circular no 16/2003, dated 29 December 2003 with respect to the accompanying corporate governance report of Oman & Emirates Investment Holding Company SAOG ('the Company') and its application of corporate governance practices in accordance with the CMA's code of corporate governance issued under circular no. 11/2002 dated 3 June 2002 and the CMA's Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. 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 Company's compliance with the code as issued by the CMA.

We report our findings below:

We found that the Company's corporate governance report fairly reflects the Company's application of the provisions of the code and is free from any material misrepresentation.

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 the Company to be included in its annual report for the year ended 31 December 2015 and does not extend to any financial statements of the Oman & Emirates Investment Holding Company SAOG, taken as a whole.

2 March 2016
Muscat

Oman & Emirates Investment Holding Co SAGG Corporate Governance Report - 2015

1. Company's Philosophy on Code of Corporate Governance

- 1.1 The management of Oman & Emirates Investment Holding Co SAOG (OEIHC) believes that setting the highest standards of Corporate Governance, as envisioned by Capital Market Authority (CMA) in the Code of Corporate Governance (Code) is not a matter of mere compliance but a useful mechanism to restructure the core corporate values. The implementation of the same is yet another important milestone for achieving an efficient, impartial and ethical system of functioning at the top management keeping in view the overall interests of the shareholders.
- 1.2 The mandatory disclosure requirement as spelt out in the Code not only enhances the degree of transparency in sharing of information with the stakeholders but also reinforces the broader role the Directors need to play for achieving corporate objectives in the midst of challenges and adversities. OEIHC's governance system has been fully integrated with ethical business practices and sound corporate culture manifested with values and transparent and impartial governing policies on continuous basis.
- 1.3 This report is prepared by the Management of OEIHC under over all guidance of Code of Corporate Governance issued by the Capital Market Authority (CMA) under their Circular No. 11/2002 dated 3 June 2002 as amended by the CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. This report also contains a disclosure on corporate social responsibility as required by a Circular E/15/2012, dated 28 January 2013 issued by CMA.

2. Board of Directors

2.1 Composition of the Board

The Board comprises of 6 members pursuant to Article No. 22 of the Articles of Association of the Company and the composition of the Board is as under:

Representing Founder Members and nominated directly by:	No. of Members
The Government of Sultanate of Oman	2 Nos.
The Government of UAE	2 Nos

Representing Public Shareholders as Independent Directors and elected at Annual General meeting of the Company	No. of Members
From Sultanate of Oman	1 No.
From UAE	1 No.
Total	6 Nos

2.2 Functions of the Board of Directors

- a) The Board of Directors, who at the helm of affairs of the Company, manages and supervises the business activities and extends strategic guidance to the operating management in realizing the mission of the Company. The day-to-day management is delegated to a Chief Executive Officer by the Board, who further carries out the assigned duties through a team of executives, who are heading the various functions of the Company.
- b) The Board's duties and responsibilities encompass wide variety of functions of managing the affairs of the Company, and more specifically those as detailed under Article 5 of the Code. A summary of the same is given as under:
 - (1) Approval of business plan, financial objectives, financial policies, investment strategies, action plans, internal regulations and implementation guidelines.
 - (2) Review of the operational and financial performance of the Company and also the performance of the Company's trading and other investments at periodic intervals.
 - (3) Overview of the performance of subsidiaries, associates and project companies and their financial requirements and obligations and deciding on extending the required level of support, if required.
 - (4) Approval of financial statements and other reports and submission to shareholders and other authorities as prescribed by the laws of the country.
 - (5) Fixing up authority levels and delegation of power to the executive management.
 - (6) Implementation of a transparent disclosure policy, including all transactions with Directors and the related parties and monitor its compliance.
 - (7) Reviewing material transactions with the related party, which are not in the ordinary course of business prior to the same being brought before the general meeting of the Company.
 - (8) Ensure compliance with the laws of the country through proper internal control systems.
 - (9) Nomination of executive, audit and other committees, specifying their roles, responsibilities and powers.
 - (10) Selection of Chief Executive Officer.
 - (11) All other matters specifically not delegated to the committees and executive management.



2.3 Current Directors as at 31.12.2015

Details of the Directors of the company who are holding their office as at 31 December 2015, their membership in other public joint stock companies in Sultanate of Oman and their attendance at various meetings of the company during 2015 are stated as under:

<p>1. H.H Marwan Bin Turki Al Said Chairman Director General of Developmental Research & Studies, The General Secretariat, Supreme Council for Planning, Sultanate of Oman</p> <ul style="list-style-type: none"> - Nominated by Government of Sultanate of Oman - Non Executive/ Independent Director - Chairman of other Boards - Nil - Member of other Boards - Nil - Member of other Board Committees - Nil - Attended all 6 Board meetings - Attended AGM 	<p>2. Mr. Mohamed Darwish Al Khoori Vice Chairman Executive Director, Operations Department, Abu Dhabi Investment Authority, UAE</p> <ul style="list-style-type: none"> - Nominated by Government of UAE - Non Executive/ Independent Director - Chairman of other Boards - Nil - Member of other Boards - 1 - Member of other Board Committees - 1 - Attended all 6 Board meetings - Attended AGM
<p>3. Mr. Khalfan Mohamed Salem Al Marar Deputy Director, Committees follow-up section, Managing Director Office, Abu Dhabi Investment Authority, UAE</p> <ul style="list-style-type: none"> - Nominated by Government of UAE - Non Executive/ Independent Director - Chairman of other Boards - Nil - Member of other Boards - Nil - Member of other Board Committees - Nil - Attended all 6 Board meetings - Attended AGM 	<p>4. Mr. Mubarak Mohamed Bin Mubarak Al Dohani Director of Legal Department, Ministry of Commerce & Industry, Sultanate of Oman</p> <ul style="list-style-type: none"> - Nominated by Government of Sultanate of Oman (w.e.f 28.07.2015) - Non Executive/ Independent Director - Chairman of other Boards - Nil - Member of other Boards - 1 - Member of other Board Committees - 1 - Attended the only one Board meeting held after his appointment - Not a director on the date of AGM (31.03.2015)
<p>5. Mr. Salem Taman Al Mashani Chief Executive Officer, Dhofar Poultry Company SAOG, Sultanate of Oman</p> <ul style="list-style-type: none"> - Representing Public Shareholders of Sultanate of Oman (w.e.f 31.03.2015) - Non Executive / Independent Director - Chairman of other Boards - Nil - Member of other Boards - 2 - Member of other Board Committees - 2 - Attended all 4 Board meetings held after his appointment - Not a director on the date of AGM (31.03.2015) 	<p>6. H.E. Saif Khalfan Bin Sabt Chairman, Emirates Real Estate Investment Holding Co LLC, Umm Al Quwain, UAE</p> <ul style="list-style-type: none"> - Representing Public Shareholders of UAE - Non Executive/ Independent Director - Chairman of other Boards - Nil - Member of other Boards - 1 - Member of other Board Committees - 1 - Attended 5 out of 6 Board meetings - Attended AGM



2.4 Past Directors during 2015

Details of the past Directors who were holding office for part of the year and their attendance at the various meetings held during their tenure in 2015 is stated as under:

Mr. Hilal Hamad Abdullah Al Hassani – Chairman

Chief Executive Officer,
Public Establishment for Industrial Estates,
Sultanate of Oman

- Chairman till 28.07.2015
- Nominated by Government of Sultanate of Oman
- Non Executive/ Independent Director
- Attended 4 out of 5 Board meetings held before 28.07.2015
- Not attended AGM
- Ceased to be a Director of the Company from 28.07.2015

Mr. Omar Salam Al Dhahab

Business Man,
Sultanate of Oman

- Director till 31.03.2015
- Representing Public Shareholders of Sultanate of Oman
- Non Executive / Independent Director
- Attended all 2 Board meetings held before 31.03.2015
- Attended AGM
- Ceased to be a Director of the Company from 31.03.2015

2.5 Number of meetings held and dates of the meetings

Type	No.	Dates
Board meetings	6	20.01.2015, 04.03.2015, 31.03.2015, 06.05.2015, 21.05.2015 and 02.11.2015
Annual General meeting	1	31.03.2015

3. Audit and other committees

3.1 Audit Committee

a) Terms of reference

Audit Committee has been set up pursuant to Article 7 of the Code and its terms of reference include all matters specified under Annexure 3 of the Code. A summary of its responsibilities is as under:

- (1) Oversight of the quality and integrity of the financial statements.
- (2) Review of the Company's compliance with legal and regulatory requirements.
- (3) Short listing of the external and internal auditors of the Company.

- (4) Reviewing the annual plan and performance of the Company's internal audit function and its adequacy, and also the reports of the external auditors.
- (5) Monitoring various management reports, establishing accounting controls and reviewing the financial aspects of the executive management's activities.
- (6) Investigating any activity within the Company.
- (7) Seeking information from any employee.
- (8) Obtaining legal and professional advice.
- (9) Securing attendance of outsiders and experts as and when required.
- (10) Any other specific matter assigned by the Board.

b) Composition of the Audit Committee

The Audit Committee comprises of 3 Directors of the Company including one with finance and accounting expertise. All members of the Audit Committee are independent and non executive. The attendance of the members at the Audit Committee meetings held during 2015 is as follows:

(1) Members as at 31.12.2015

Names of members	Period		No. of meetings held	No. of meetings attended
	From	To		
Mr. Khalfan Mohamed Salem Al Marar Chairman of the Committee	01.01.2015	31.12.2015	4	4
Mr. Salem Taman Al Mashani	31.03.2015	31.12.2015	2	2
H.E. Saif Khalfan Bin Sabt	31.03.2015	31.12.2015	2	2

Mr. Khalfan Mohamed Salem Al Marar has finance and accounting background.

(2) Past Members till 31.03.2015

Names of members	No. of meetings (held till 31.03.2015)	No. of meetings attended
H.H Marwan Bin Turki Al Said	2	2
Mr. Omar Salem Al Dhahab	2	2

c) Meetings of Audit Committee held during the year

Type	No	Dates
Audit Committee meetings	4	20.01.2015, 04.03.2015, 06.05.2015, and 02.11.2015

d) Internal Control

- (1) The Audit Committee, on behalf of the Board has regularly reviewed the internal control environment of the Company. The Company has a full time in-house internal auditor. Audit Committee members have met the internal auditor on a regular basis to review the internal audit reports, recommendations and management comments thereupon.
- (2) Audit Committee members have also met the external auditors to review audit findings and management letter. The Audit Committee has met the internal and external auditors separately, without the presence of the management, as required under the Code of Corporate Governance. The Audit Committee has further briefed the Board about the effectiveness of internal controls in the Company. The Audit Committee and the Board are pleased to inform the shareholders that adequate and effective internal controls are in place and that there are no significant concerns.

3.2 Executive Committee

a) Terms of reference

- (1) Formulate the strategic objectives in line with the Company's mission.
- (2) Establish operating policies on functional activities of the Company – project and portfolio investments, finance & accounting, personnel and administration, etc.
- (3) Ensure that the Company is functioning in accordance with the Articles of Association and meeting all legal requirements.
- (4) Review the Company's performance on a regular basis.
- (5) Carry out any other activity as and when assigned by the Board of Directors.

b) Composition of the Executive Committee and attendance of members at the meetings

The Executive Committee comprises of 3 independent, non Executive Directors and one executive member as of 31.12.2015. The attendances of the members of the Executive Committee meetings held during 2015 are as follows:-

(1) Members as at 31.12.2015 (Non Executive Directors)

Names of members	Period		No. of meetings held	No. of meetings attended
	From	To		
Mr. Mohamed Darwish Al Khoori – Chairman of the Committee	31.03.2015	31.12.2015	1	1
Mr. Salem Taman Al Mashani	31.03.2015	31.12.2015	1	1
Mr. Mubarak Mohamed Bin Mubarak Al Dohani	02.11.2015	31.12.2015	1	1

(2) **Executive member**

Names of members	Period		No. of meetings held	No. of meetings attended
	From	To		
Mr. Awad Mohammed Faraj Bamkhalef - Chief Executive Officer	01.01.2015	31.12.2015	2	2

(3) **Past Members (Non Executive Director)**

Names of members	Period		No. of meetings held	No. of meetings attended
	From	To		
H.E. Saif Khalfan Sabt	01.01.2015	31.03.2015	1	1
Mr. Omar Salem Al Dhahab	01.01.2015	31.03.2015	1	1
Mr. Hilal Hamad Abdullah Al Hassani	01.01.2015	31.03.2015	1	1
H.H Marwan Bin Turki Al Said	31.03.2015	28.07.2015	0	0

c) **Meetings of Executive Committee held during the year**

Two meetings of the Executive Committee were held during the year on 15.01.2015 and 22.12.2015.

4. **Process of nomination of Directors**

- 4.1 Directors representing the Governments of Sultanate of Oman and UAE (Founder members category) are nominated by the respective Governments and their period of office is as determined by the respective Governments.
- 4.2 The Directors representing public shareholders are nominated by the shareholders at annual general meeting. The members thus elected hold office for a period of 3 years.
- 4.3 All Directors are appointed as per the provision laid down in the Commercial Companies Law by the Capital Market Authority enacted at the date of appointment and in conjunction with the Articles of Association of the Company.

5. Remuneration matters

5.1 Details of remuneration to Directors

The Company has proposed RO 27,000 towards Director's remuneration for 2015 (2014: RO 27,500) and has paid sitting fees of RO 23,000 (Year 2014 – RO 22,500). Details of payments are as follows:-

Director Name	Board meeting sitting fee RO	Audit Committee sitting fee RO	Executive Committee sitting fee RO	Total RO	Director's remuneration RO
H.H Marwan Bin Turki Al Said	3,000	600	-	3,600	4,611
Mr. Mohamed Darwish Al Khoori	3,000	-	300	3,300	5,400
II E. Saif Khalfan Bin Sabt	2,500	600	300	3,400	4,050
Mr. Khalfan Mohamed Salem Al Marar	3,000	1,200	-	4,200	4,050
Mr. Salem Taman Al Mashani	2,000	600	300	2,900	3,038
Mr. Mubarak Mohamed Bin Mubarak Al Dohani	500	-	300	800	1,688
Mr. Hilal Hamad Abdullah Al Hassani	2,000	-	300	2,300	3,150
Mr. Omar Salam Al Dhahab	1,000	600	300	1,900	1,013
Sub total	17,000	3,600	1,800	22,400	27,000
Mr. Awad Mohammed Faraj Bamkhalef (Chief Executive Officer)	-	-	600	600	-
Total	17,000	3,600	2,400	23,000	27,000

5.2 Details of remuneration paid to top 5 officers

- The remuneration package of the executives is made up of a fixed and variable component. Fixed component includes salary, valued perquisites and retrial benefits. The variable component is performance-linked bonus, which is calculated based on pre-determined parameters of performance.
- During the year 2015 gross remuneration to the top 5 executives including variable components (excluding bonus) was RO 545,868. (2014 – RO 514,189).
- During the year 2015 no bonus was given to the employees of the Company, whereas bonus for top 5 executives of the Company for 2014 was RO 41,961.
- Travel expenses incurred on Directors for attending the Board and its committees meetings – RO 7,166. (2014 – RO 11,165)
- Travel expenses incurred on top 5 executives towards official duties – RO 12,804. (2014 – RO 25,408)

5.3 Service contracts, notice period and severance fees

The severance notice period for these executives is three to six months with end of service benefits payable as per Omani Labor Law.

6. Details of non-compliance by the Company

During the year the Board met 6 times. There was a gap of more than 4 months from fifth board meeting held on 21.05.2015 and the sixth board meeting held on 02.11.2015. This delay in the board meeting is due to the intervening holidays at that period.

The Company has not paid any fines or penalties for any violation. (2014: Nil, 2013: Nil)

7. Means of communication with the shareholders and investors

7.1 The quarterly results were published in local newspaper both in Arabic as well as in English. These financials were also posted on the website of Muscat Securities Market. In view of these publications, the results were not sent individually to the shareholders.

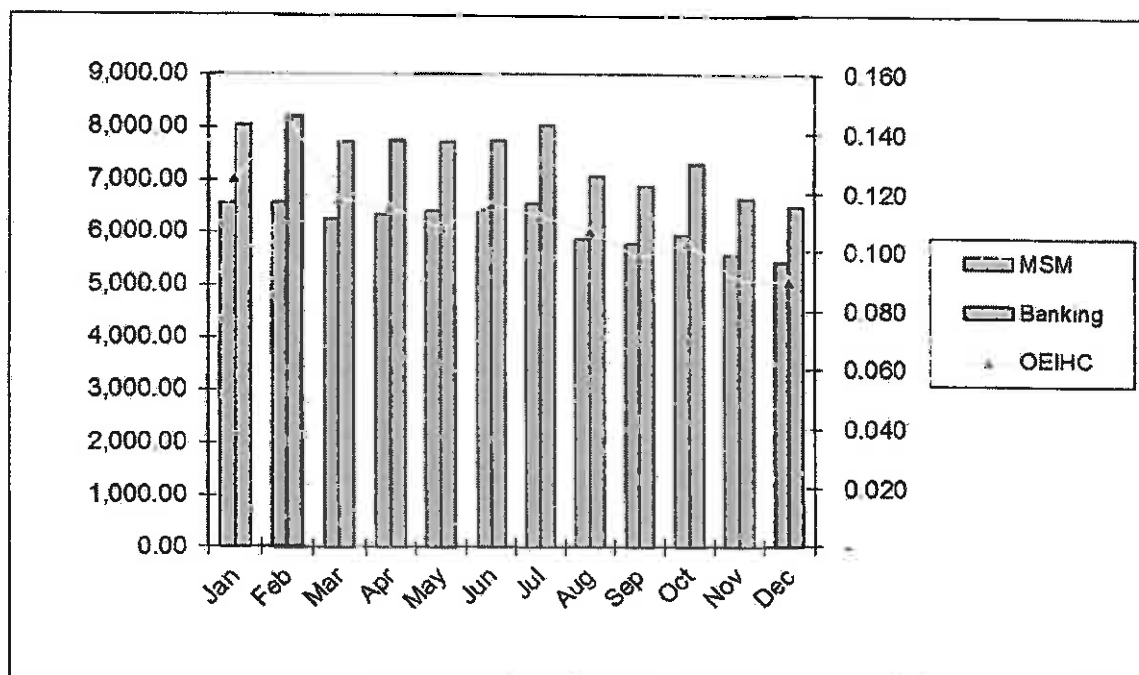
7.2 A separate Management Discussion and Analysis Report for the year 2015 forms part of the Annual Report.

8. Market price data

8.1 **Market Price – High / Low Company's share in each month in MSM during the year 2015 is as under**

Month	Highest	Lowest
January	0.127	0.123
February	0.148	0.143
March	0.120	0.115
April	0.118	0.115
May	0.108	0.108
June	0.118	0.114
July	0.112	0.111
August	0.108	0.105
September	0.099	0.098
October	0.103	0.103
November	0.090	0.090
December	0.090	0.089

8.2 Performance in comparison to broad based index or MSM – Banks and Investment Sector:



The share price of OEIHC decreased by 27% during 2015 against a decrease of 19% in Banking and Investment Index and a decrease of 18% in MSM General Index.

8.3 Distribution of shareholding as of 31 December 2015

Range	No. of Shareholders	No. of Shares	% of Shareholders
0 – 1000	7,977	4,072,220	3.35
1001 – 5000	9,138	15,152,443	12.43
5001 – 10000	426	3,259,882	2.67
10001 – 50000	386	8,258,525	6.78
50001 – 100000	61	4,379,331	3.59
Above 100001	91	86,752,599	71.18
Total	18,079	121,875,000	100

8.4 Shareholders holding more than 5% of the Share Capital as of 31 December 2015:

Abu Dhabi Investment Co, UAE 30% 36,562,500 Shares



8.5 Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

The Company does not have any GDRs / ADRs / Warrants or any other convertible warrants as of 31 December 2015 and hence the likely impact on equity is Nil.

9. Specific areas of non-compliance with the provisions of corporate governance and reasons

During 2015 no non-compliance was observed with respect to the provisions of corporate governance.

10. Corporate social activities and future plans

During 2015 the Company has contributed RO 2,797 (2014: RO 7,800) as donations to various charitable organizations under its corporate social responsibility program. Similar amount is budgeted towards social responsibilities in 2016.

11. Related Party Transactions

The transactions with the related parties are as defined in article 1 of the 'Code' and include certain normal contracts and transactions which are carried out in the ordinary course of business without any differential advantage accruing to the related party. These also include transactions such as granting of loans, guarantees, capital injections or transactions of similar nature, being extended in the capacity of a Parent Company or as a long term investor to its subsidiaries or associates or other investee companies. Shareholders' approval is taken for these prospective transactions in a year at the Annual General meeting on general basis but the exact nature of transactions with monetary value, etc in a financial year are being notified to the shareholders and post-facto approval is taken at the next AGM.

12. Professional profile of the statutory auditor

12.1 Ernst & Young is the statutory auditors of the Company. 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 5,000 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 4,000 partners and 100,000 professionals. Globally, EY operates in more than 150 countries and employs 212,000 professionals in 728 offices. Please visit ey.com for more information about EY.

12.2 Ernst & Young was paid a fees of RO 18,712 (2014 – RO 17,000) [for audit and review of Corporate Governance Report for the year 2015 – RO 12,700 (2014 – RO 11,500), review of quarterly accounts during 2015 – RO 4,800 (2014 – RO 4,500), other tax related professional services for 2015 – RO 1,212 (2014 – RO 1,000)]. This fee is paid by the Parent Company only and not by any subsidiaries in Oman.




13. Acknowledgement by the Board of Directors

- 13.1 The Board of Directors confirms that the financial statements for 2015 have been prepared in accordance with the applicable standards and rules.
- 13.2 The Board of Directors, through the Audit Committee has reviewed the Company's system of internal controls and confirms that all controls are in place and fully effective.
- 13.3 The Board of Directors confirms they believe that there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.
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Marwan Bin Turki Al Said
Chairman



Awad Mohammed Faraj Bamkhalef
Chief Executive Officer

2nd March 2016