CORPORATE GOVERNANCE REPORT

Company's philosophy

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

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

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

Board of Directors

All members of the Board are non-executive in accordance with the requirement of the Code. During the Financial Year ended 31 December 2024, the Board consisted of the following Directors:

No.	Name of Director	Date of Appointment	Independent / Non independent	Mode of Representation
1.	Anwar Syahrin bin Abdul Ajib	29 March 2022	Non-independent	Shareholder representative
2.	Tamer Cankardes	29 March 2022	Non-independent	Shareholder representative
3.	Mohd Nazersham bin Mansor	29 March 2022	Non-independent	Personal capacity
4.	Katsushi Takiguchi	23 March 2023	Non-independent	Personal capacity
5.	Vishwanath Sankaranarayanan	23 January 2023	Independent	Personal capacity
6.	Ajeev Gopinathan	29 March 2022	Independent	Personal capacity
7.	Ashish Gupta	29 March 2022	Independent	Personal capacity

Board meetings / shareholders meetings and attendance in 2024

No	Name of Directors	Position	Attendance					
			Board Meetings					AGM
			Feb 14	Apr 24	Jul 24	Oct 23	Total	Mar 25
1	Anwar Syahrin bin Abdul Ajib	Chairman	●	●	●	●	4	●
2	Tamer Cankardes	Deputy Chairman	●	●	●	●	4	●
3	Mohd Nazersham bin Mansor	Member	●	●	●	●	4	●
4	Katsushi Takiguchi	Member	●	●	P	●	3	●
5	Vishwanath Sankaranarayanan	Member	●	●	●	●	4	●
6	Ajeev Gopinathan	Member	●	●	●	●	4	●
7	Ashish Gupta	Member	●	●	●	●	4	-

●: Attended, P: Proxy

Performance Appraisal for the Board of Directors

The FSA has announced that the Board evaluation should be conducted once during the term of the Board. In light of this announcement and given that the current Board's term ends on 29 March 2025, Al Busaidy Mansoor Jamal & Co ("**AMJ**") was appointed to carry out appraisal for the performance of the Board during the financial year ending 31 December 2023, pursuant to the approval by the shareholders at the Company's AGM held on 23 March 2023.

AMJ conducted the Board evaluation based on the criteria approved by the shareholders and the evaluation report was presented to the shareholders at the Company's AGM held on 25 March 2024.

Board Audit Committee

The role of the Board Audit Committee includes the following:

(a) To consider the external auditor in the context of their independence (particularly with reference to any other non-audit services), fee and terms of engagement, and recommending the auditors to the Board and shareholders for appointment.

(b) To review the audit plan and results of the audit.

(c) To implement appropriate systems to check financial fraud and ensure the fairness of financial statements;

(d) Ensure oversight of the internal audit function.

(e) Ensure oversight of the adequacy of the internal control systems.

(f) Ensure oversight of financial statements in general including the review of annual and quarterly financial statements before issue, qualifications contained in draft financial statements, and discussions of accounting principles therein and changes in accounting standards adopted by the Company.

(g) Serve as a channel of communication for the Board with the external and internal auditors.

(h) Review risk management policies.

(i) Review all related party transactions and provide recommendations to the Board, in relation to the transactions.

The Board Audit Committee comprises the following members during the Financial Year 2024:

No.	Name of the Board Audit Committee Members	Position	Dates of Board Audit Committee Meetings			
			Feb 14	Apr 24	Jul 24	Oct 23
1	Vishwanath Sankaranarayanan	Chairman	●	●	●	●
2	Ajeev Gopinathan	Member	●	●	●	●
3	Ashish Gupta	Member	●	●	●	●
4	Mohd Nazersham bin Mansor	Member	●	●	●	●

● : Attended

Board Nomination and Remuneration Committee (BNRC)

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

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

The BNRC comprises the following members during the Financial Year 2024:

No.	Name of the BNRC Members	Position	Dates of BNRC Meetings		
			Feb 14	Jul 24	Oct 23
1	Anwar Syahrin bin Abdul Ajib	Chairman	●	●	●
2	Tamer Cankardes	Member	●	●	●
3	Katsushi Takiguchi	Member	●	P	●

● : Attended, P : Proxy

Procedure for Nomination of Directors

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

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

Related Party transactions

All the related party transactions are mutually agreed in the normal course of business and are disclosed in the financial statements.

In compliance with the 9th principle of Code of Corporate Governance, the company adopts the highest degree of transparency and clarity when it comes to related party transactions. All such transactions are subject to review of the Audit Committee and approved by the board prior to execution**.**

Remuneration

(a) Sitting Fees to Members of the Board and Its Committees

A total amount of RO 32,000 is expensed as sitting fees for the Financial Year ended 31 December 2024. The Board Audit Committee and BNRC have also accrued sitting fees of RO 8,000 and RO 2,400 respectively. The aggregate sitting fee for each Director did not exceed RO 10,000 per Director as per the guidelines issued by the FSA. This will be tabled for shareholders' approval at the upcoming Annual General Meeting on 23 March 2025.

(b) Other Payments to Directors

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

(c) Key Executives of the Company

The Executive Management (as defined in the Companies Law) of the Company received an aggregate amount of RO 261,263 for the Financial Year ended on 31 December 2024. This includes salaries, bonus and other benefits. Bonuses and other incentives for Key Executives are determined by predefined key performance indicators, encompassing financial performance and other elements. The assessment and approval are carried out by the Board Nomination and Remuneration Committee based on actual performance.

(d) Employee contracts, notice periods and severance fee

The notice period and severance fees for employees are determined in accordance with Omani law and are appropriately contracted based on the employee's status.

Internal Auditor

The Board appointed a full-time internal auditor with effect from 2 January 2022. The Audit Committee has approved the Internal Audit Plan for 2024 which has been implemented throughout the financial year.

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

There were no penalties levied on the Company by the FSA, Muscat Stock Exchange (**MSX**) or any other statutory authority on any matter for the past 3 years up to 31 December 2024.

Means of Communication with the Shareholders and Investors

The Company's means of communication and disclosures are in accordance with the regulatory requirements. The Company discloses its annual un-audited financial results, un-audited interim financial statements and audited annual financial statements on the MSX website within the regulatory deadlines. The Company has conducted interactive discussion sessions with the investor community on 12 March 2024 and 8 August 2024, to present its audited financial results for the Financial Year 2023 and unaudited financial results for the period ended 30 June 2024 respectively. The Company also publishes relevant financial information in two local newspapers. Communication with the shareholders is conducted in both English and Arabic languages. Annual report posted on the MSX website contain Board of directors' report, Corporate social responsibility (CSR) report and Management discussion and analysis report. All official press releases are uploaded on Company's official website, https://www.mcdcoman.com.

Market Price Data

a) High/low share price and performance comparison during each month in 2024.

Month	Price (Baizas)				MSX Index (Service sector)	
	High	Low	Closing	Change from 1 January 2024 Opening Price	Closing	Change from 1 January 2024 Opening MSX Index
January	80.00	75.00	77.00	-1.28%	1569.6770	0.36%
February	82.00	72.00	72.00	-7.69%	1733.2000	10.81%
March	77.00	71.00	74.00	-5.13%	1847.6760	18.13%
April	84.00	74.00	75.00	-3.85%	1833.6250	17.23%
May	79.00	74.00	74.00	-5.13%	1801.7840	15.20%
June	77.00	70.00	71.00	-8.97%	1820.3880	16.39%
July	77.00	71.00	72.00	-7.69%	1819.3970	16.32%
August	72.00	70.00	71.00	-8.97%	1823.7370	16.60%
September	73.00	70.00	71.00	-8.97%	1831.4620	17.10%
October	72.00	70.00	71.00	-8.97%	1827.7850	16.86%
November	72.00	67.00	67.00	-14.10%	1743.5650	11.48%
December	68.00	65.00	65.00	-16.67%	1743.0820	11.44%

Source: MSX's website.

b) High/low share price and performance comparison during each month in 2023.

Month	Price (Baizas)				MSX Index (Service sector)	
	High	Low	Closing	Change from 5 January 2023 OpeningPrice	Closing	Change from 2 January 2024 Opening MSX Index
January	101.00	96.00	99.00	0.00%	1681.7750	3.91%
February	101.00	97.00	98.00	-1.01%	1714.0440	5.91%
March	101.00	93.00	99.00	0.00%	1706.6390	5.45%
April	100.00	96.00	100.00	1.01%	1747.1830	7.95%
May	100.00	93.00	93.00	-6.06%	1701.6390	5.14%
June	99.00	85.00	99.00	0.00%	1695.2670	4.75%
July	93.00	0.00	91.00	-8.08%	1672.6330	3.35%
August	93.00	84.00	92.00	-7.07%	1662.9570	2.75%
September	93.00	0.00	82.00	-17.17%	1629.4940	0.68%
October	86.00	80.00	82.00	-17.17%	1590.8950	-1.70%
November	82.00	76.00	78.00	-21.21%	1594.1620	-1.50%
December	88.00	72.00	78.00	-21.21%	1565.5510	-3.27%

c) Distribution of shareholdings as at 31 December 2024

Category	Number of Shareholders	Number of Shares Held	Share Capital %
5 % and above	3	125,909,217	80.94%
Less than 5%	2,180	29,641,183	19.06%
Total	**2,183**	**155,550,400**	**100.00%**

Source: Muscat Clearing and Depository's Website.

Professional Profile of Statutory Auditor

The shareholders of the Company appointed KPMG LLC as its external auditors for 2024. KPMG has been operating in Oman since 1974 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are six partners and Seven directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 265,000 people working in member firms around the world. KPMG LLC and KPMG Lower Gulf Limited are member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

During the year 2024, KPMG total fees amounted to RO 27,232 in relation to professional services rendered to the Company (RO 19,300 for audit and RO 7,932 for other services).

Specific areas of Non-Compliance of Corporate Governance

There was no penalty levied on the Company by any statutory authority on any matter related to corporate governance in 2024.

Board Acknowledgement

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

Chairman