



Responsible banking.
Sustainable future.

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MESSAGE FROM OUR CHIEF EXECUTIVE

Diversification of the economy, away from a reliance on oil revenues, has been a focus of Oman since the outset of the oil era in the early seventies. The subsequent development plans adopted by the government, including the current five-year development plan (2011–2015) and Oman 2020 economic blueprint, have all been aimed at sustaining economic growth, developing human capital, creating job opportunities, developing the private sector, and achieving a sustainable social and environment friendly path of development in pursuit of diversifying the sources of national income.

In line with Oman's commitment to achieving sustainable development through economic stability and fiscal balance, underpinned by the objective to diversify the economy, **bank muscat** is proud to present the 2013 Sustainability Report highlighting the impact of our activities on the economy, environment and society. The report demonstrates that we have become more open to sustainability reporting as a powerful tool in our decision-making as well as corporate policy and strategy.

We recognise that sustainable development has the potential for achieving long-term benefits spanning environmental, economic, social and cultural dimensions. In order to become sustainable, we are focused on achieving long-term profitability with social and environmental responsibility. The bank follows international practices to measure and report its sustainability performance. The Global Reporting Initiative (GRI Sustainability Reporting Framework and Guidelines) forms the basis of the evaluation of our sustainability initiatives covering the key areas of economic, environmental, social and governance performance.

The integrated theme chosen for this year's report highlights our values which represent what we stand for: how we conduct ourselves as the trusted banking partner in Oman, and how we engage with our fellow employees, customers, shareholders, business partners and the communities we serve. These values form the very foundation on which **bank muscat** is built.

bank muscat is committed to 'Doing More' for the economy, community and environment. The four priority areas chosen by the bank for sustainability reporting are 'Enhancing Economic Performance; Developing from Within; Empowering Communities; and Recognising our Environmental Impact'. During 2013, the bank defined new key performance indicators (KPIs) covering all our business lines for sustainability reporting.

On the back of expansionary financial, economic and monetary policies pursued by the Sultanate, the year 2013 witnessed sustained development in Oman. The bank recorded a healthy performance in tandem with the strong economic growth which had considerable social impact on job creation and in-country value addition covering all major sectors.

The bank is focused on creating a sustainable financial platform for society and business, thereby contributing to economic growth whilst also generating returns for all stakeholders. In step with the directive of His Majesty Sultan Qaboos to support economic growth and sustainable development, the bank remains committed to building the nation by creating opportunities through helping individuals and businesses to prosper and grow.

bank muscat is proud to have led the way in contributing to sustainable development in Oman with various initiatives. In 2007, we became the first bank in the Middle East to sign the Equator Principles for responsible banking. Implementing the Equator Principles ensures that our projects conform to benchmark international environmental and social standards. In 2009, we joined the United Nations initiative for innovating finance for sustainability. Our membership of the United Nations Environment Program Finance Initiative (UNEP FI) aims to develop and promote linkages between sustainability and financial performance, highlighting the bank's commitment to global sustainability.

In addition to CSR initiatives, the bank has made great strides to reduce its environmental impact. This includes e-banking and mobile banking services to reduce environmental footprint and enhance customer service.

In contributing to sustainable development, the prime responsibility of the bank is to serve the customer. Financing the real economy is of utmost importance, taking into consideration environmental and social issues, thereby strengthening the bank's commitment to social responsibility.

bank muscat has a high level of commitment towards its people. The bank accords top priority for human resources development and has adopted innovative strategies to equip Omani employees to take up leadership positions in tandem with future challenges.

bank muscat remains committed to providing products and services that would help customers and clients achieve their goals. We understand that our role is especially important today when the private sector is required to drive economic growth and sustainable development. As the market leader, **bank muscat** influences peers and sets the precedence for new trends. As we develop more sustainable initiatives, others will follow suit; hence our efforts will positively impact development in Oman.



AbdulRazak Ali Issa,
Chief Executive



ABOUT THIS REPORT

This is our second sustainability report, with the integrated theme of doing more: more for the economy; more for the community; and more for the environment. **bank muscat** has a long history of social and community involvement and this report aims to demonstrate how we are incorporating sustainable best practices into the fabric of our corporate structure, processes, and services. The scope of our reporting includes data and activities for the period 1 January 2013 to 31 December 2013, unless otherwise noted.

Our sustainability report is based on the GRI guidelines version 3.1 and the Financial Sector Supplement. GRI's framework consists of an extensive set of sustainability reporting guidelines and indicators. The information included in this report meets the GRI Application Level B. The index in Appendix B lists the GRI indicators that are included in this report.

We have prepared the report using the GRI's reporting principles of stakeholder inclusiveness, materiality, context and completeness. As a result of our stakeholder engagement and materiality assessment, we have selected the following four priority areas for our second sustainability report:

- Enhancing Economic Performance
- Developing from Within
- Empowering Communities
- Recognizing our Environmental Impact

For a detailed explanation of our stakeholder engagement and materiality assessment process, please refer to the 'Reporting Process and Parameters' section in Appendix A of this report.

Reporting Boundaries

bank muscat's core operations are located in Oman. However, the bank also has presence across the Gulf Cooperation Council (GCC) states and the Asian Subcontinent through branches, representative offices, subsidiaries and associates. In this report, we have chosen to report on our core performance area: Oman, rather than at a group level. We plan to improve data collection across our international operations and consider the possibility of reporting on these in the future.



بنك مسقط

ABOUT

bank muscat

As the flagship financial institution in Oman, **bank muscat** has a proven track record of excellence in service and enjoys around 37 percent market share in Oman. The bank's head office is in Muscat, Oman and we have an extensive network of branches throughout the country. In addition, the bank has direct and indirect presence in all six GCC states, a representative office in Singapore which focuses on financial institutions and trade business and an associate in a securities company in India. The bank operates in Oman under a banking license issued

by the Central Bank of Oman and we are covered by its deposit insurance scheme. As a publically listed Omani joint stock company, our primary listing is on the Muscat Securities Market in addition to a listing on the London Stock Exchange. Our international operations consist of a branch each in Riyadh (Kingdom of Saudi Arabia), Kuwait and a Representative Office each in Dubai (UAE) and Singapore. **bank muscat** owns 15% of BMI Al Salam Bank in Bahrain and a stake in Mangal Keshav Securities Ltd, India. The bank also has a 97% stake in Muscat Capital LLC, a brokerage and investment banking entity in Saudi Arabia.

About Us	
Number of Employees	3,266
Number of Branches	142
Number of ATMs	427
Number of CDMs	167
Number of PoS Terminals	9,273

The shareholding structure of the Bank is as follows:

Major Shareholders	%
Royal Court Affairs	23.56
Dubai Financial Group "LLC"	12.51
HSBC A/C Ministry of Defence Pension Fund	6.39
Muscat Overseas Company "LLC"	4.08
Civil Service Employees Pension Fund	3.89
HSBC A/C JPMCB A/C IFC CAPITALIZATION EQUITY FUND LP	3.05
Public Authority for Social Insurance	2.24
HSBC A/C CITIBK A/C INTERNATIONAL FINANCE CORPORATION	2.24
HSBC A/C THE BANK OF NEW YORK INT L NOMINEES	2.03
Others	40.01

Out of 2,152,260,684 fully paid-up shares
861,144,537 shares are held by around 7,275
(MDSRC) Muscat Depository and Securities
Registration Company registered shareholders.

HR leadership award

In 2013, the bank won the HR Leadership Award hosted by the Employer Branding Institute, CMO Asia, in recognition of vital contributions to moulding the finest Omani talents. The bank was cited as a best employer brand with a distinct identity visible through HR practices, policies and strategy. The award acknowledged exemplary excellence in learning and development initiatives; distinctiveness in employee hiring; training and retention practices and continuous innovation.

The bank's achievements in the development of human resources have been consistently recognised locally and internationally. **bank muscat** is the first bank in the world to win the prestigious Level 3 People Capability Maturity Model (PCMM) certification by Carnegie Mellon University, USA. The PCMM certification groups **bank muscat** with an elite group of global organizations which have achieved benchmark HR standards. Notable achievements include the Hewitt recognition as the Middle East's Best Employer and the Investor in People award. On several occasions, the Ministry of Manpower has recognised the bank's human resources development initiatives.

Our 2013 Awards

- The bank was ranked among the 50 Safest Banks in Emerging Markets by Global Finance.
- The 'Best Bank in Oman' award by Euromoney and Global Finance endorsed the bank's leadership and innovation in products and services.
- For the third year running, the bank won the Hawkamah award in recognition of benchmark corporate governance practices.
- Reaffirming the leadership position and performance excellence, the bank won the Asian Banker Strongest Bank Balance Sheet in Oman award.

The bank offers a wide range of core business services including corporate banking, retail banking, Islamic banking, investment banking, treasury, asset management, and private banking.

Retail Banking: The bank offers a complete range of retail and personal banking products and services through our network of branches across Oman. Our objective is to offer excellent value to customers by providing knowledgeable, efficient, and reliable services in a personal, helpful and responsive manner.

Corporate Banking: The bank provides a wide range of corporate finance products ranging from traditional working capital finance to project finance. Our clients include multinational and domestic companies engaged in activities across all sectors of the economy such as contracting, trading, power, petrochemicals, real estate and international trading. The bank also offers SME financing, aimed at financing small business and strengthening the SME foundation in Oman.

Islamic Banking (Meethaq): As the nation's flagship financial services provider, **bank muscat** is well positioned to provide Islamic financial expertise to diverse segments, and thereby promote the good of society as a whole. The bank has taken major strides as part of its proposed Islamic banking operations and assigned RO 150 million capital for Meethaq Islamic Banking.

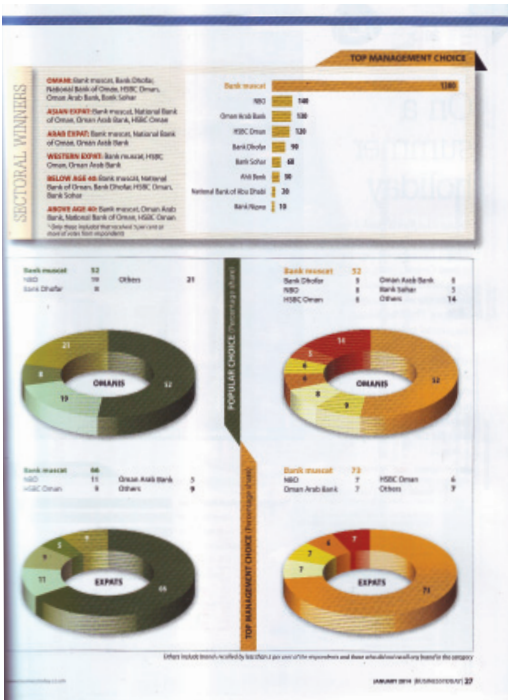
Investment Banking: Set up in 1995, our investment banking division has grown to be the partner of choice for corporate and investors alike. We provide a comprehensive set of financial services including corporate finance product structuring, brokerage and research services.

Asset Management: The bank enjoys a dominant position in the asset management business in Oman. We offer a wide variety of local and international investment products such as mutual funds, private equity/real estate fund, and alternate investments to suite the risk profile and target returns of our clients. Our clients include pension funds, global funds, high net-worth individuals, corporations and other entities.

Private Banking: From financial planning and trust services, to banking services, our private banking division offers a range of financial services that are highly exclusive and personalized.

Treasury: **bank muscat** is the only bank in the Sultanate that offers the full suite of Treasury products and services – whether hedging foreign exchange requirements or managing interest rate risks or eliminating commodity price risks from businesses to offering fixed income investment opportunities across the region and globe.

Financial Institutions Group: The Financial Institutions Group (FIG) is very active in trade finance and financial institution (FI) business covering prominent countries in Asia, Africa and other emerging markets.





OUR QUALITY POLICY

Our Quality Policy is to achieve and sustain a reputation for quality in national and international markets by offering products and services that exceed the requirements of our customers. We strive to remain the bank of choice in all our products and services. Towards this policy, our objectives are establishing and maintaining a quality system based on the most recent ISO quality standards. Continually reviewing our products and services, feedback from employees (internal customers) and our customers to ensure that there is continual improvement. Offering our clients excellent service, innovative products and value-added banking while developing with them a mutually beneficial association. Demonstrating vision, professionalism, transparency and integrity in the conduct of our business and service. Achieving discipline, growth and reasonable profitability while operating on a sound financial base. Creating value for our shareholders. Encouraging, motivating and developing our human resources – our most valuable asset and the cornerstone of the bank. Working towards the successful implementation of the Government objectives applicable to us. Striving towards and maintaining a pre-eminent position in the banking community in the Sultanate of Oman.

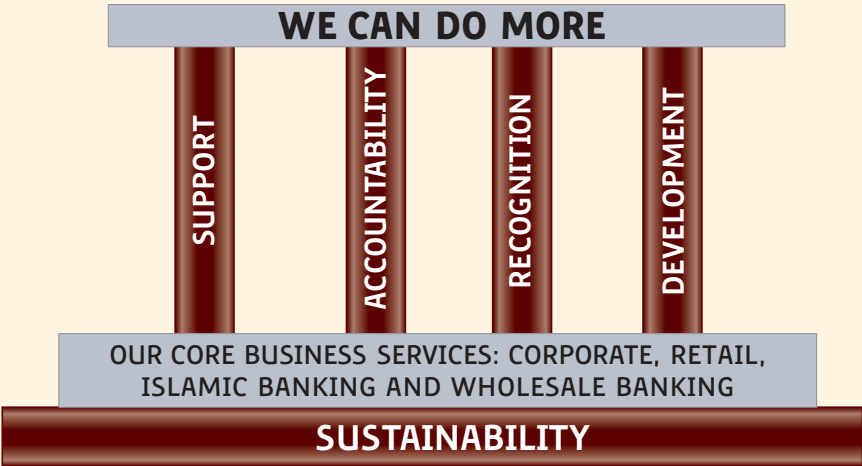
Sustainability at bank muscat

At **bank muscat**, we are committed to delivering value to the economy, the environment and society. In achieving this commitment, we are working towards incorporating sustainable best practices into our core business services. We have an established

Corporate Social Responsibility (CSR) department and aim to expand its scope and strategy to include sustainability. With the leadership and support of the Board and Executive Management, we have developed a sustainability framework designed to pave our path towards economic, environmental, and social development.

As illustrated in the figure below, we believe sustainability is a critical component of our business foundation. As such, we have reinforced our commitment to this practice through the following four pillars:

- **Support.** We aim to support social and humanitarian activities, events and charitable causes to continue serving local communities.
- **Accountability.** We acknowledge that our activities should support sustainable development through continuous efforts in order to directly and indirectly benefit society, the economy and the environment. As such, we aim to develop policies to expand our positive reach and incorporate sustainability into our business practices.
- **Recognition.** At the bank, we believe in encouraging our employees to undertake voluntary activities. We have systems in place to promote participation in such initiatives, thereby benefitting society, the environment and the economy.
- **Development.** We are committed to the growth of the economy within a corporate responsibility framework. We contribute towards this development by working closely with local communities and implementing programs to benefit society.





MEMBERS OF THE BOARD

Sheikh Khalid bin Mustahail Al Mashani

Chairman



Sulaiman bin Mohamed bin Hamed Al Yahyai

Deputy Chairman



Brigadier General Nasser bin Mohamed Salim Al Harthy

Director



Hamoud bin Ibrahim Soomar Al Zadjali

Director



K.K. Abdul Razak

Director



Abdullatif Abdullah Ahmed Al Mulla

Director



Sheikh Said bin Mohamed bin Ahmed Al Harthy

Director



Sheikh Saud bin Mustahail Al Mashani

Director



Farida Khambata

Director



MANAGEMENT AND GOVERNANCE

The bank's Board of Directors is committed to the highest standards of Corporate Governance. We strive to exemplify the letter and spirit of the Code of Corporate Governance laid out by the Capital Market Authority (CMA) and the regulations for Corporate Governance of Banking and Financial Institutions issued by the Central Bank of Oman (CBO). The CMA Code of Corporate Governance and the CBO circular BM 932, Corporate Governance in Banks, are the principal codes and drivers of Corporate Governance practices in Oman, and we fully comply with all of their provisions.

The roles of the Chairman of the Board of Directors (the Board) and 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 **bank muscat's** business. The figure on the following page illustrates the organizational link between the two structures.

The bank's Board of Directors' principal responsibilities are as follows:

- Policy formulation, supervision of major initiatives, overseeing policy implementation, ensuring compliance with laws and regulations, nurturing proper and ethical behavior, transparency and integrity in stakeholders' reporting
- Approval of commercial and financial policies and the budget, so as to achieve its objectives and preserve and enhance the interest of its shareholders and other stakeholders
- Preparation, review and updating of the plans necessary for the accomplishment of the bank's aims and the performance of its activities, in light of the objectives for which it was incorporated
- Adoption of the bank's disclosure procedures, and monitoring their application in accordance with the rules and conditions of the CMA
- Supervision of the performance of the Executive Management, and ensuring that work is properly attended to, so as to achieve the bank's aims, in the light of the objectives for which it was incorporated
- Appointment of the CEO and the Chief Operating Officer, as well as appointment of the officers answering to either of them pursuant to the organizational structure of the bank. The Board was also previously in charge of appointing the Deputy CEO, but this position will be dissolved in 2013 upon the current DCEO's retirement
- Appraisal of the performance of the Executive Management mentioned and appraisal of the work carried out by the committees affiliated to the Board
- Approval of the financial statements pertaining to the bank's business and the results of its activities which are submitted to the Board by the Executive Management every three months, so as to disclose its true financial position and performance

With our integrated organizational structure and dedicated leadership, we have driven the principles of sustainability from the top down. As such, we have embedded sustainability throughout all levels of our organization and into the fabric of our work culture. Ultimately, each of our colleagues play a pivotal role in solidifying our commitment to do more, and contribute to one or more of the priority areas addressed in this report

Remuneration to the Board

The total remuneration and sitting fees paid/accrued to members of the Board of Directors for the year 2013 met the maximum total limit of RO 200,000 as prescribed by the Commercial Companies Law No. (4/1974) as amended by the Royal Decree No. (99/2005). As all members of the Board are Non-Executive Directors; no fixed remuneration or performance linked incentives are applicable.

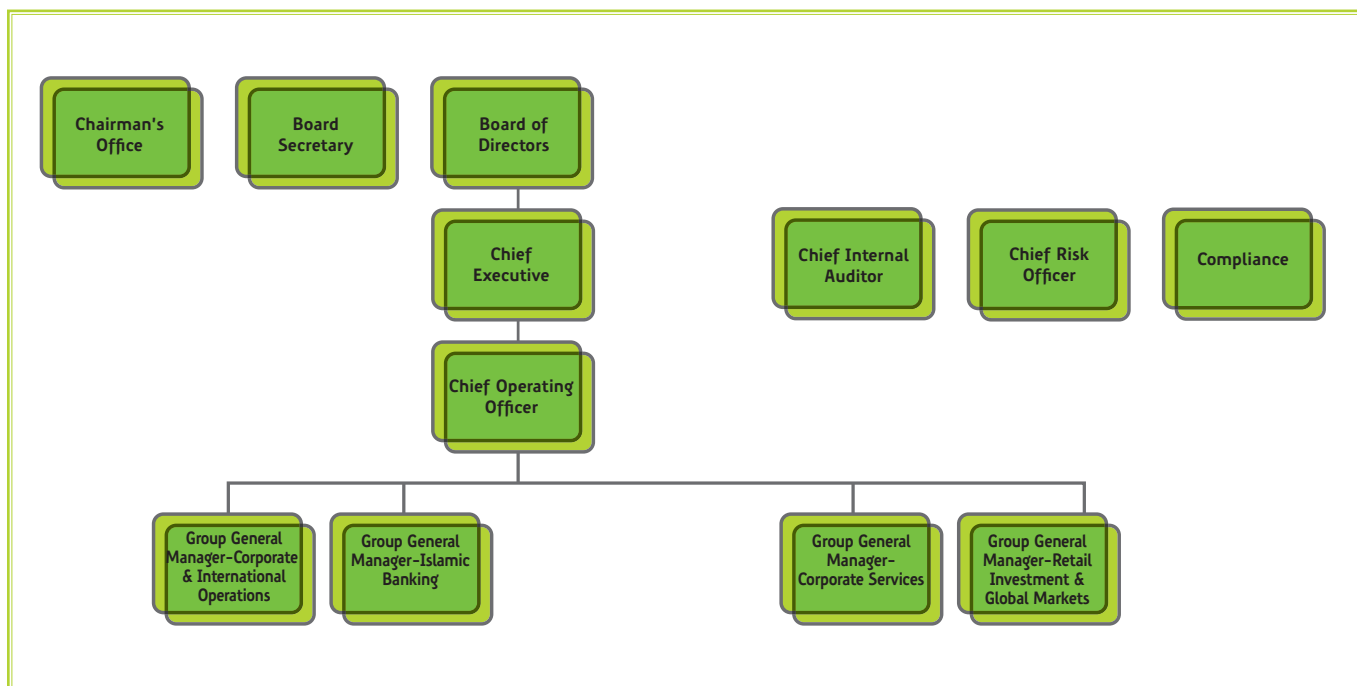
Self Evaluation

In 2010, the Board conducted a self evaluation process through the completion of questionnaires for the Board of Directors and the Board Audit Committee. These were completed as part of a wider CBO exercise for all banks in the Sultanate. Each member of the Board was invited to measure the performance of Board activities in the areas of strategy and planning, risk management, tone at the top, measure and monitoring, performance, transformational transactions, management evaluation, compensation and planning, disclosures, and board dynamics. An independent evaluation of the Board's performance was conducted in 2011 to further enhance the already robust Corporate Governance practices and culture at the bank.

Shareholders

bank muscat 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 have the authority to 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.

Organization Structure



Our three committees support the Board in carrying out its responsibilities. The three committees are as follows:

1. Board Risk Committee

The Board Risk Committee (BRC) provides recommendations to the Board of Directors on the risk-reward strategy, risk appetite and policies and framework for managing all applicable risks.

2. Board Audit Committee

The primary responsibilities and functions of the Audit Committee are to provide assistance to the Board of Directors in fulfilling its responsibilities of monitoring/overseeing the financial reporting process, the adequacy and effectiveness of the systems of internal control, the effectiveness of the audit process and the Bank's process of complying with the relevant laws and regulations.

3. Nomination and Compensation Committee

The Board, with the Nomination and Compensation Committee reviews the required skills of directors to ensure they meet the "fit and proper" criteria prescribed by the CMA and the CBO. The committee is responsible for:

- Leading the process for Board and Management appointments, through the identification and nomination of relevant candidates for Board approval.
- Setting the principles, parameters and governance framework of the Bank's Compensation policy.



ENHANCING ECONOMIC PERFORMANCE

In 2013, we continued to make great strides towards enhancing our economic performance. In our commitment to do more for the economy, we contributed to the following growth areas:

- Staying committed to responsible banking by training our employees and maintaining compliance with the Capital Market Authority (CMA) laws for our investment banking.
- Accounting for social and environmental considerations through our compliance with the Equator principles and implementation of our social and environmental management system.
- Valuing our customers' needs. We continued to improve our quality in customer service by hosting focus group meetings with customers from each region and effectively managing customer concerns through our integrated feedback management system.

Looking forward: 2014 Sustainability Goals

- Effective risk management process is central to our objective of enhancing our overall business value. As such, we are committed to continuously developing risk management as an area of core competence and thereby deliver on our growth plans while managing the underlying risks in an effective manner.
- Continuous enhancement of customer feedback system to improve complaint management and timely resolution of complaints within the SLA time frame.

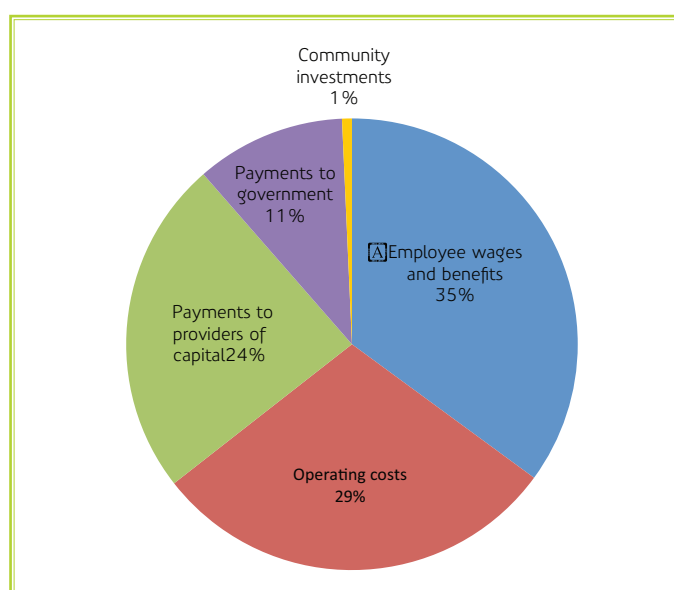
Enhancing Economic Performance

The bank's most prominent impact is economical through delivering innovative business services and generating consistent returns. This allows us to create value for our shareholders, employees, suppliers, government, and other countries and territories in which we operate. We have an obligation to maintain growth in order to support the diversification of the economy as outlined in His Majesty's Vision for Oman's Economy 2020.

As the market leader, we play an important role in the financial sector's current 4 percent contribution to Oman's GDP. Accountable directly to our shareholders we place particular emphasis on long-lasting growth and transparency.

In 2013, our economic value generated was RO 323.7 million. As summarized in the chart below, in 2013, the majority of our economic value benefited all stakeholders, including shareholders.

Economic Value Generated				
RO (Millions)	2010	2011	2012	2013
Consumer Banking revenue	114.6	137.5	163.6	163.4
Corporate Banking revenue	79.48	81.9	87.0	88.2
Wholesale Banking revenue	65.9	66.3	61.6	58.8
International Banking revenue	5.5	8.5	11.5	16.9
Islamic Banking	-	-	-	12.9
Total revenue	265.5	294.2	323.7	340.2
Economic Value Distributed				
Employee wages and benefits	56.8	65.9	74.3	78.2
Operating costs	37.4	55.0	60.3	65.5
Payments to providers of capital	33.6	38.7	51.0	53.8
Payments to government	17.2	19.9	18.7	23.9
Community investments	1.1	1.1	1.5	1.6



Responsible Banking

At the bank, we set high standards of integrity, professionalism and fair dealing in running our business. We aim to comply with all relevant laws, codes, rules, regulations and standards of good market practice in each country where we do business. Responsibility for compliance with these standards rests with the relevant boards, management team and employees.

All our new banking products obtain clearance from the relevant body (such as the Capital Market Authority for investment products, and Sharia' compliance for Islamic products) prior to going to market. All advertising and marketing communications are cleared internally to ensure we advertise in a clear and transparent fashion.

In 2013, **bank muscat** did not receive any fines for non-compliance with regulations or voluntary standards. The Central Bank of Oman (CBO) ultimately monitors all advertising and marketing communications issued by the bank and no warnings or fines were issued to the bank with respect to advertising and marketing in 2013.

The Hawkamah Bank Corporate Governance Award

In 2013, we received the Hawkamah Bank Corporate Award – Honourable mention – for benchmark corporate governance practices. Launched in 2007 by Hawkamah, the Institute for Corporate Governance, the award showcases regional banks that have gone the extra mile in improving their corporate governance practices, beyond the legal and regulatory requirements.

Fighting Financial Crime Conference

The bank hosted a 2-day 'Fighting Financial Crime' conference in association with the Royal Oman Police (ROP) in November 2013 which highlighted the challenges arising from technology and globalisation to effectively tackle modern trends in financial crime. The conference noted that technology is a double-edged sword offering immense advantages on the one hand and complex challenges on the other. Globalisation also has great advantages in bringing efforts together across the world to tackle financial crime while perpetration of fraud also assumes global scale inflicting huge losses to organizations and nations within a matter of seconds. The conference urged practitioners in the financial sector to develop professional qualifications and experience through certified courses to effectively tackle financial crimes.

Risk Management

The bank recognises that an effective risk management process is central to our objective of enhancing our overall business value. As such, we are committed to continuously developing risk management as an area of core competence. We continue to build our risk management capabilities to ensure that we deliver on our growth plans while managing the underlying risks in an effective manner. Our approach to risk management is communicated throughout the organization and supported by explicit ownership of risks and a clear allocation of responsibilities. The management of risk is guided by a number of committees in the bank, including the Board and other management committees.

We have invested significantly in our risk management systems and developed a range of tools for this purpose in line with the banking best practices. We have an internal credit rating for assessing the credit quality of loans and advances that has been streamlined over the years based on

continuous back testing. We also have tools in place to measure market and liquidity risks for current and stimulated changes. Other tracking mechanisms include our Key Risk Indicator Report, Controlled Risk Self Assessment, and Operational Loss Report to manage operational risks. We periodically conduct business impact analyses to assess the impact of adverse events (for e.g. flooding, cyclones, and other extreme weather events) on our ability to continue business as usual. As a result of these analyses, we established appropriate business and IT disaster recovery centers to ensure the continuity of services for our customers during extreme situations.

Environmental and Social Consideration

At the bank, we ensure that all eligible projects are reviewed and evaluated against applicable social and environmental parameters. The risk management team works independently in evaluating whether a sector or region presents a potentially high environmental or social impact. The Equator Principles and Social and Environmental Management System are our two policy mechanisms for mitigating the social and environmental impact of projects financed by the bank. In addition, we require that our clients are in compliance with applicable environmental laws and regulations in the country they operate, and ensure that instances of non-compliance are resolved.

Equator Principles

Since 2007, the bank has been one of the 79 signatories to the Equator Principles. We have adopted the Equator Principles in order to ensure that the projects we finance and advise on are developed in a manner that is socially responsible and reflects sound environmental management practice. We recognise the importance of climate change, biodiversity and human rights and believe negative impacts on project-affected ecosystems, communities and the climate should be avoided. We believe that the adoption and adherence to the Equator Principles offers significant benefit to us, our

clients and stakeholders.

The Equator Principles were launched in 2003 and on June 4, 2013 – the 10th Anniversary of the Principles – the new version EPIII was issued. The bank applies the Equator Principles to project finance:

- On a bilateral basis where the total project capital cost is US\$10 million or more
- Project finance advisory services where total project capital cost is US\$10 million or more.
- Participation in project related corporate loans on a club or syndicated basis where all four of the following criteria are met:
 - i) The majority of the loan is related to a single project over which the client has effective control
 - ii) The total aggregate loan amount is US\$100 million and above
 - iii) The bank's commitment before syndication or sell down is US\$50 million and above
 - iv) The loan tenor is two years and above.
- Bridge loans with a tenure of less than 2 years that are intended to be refinanced by project finance or project related corporate loan that is anticipated to meet the relevant criteria described above.

When a project is proposed for financing, the bank as part of its internal environmental and social review and due diligence, screens and categorises it based on the environmental and social categorisation process of the International Finance Corporation (IFC).

The categories are:

Category A: Projects with significant adverse environmental and social risks and/ or impacts that are diverse, irreversible or unprecedented.

Category B: Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Category C: Projects with minimal or no adverse environmental and social risks and/or impacts.

For all projects, the client will commit to covenants

in the financing documentation to adhere to all relevant host country environmental and social laws, regulations and permits in all material aspect. The summary of project finance extended during 2013 falling under the above criteria is given below by category and region:

Category	Oman	GCC Excl Oman	Asia
A	---	---	---
B	2	---	---
C	---	---	---
Total	2	---	---

Social and Environmental Management System

In addition to our procedure to comply with the Equator Principles, we have also defined social and environmental management procedures for providing loans to customers. Our Social and Environmental Management System (SEMS) policy requires all potential loans, advances and investments are screened for compliance with social and environmental requirements prior to approving financing. We ensure effective social and environmental management practices in our activities, products and services with a special focus on the following:

- Ensuring that all activities undertaken by the bank are consistent with the Applicable Requirements.
- Ensuring that all projects are reviewed against the Applicable Requirements.
- Financing projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the Applicable Requirements.
- Making best efforts to ensure that all projects are operated in compliance with the Applicable Requirements on an ongoing basis, during the currency of the bank's financing.
- Ensuring transparency in its activities.
- Ensuring that the management and shareholders of client companies understand the policy

commitments made by the bank in this area.

During the year, the SEMS policy was extended to cover all lending and investment activities.

In 2012, we introduced the Sustainability Training and E-learning Program (STEP) developed by IFC for training on sustainability related risks associated with projects. With the introduction of SEMS policy for the entire lending activity, all Assistant Regional Managers and Unit heads from Project Finance, Corporate Credit and Marketing and SME divisions and risk officers underwent this certification programme.

The Account Relationship Managers are the coordinators responsible for the following:

- During due diligence, ensure evaluation of environmental and social compliance of a target client with the Applicable Requirements.
- Supervising projects in the portfolio against on-going compliance with the Applicable Requirements.
- Ensure that these procedures are implemented for each project, and that records of environmental and social reviews are maintained.
- Ensure that all lending and investment decisions are supported by appropriate due diligence documentation (including, but not limited to environmental and social compliance).

The Environmental Manager, who reports to the Chief Risk Officer, is responsible for the following:

- Monitor the process of implementation and ensure compliance with the procedures outlined in the policy.
- Provide an annual environmental performance update to Management Credit Committee
- Ensure that resources are available at all times to carry out the review process.

The Environmental Coordinators will ensure that the policy procedures are implemented for each project and that records of environmental reviews are maintained. The Environmental Manager will ensure that all lending and investment decisions are

supported by appropriate documentation, including Social & Environment Screening checklist, which will be extensively used as part of the loan review and disbursement process.

Valuing our Customers' Needs

Our dedicated Customer Services and Quality department has adopted various measures and techniques to obtain positive and negative feedback from customers. This feedback helps the bank understand our customer expectations, requirements, service quality and identify potential product and service enhancements.

Feedback from customers is primarily received through the Call Centre, the bank's website, customer service email group, branches, head office and Customer Focus Group meetings.

We have several programmes, including Customer Focus Group meetings, Mystery Shopper Programme and Feedback Management System to effectively deal with customer feedback. In addition, our Quality Team conducts annual quality audits as per the International Organization for Standardization (ISO) standards.

To further develop our products and service and benchmark them, we conduct Mystery Shopper Programme in all branches throughout the year. The quarterly results of this programme are used to enhance customer service strategies.

There was a substantial decline in the number of customer complaints received by the bank in 2013. The average monthly complaint level reduced to 1683 in 2013 from the average 2658 in 2012. The number of complaints resolved within service level agreements (SLA) increased to 85 per cent in 2013 from 63 per cent in 2012. The number of complaints resolved beyond SLA decreased to 15 per cent in 2013 from 34 per cent in 2012. These figures reflect an impressive improvement in complaint management and timely resolution of complaints within the SLA time frame.

The bank introduced a Q-management system to manage customer queues in branches and also monitor the customer wait time and serve time in branches. The Q-net system has been introduced in 106 branches. The Q-net centralisation project, which started in 2013, has been completed in 95 branches. The project monitors the queue system in branches and provides guidance for effective queue management to improve the wait time and serve time. The Customer Service & Quality department monitors customer service in all the centralized branches and generates MIS reports. The branches are provided with daily reports on customer wait time to improve queue management and productivity of employees.

Customer Focus Group Meetings

We host annual Customer Focus Group meetings to better understand customer needs and gather suggestions for improvements in services. These meetings are hosted across all 9 regions in which we operate, and are attended by regional managers and invited customers. The meetings provide a platform for our Management Team members to interact with a representative sample of around 30 customers per region. The invitees to these meetings include corporate and retail customers. Customer Focus Group meetings were held in all regions this year. In addition, we conducted special customer focus group meetings for *asalah* customers highlighting *asalah* products and services and customer feedback on the product and services targeted at high savings customers. We also use these meetings as an opportunity to reward customers for their loyalty and patronage.

The Customer Services and Quality department ensures that all comments from the Customer Focus Group meetings are reported back to the applicable department and/or branch. Each department develops an action plan to address the concerns which is communicated to the Management by the Customer Services department. The report includes grievances raised during the meeting and action taken to resolve the issues.

Mystery Shopper Programme

The Mystery Shopper Programme provides an unbiased quarterly report of our performance within all our branches across the country. A third party conducts the survey and evaluates the services provided by our tellers and personal bankers. The number of Mystery Shopper surveys carried out across the branches rose to 1700 in 2013 compared to 1196 surveys in 2012. The results of the survey over the past three years are illustrated in the charts.

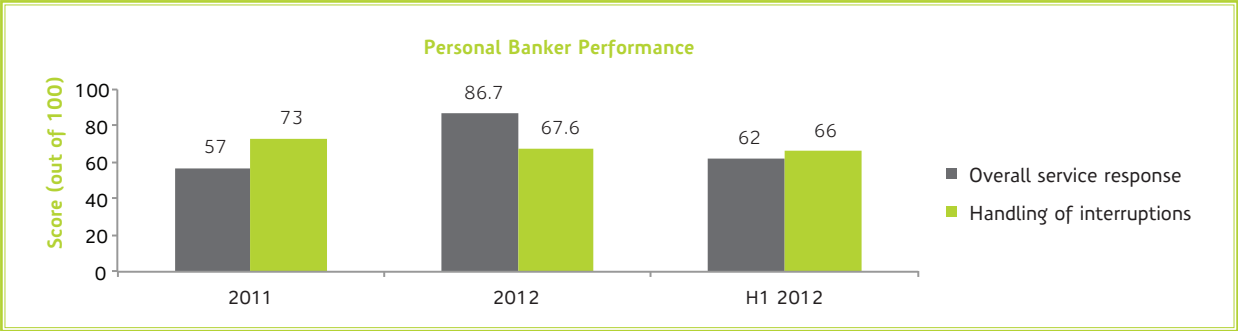
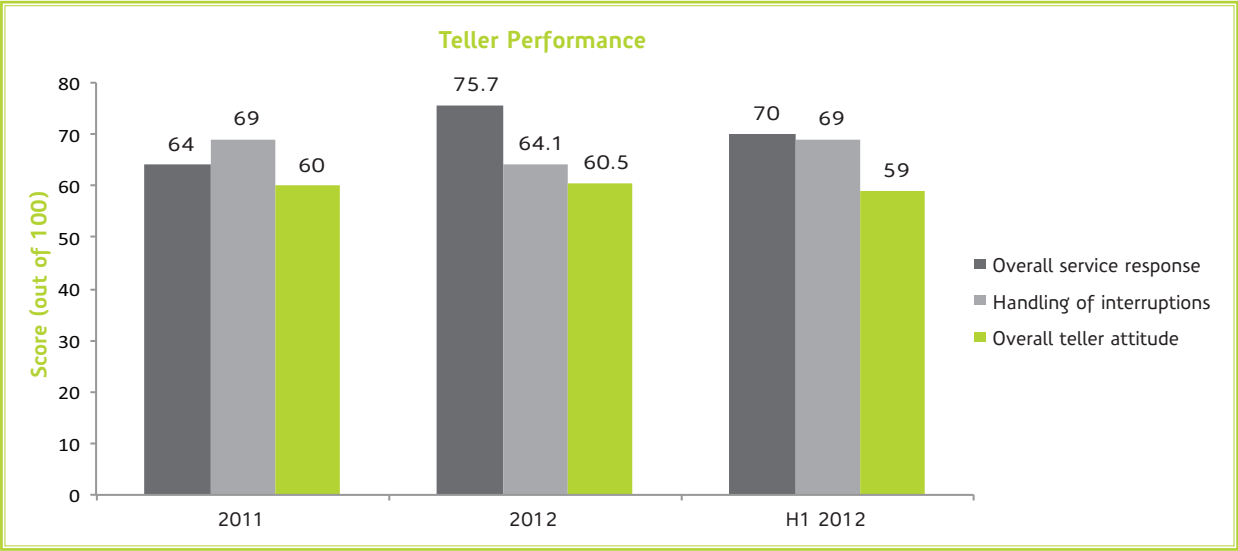
Branches that provide exceptional quality service to customers score highly and are rewarded for their performance accordingly. Branches that do not score highly are targeted for training and development actions catered to enhance their performance and quality of service. Our Learning & Development department conducts a range of training programmes specifically geared towards this purpose.

An external agency conducts the Mystery Shopper survey by sending shoppers to branches, checking services rendered by tellers and assessing the banking environment, queue length etc. The Customer Service and Quality department presents quarterly reports to the Management, highlighting the ratings results of branches and regions.

Feedback Management System

Customer complaints are handled through our feedback management system, which is accessible by phone, email and in person. We have a service level agreement to respond to complaint within targeted time frames according to the type of complaints. We measure our ability to resolve complaints within these time frames.

There was a substantial decline in the number of customer complaints received by the bank in 2013. Compared to a total of 31,901 complaints recorded in 2012, the bank received only 20,205 complaints



in 2013. This year, we succeeded in resolving 85% of all complaints within the targeted time frame. We are committed to improving our time frames for resolving complaints.



Learning from Experience

Weekly case studies summarizing how critical complaints were resolved are sent out to all employees. These case studies help our employees understand the applicable approaches to resolving a wide range of customer issues. Additionally, we highlight appreciative feedback from customers in our daily internal mails to enhance recognition and set good examples for our employees.

Improving the Corporate Banking Experience

During the year, the Corporate Banking department initiated key strategies to enhance customer service delivery. These initiatives are expected to improve business processes, reduce turnaround time and increase ease of access to customers.

New Workflow System

The department introduced a new workflow system to maintain a paperless environment. The automated workflow system also reduces the time lapse in proposals approving process. In a paperless office, email replaces the need to print, mail and ship documents to clients, which reduces expenses. The chances of losing important documents are lower when scanned and filed electronically, and the documents are often easier to find in an electronic system. Processing documents electronically opens up the opportunity for employees to work remotely.

The new workflow system improves efficiency and employee morale. Apart from practical considerations, our clients may view a paperless office favorably, approving of an environmentally friendly approach in an efficient, cutting-edge organization.

Customer Focus Group Meetings

Customer Focus Group Meetings for Corporate Banking clients are organized to evaluate the extent of customer satisfaction with the bank's products, services and delivery channels. The meetings help understand how the quality of products and services provided are perceived and rated by customers; and the particular areas with scope for improvement. The feedback is utilised to address various issues raised by clients. Satisfied customers lead to more business opportunity as well as increased customer loyalty and unique customer service.

Meethaq Islamic Banking

Meethaq Islamic Banking, **bank muscat's** independent Islamic banking window operations, is modelled on the 'bank-within-a-bank' concept. Meethaq operations are completely segregated from its conventional counterpart.

Meethaq, in its first year of operation in 2013 opened six branches, including a state-of-the-art branch in Sultan Qaboos University (SQU), and seven more branches are planned for 2014. The banking sector is witnessing a new phase with the launch of Islamic banking and the state-of-the-art Meethaq branch network reflects **bank muscat's** focus to redefine Islamic banking operations in Oman.

Seminar on Global Economy Outlook 2014

Meethaq hosted a seminar on Global Economy Outlook 2014 addressed by John Burton, former Prime Minister of Ireland. The event highlighted the Global economy outlook 2014 and beyond and how it would affect corporate performance, specifically in the region.

Support for Infrastructure Development

Meethaq signed agreements with Al Madina Group for the development of the first Shari'a compliant 5 star hotel in Oman and an integrated residential and commercial complex in Muscat. The hotel, scheduled for completion by 3rd quarter of 2014, will be a unique addition to the hospitality sector in the Sultanate.

In-country Value Addition Seminar

In the run-up to the launch of Meethaq Islamic Banking operations, the bank hosted a series of high profile conferences and seminars, including a seminar on 'In-Country Value Addition' addressed by Dr. Mahathir Mohamad, former Prime Minister of Malaysia. The seminar focused on a vital topic in the context of Oman addressing the requirements of youth representing more than 50 per cent of the country's population. The seminar also highlighted the importance of in-country value percolating to small and medium enterprises (SMEs) as Oman's economy is witnessing a gradual shift towards SMEs. The bank remains committed to working hand-in-hand with the government and partners to create sustainable in-country value for the country as a whole.



DEVELOPING FROM WITHIN

bank muscat has a high level of commitment towards its people, encouraging them to take ownership and responsibility and contribute to the growth of the organisation. The bank continuously invests in building human capacity and creating career opportunities for highly-qualified Omani nationals. The bank has been able to derive maximum mileage out of its HR processes as most of its middle and senior management cadres are drawn from within the bank.

The bank accords top priority for human resources development and over the years has adopted innovative strategies to equip Omani employees to take up leadership positions in tandem with future

challenges. Using benchmark human resources development processes, the bank has developed a comprehensive Learning & Development strategy for skill and knowledge enhancement vis-à-vis the requirement of various departments. The multi-skill development programmes have benefited a large number of employees.

Presently, a total of 3266 employees are working with the bank with the Omanisation level at 93.67 per cent. The bank offered a wide range of learning and development opportunities this year as 455 programmes presented over 5,234 learning opportunities, including overseas programmes.

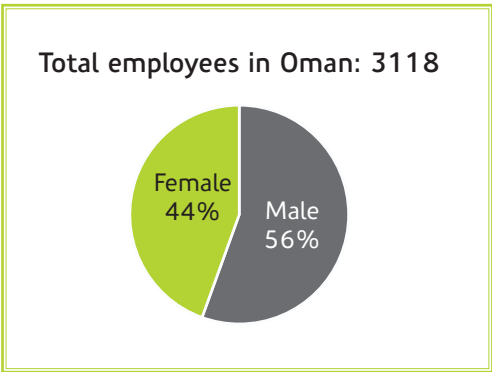
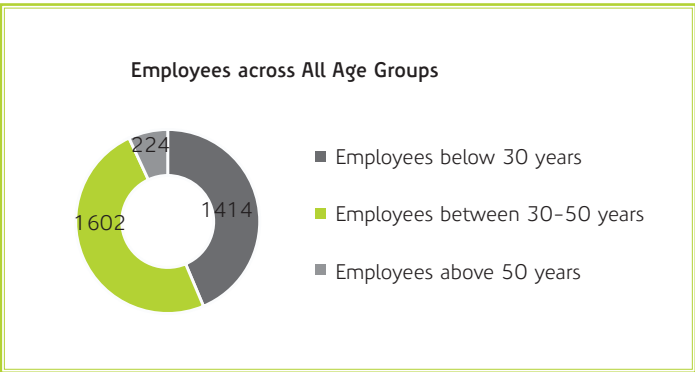
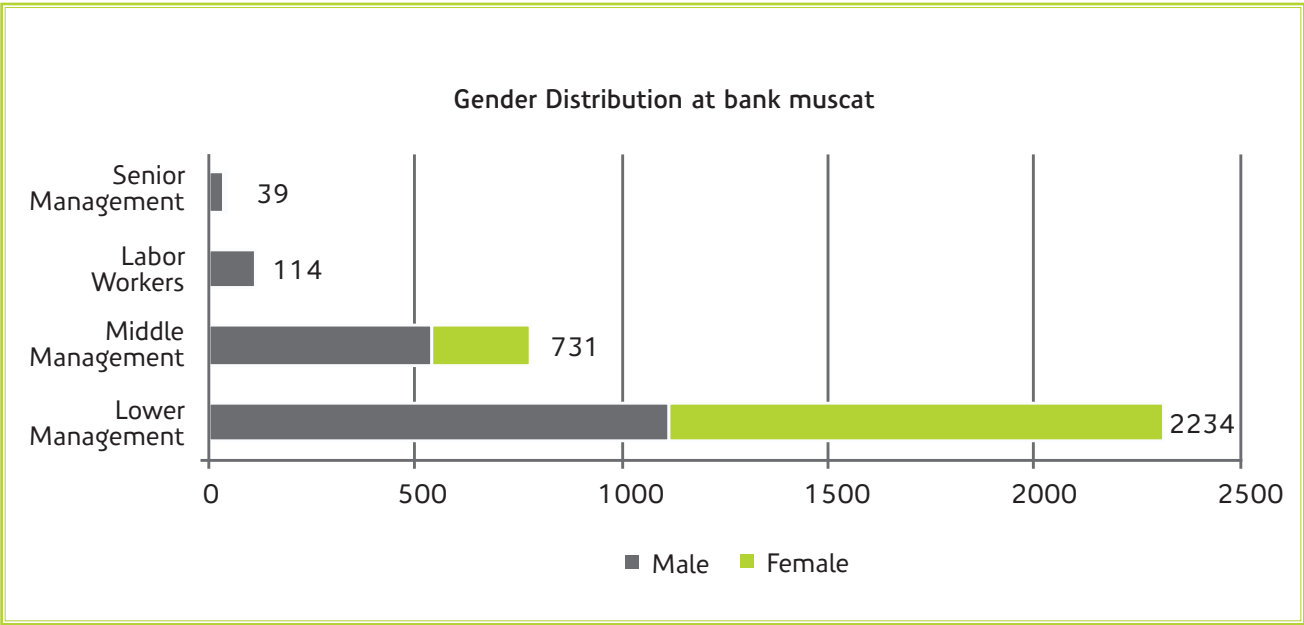
Looking forward: 2014 Sustainability Goals

Achieve qualitative advancement in the human resources sector to attract the best Omani cadres for employment at all levels.

Developing from Within

Challenging convention is at the heart of our vision. In pursuing this vision, we pay special attention to building a workforce that represents the diversity of our nation, from the mountainous interior to the verdant south. In addition, the 23 nationalities represented in our employees bring international

experience to the table. As illustrated in the charts below, we have a distribution of leadership across all levels of the organization and across both genders and various age groups. At the end of 2013, the number of employees reached 3266. **bank muscat** is a responsible employer and abides by Omani regulations and international labour standards. Our women empowerment strategy is notable as 44 per cent of employees are women at various levels.



Attracting and Nurturing Talent

With a low turnover rate of 1.9 per cent, we continuously strive to recruit and retain the best talent for employment at all levels. Our Human Resources Management (HRM) division supports the growth of the bank internationally and within the Sultanate. The role of HRM primarily revolves around planning and change management driven by the policies we develop.

The bank has achieved qualitative advancement in the human resources sector as it attracts the best Omani cadres for employment at all levels. The bank has succeeded tremendously in this aspect as in 2001 there were only six Omani graduates and 150 diploma holders, compared to the 2012 figures of 1,296 Omanis with Master's Degree, 464 with Bachelor's Degree and 1,131 with diploma certificates, in addition to others with post-graduate certificates.

Employee Engagement Programme

At the bank, we have an extensive employee engagement programme. We actively visit employees across all our branches to discuss current HR policies and procedures, and note any issues or concerns. To follow up from our visits, we generate grievance reports which are shared with regional managers and put in place action plans for addressing each concern in a confidential manner.

In 2013, we organised several workshops and events as a part of our "Body, Soul, Mind, Heart" campaign (further illustrated in the chart). The employees attended workshops on healthy living in which the topics covered how to get fit, issues like neck pain, how to deal with stress and nutrition for children. A 4-month weight loss programme was organised to promote healthy lifestyle and prizes were given to motivate employees to reduce excess weight.

An expert medical practitioner addressed a session on how to prevent cholesterol while another

workshop highlighted the power of positive thinking and how we can become more positive.

As an integrated part of our engagement programme, we conduct annual employee satisfaction surveys. Results from these surveys are closely reviewed and issues resolved. In addition, we have a grievance mechanism to address employee grievances and in 2013 no grievances related to discrimination or human rights were raised.

A workplace health and safety survey was conducted to ensure that the work environment is safe for employees and visitors. The employees also received first aid training to ensure prompt dispensation of basic first aid at work place. To impart basic fire fighting skills to employee fire wardens, a training was conducted by a professional trainer and certificates awarded to the participants. Guidance for a healthy lifestyle and how to avoid ill health were also given during the Holy Month of Ramadhan.

Education and Training

The Human Resources Management and Learning and Development divisions draw up plans and initiatives to provide our people with the necessary training to achieve the goals defined in our business plan. In accordance with the Royal directives of His Majesty Sultan Qaboos, which emphasise the need to pay attention to the training and development needs of human resources, we achieved a series of successes in the human resources sector, all of which reflect positively on the performance and development of the bank's operations, not only in the Sultanate, but also at the regional level. This has been the result of the prudent strategy and philosophy adopted by the bank's Board of Directors and Management, focusing on the development of employees as a fundamental requirement for achieving success. As illustrated in the chart, a total of 77,315 training hours were utilized by employees across all levels in 2013. Besides in-house training programmes, we also collaborate with international training institutes to provide specialised training as needed.

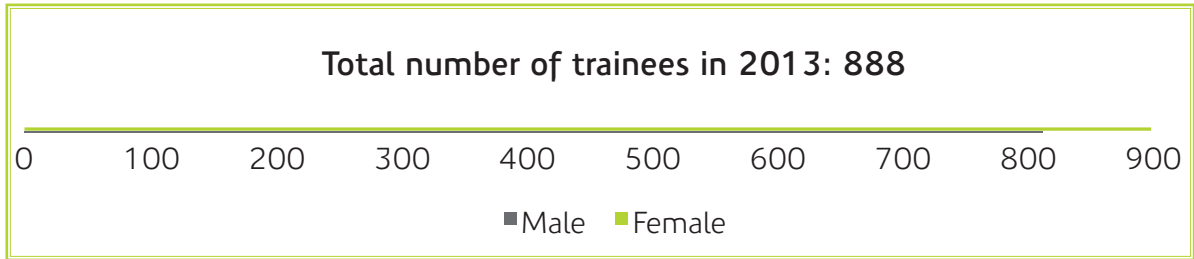
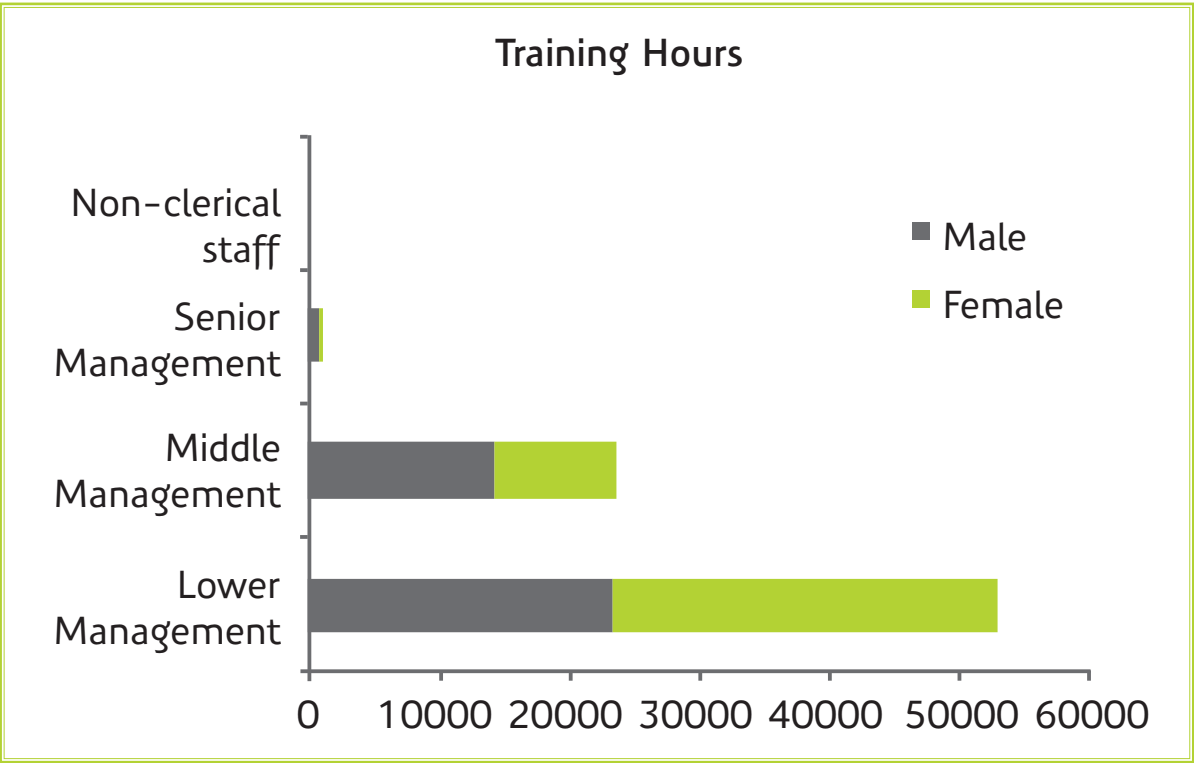
Our annual employee performance assessments are conducted through an online review process.

Employees are evaluated against core competency areas and assessed for appraisal accordingly. We have developed a programme for fast-tracking high-achievers towards leadership roles, to recognise and encourage their exceptional efforts. Our virtual centre for assessment and development allows us to identify potential leaders (such as Branch Managers) through a series of assessments which have been developed with external expertise. The assessments include knowledge of branch operations and group dynamics assessments. At the end of assessments, best candidates graduate to a specially tailored development programme.

What distinguishes the bank in the field of human resources is the method of assessment and development of capabilities and administrative

competence for members of the mid and senior management as it follows the 360 degree programme which requires the assessment of each manager by his colleagues in the same grade, superiors and those working under him, in addition to customers. This evaluation system has proved its efficiency and effectiveness in the assessment of performance at higher and mid-management levels.

The Learning and Development programme follows modern systems and techniques and takes into account the future plans and programmes of each department of the bank. It seeks to provide all types of training courses that meet the overall requirements as per the latest standards either in the Sultanate or abroad.



Women empowerment strategy

The bank's women empowerment strategy is notable as 43 per cent of employees are women holding various positions, including senior management positions. The bank is keen to develop its leadership pool from among the young Omanis, thereby contributing to Oman's future by investing in talent which is the real wealth of the nation.

In keeping with its leading position in the Sultanate of Oman, **bank muscat** always strives to set an example in all its activities. The bank's commitment to women development programmes go hand-in-hand with the prevailing progressive policies pursued by the government. With women accounting for nearly half of the Omani population, the economic development also correspondingly depends on their contributions. Hence, the bank is an equal opportunity employer to ensure career development for women.

Leadership training

The bank hosted a leadership training programme by Dr. Marshall Goldsmith, world authority on leadership strategies. The programme titled 'Helping Successful Leaders Get Even Better' benefitted management level participants to learn more about path-breaking trends in leadership. The initiative came as part of efforts by the bank aimed at equipping partners, well-wishers and management executives with insights into leadership. The event facilitated the opportunity to listen and interact with one of the influential thinkers of our time.

Long service award to employees

During 2013, the bank felicitated 259 employees with excellent and long service record ranging from 10 to 30 years. The bank has been successful in maintaining the highest standards

of people management, setting a fine example in continuously building human capacity and creating career opportunities for Omani nationals. The people learning and development strategies pursued by the bank are integrated with its overall strategies based on the business plan.

Meethaq Human Resources

Meethaq Islamic Banking provides comprehensive training for staff and is planning to launch a new development plan to help them reach higher levels in terms of knowledge and proficiency

Business Continuity Plan

The Business Continuity Plan (BCP) looks at ways and means to equip the bank deal with a variety of crises that may come its way, both from economic and natural reasons, providing the right set of tools and response mechanisms, as also identifying key procedures that will help protect the organisation during a crisis, reduce downtime and provide minimal disruptions in the normal delivery of products and services. The BCP process involves continuous review and upgrading to keep pace with the dynamic and ever changing business environment that the bank operates in.



EMPOWERING COMMUNITIES

The bank focuses on giving back to society through community programmes. Our efforts to empower communities are accomplished through various means, such as our services targeted at the small and medium enterprises, our commitment to source from local suppliers, and extending our reach through employee-led voluntary social programmes.

Looking forward: 2014 Sustainability Goals

- Build up support for SMEs to encourage an entrepreneurial culture in Oman.
- Ensure sustainability becomes part of the **bank muscat** culture
- The introduction of a new CSR and Sustainability Programme, Mojtama'na

Empowering Communities

We provide valuable contributions to the community through opportunities for local businesses to prosper and grow. In support of this, our SME division offers unique solutions to local entrepreneurs and we as part of our procurement policy, prioritise local suppliers whenever possible to support operations throughout our supply chain. In addition, we have developed several programmes that promote community building. Our corporate social responsibility programmes are centred on developing youth through educational support, training and sports, investing in homes for low-income and social welfare families as just some examples.

Encouraging local entrepreneurship

During the year, the bank completed RO 75 million private placement transaction with International Finance Corporation (IFC) and IFC Capitalization Fund as part of the overall capital augmentation plan to finance small and medium enterprises (SMEs) and women entrepreneurs.

In implementation of the recommendations of a Royal symposium on SMEs, the bank, in association with the Ministry of Commerce and Industry, launched a unique mentoring programme for SMEs under the direct supervision of the Chief Executive.

During 2013, the bank launched a unique SME financing programme which broadens financial access and helps entrepreneurs overcome challenges arising from non-availability of collaterals for SME finance. al Wathbah SME Non-Collateral Programme opens a new world of opportunity for entrepreneurs. The financing programme not requiring collaterals is a bold step affirming the bank's commitment to encourage an entrepreneurial culture in Oman.

The bank, as part of its commitment to SME development and women empowerment initiatives, launched the first-of-its-kind online networking forum for women entrepreneurs to benefit from each other's business expertise and experience.

We recognise the critical role SMEs play in building a diversified economy. We support SMEs by providing equipment finance, letters of guarantee and credit, as well as training and business advice for developing companies. Our SME services are available throughout Oman, especially in areas such as Salalah, Nizwa, Sur and Sohar where there is a high concentration of industry growth and availability of free zone facilities.

Educating customers and communities on financial planning and management

The bank is committed to transferring knowledge to customers and communities. We conducted seven workshops for SME customers across the Sultanate.

The main goal of the workshops is to provide the knowledge and tools necessary to successfully run a business and effectively overcome challenges. The targeted audience includes SME customers and upcoming entrepreneurs. An extensive programme has been developed for these workshops which include team-building activities, problem solving toolkits, and educational references.

In support to entrepreneurs, the bank has established 'al Wathba Business Zone' at the head office. Entrepreneurs who lack office facilities can use the dedicated facility free of cost for hosting business meetings in pursuit of developing their start-up ventures.

Key support to SME development

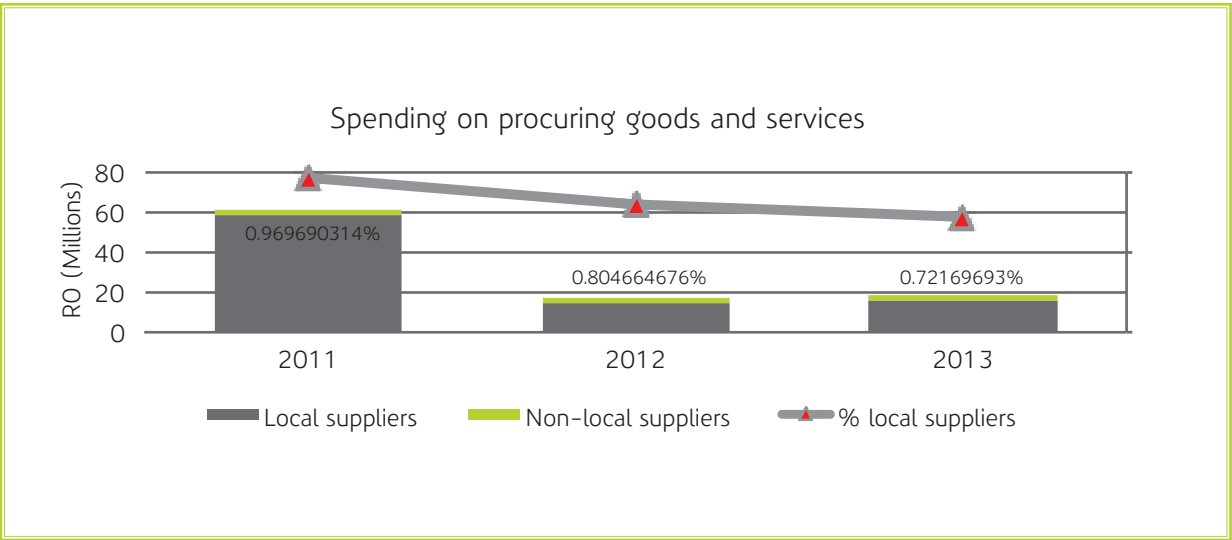
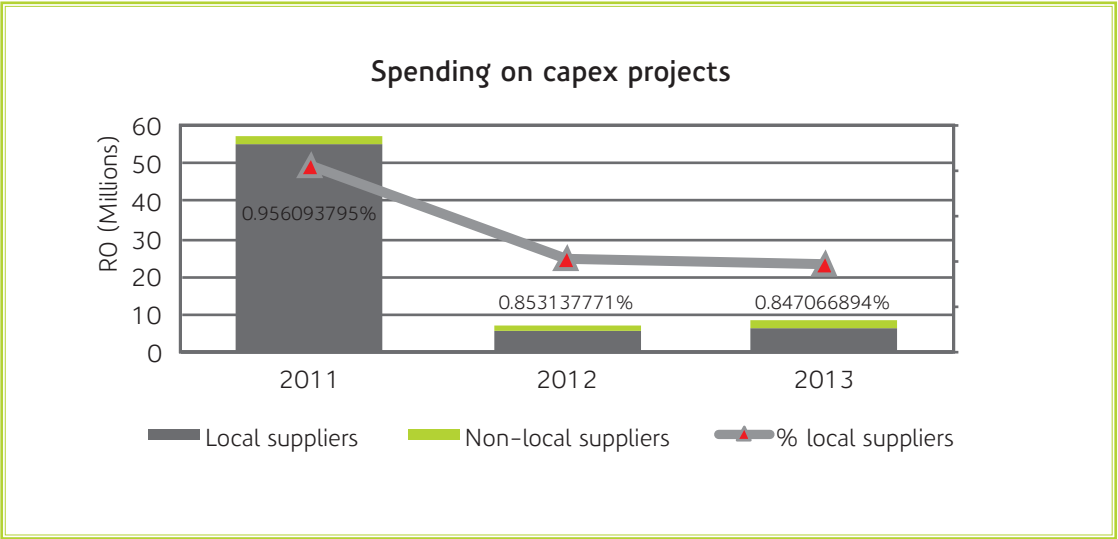
Meethaq hosted a seminar on Islamic finance for the small and medium enterprise (SME) sector, coinciding with the inauguration of Meethaq branch in Nizwa. In line with the progressive policies pursued by the government, Meethaq is committed to offering key support to SME development in Oman.

Meethaq also hosted another workshop to spotlight the experience of young Omani entrepreneurs who have benefited from Islamic finance for the small and medium enterprise (SME) sector.

Investing in local suppliers

First class products and services can only be provided if we can fully rely on our supply chain. For this reason, we are working to build a sustainable supply chain by engaging with local suppliers. Our procurement policy clearly states that whenever possible, local suppliers should be considered as a first choice. Options outside the local market are explored only when a local supplier cannot provide the product or service needed. In 2013, 72% of all our goods and supplies were sourced from local suppliers, which we selected based on the following criteria: competitive price, product quality, timely supply, and post delivery maintenance. Local suppliers also executed 85%, by value, of our capital expenditure (capex) projects in 2012.

We invested over RO 50 million in local suppliers for our capex projects spent in 2011 as a result of finalizing our new head office building. We are continuing to develop our supplier assessment programme in the future to transmit our values further down the supply chain. The charts below illustrate the contribution of local suppliers to our spending on procurements as well as capex projects since 2011. As illustrated, local suppliers have contributed between 80 and 97 percent of the total spending over the last three years.



Simplifying Access

We make it a priority to provide all our customers with convenient access to our services. We have developed an extensive network of 138 branches across all regions of Oman, supplemented by 435 ATMs and 171 CDMs. We regard towns with a population of 10,000 or above that have no access to an ATM or CDM to be at a disadvantage and consider this factor among others when expanding our network. In our commitment to ensure that our customers in remote areas have access to banking services, we have opened ATM and CDM in the mountainous region of Jebel Akhdar. In order to further facilitate electronic transactions in areas with limited access to banking services, we have a mobile ATM unit that goes to various camps and towns throughout the year. We plan to procure more of these mobile ATM units to increase the frequency and reach of this service.

To ensure that all our customers can easily use our services, we also have locations offering ATMs which are wheelchair accessible. Our new head office is designed with improved access for wheelchair users and we are modifying our existing branches to improve the banking experience to accommodate the needs of all our customers.

In addition to our physical network of branches and ATMs, we have developed two channels for secure and convenient banking – **bank muscat** Online and mBanking. **bank muscat** Online is our internet banking service that allows customers to conveniently view their accounts, pay bills and transfer money online. Our mBanking service is a mobile banking application that lets customers make secure transactions and payments using their smart phone from anywhere in the world. The state-of-the-art mBanking mobile services won the Best Mobile Payment Application in the Middle East award.

Specialised Products

We recognise that all our customers have different requirements and have developed a range of

differentiated services to suit their needs. In 2013, in line with the government focus on promoting small businesses, the bank set up a dedicated Retail Enterprises department to support small businesses in the country.

Shababi is an exclusive product package available for youth, aimed at supporting their lifestyle and encouraging the savings habit. During the year, the bank organised a first-of-its-kind financial literacy programme for fresh graduate students of Sultan Qaboos University (SQU). The 'My Money Skills' training initiative was aimed at promoting financial literacy among students as part of the bank's social responsibility. The bank also launched the first-of-its-kind Zaffaa marriage loan, addressing a long-felt social need of Omani youth requiring financial support to conduct their marriage.

Complementing the public health system, the bank launched a first-of-its-kind health insurance plan in Oman that offers full coverage for treatment ranging from simple medical check-ups to chronic illness. Our Zeinah range is tailored towards women's banking needs. The bank also offers exclusive services targeted at the expatriate community.

Hayatuna health insurance

During 2013, the bank, in partnership with AXA Insurance, launched a first-of-its-kind health insurance plan in Oman that offers full coverage for treatment ranging from simple medical check-ups to chronic illness. The plan is available in three variants targeted at the blue collar, salaried and affluent segments of society.

The unique features of Hayatuna health insurance include treatment coverage for pre-existing conditions as well as chronic illnesses. The insurance also facilitates direct billing from day one and can be availed for out-patient and in-patient treatment across a wide range of hospital network in Oman, the Indian sub continent and South East Asia.

Zaffaa marriage loan

The bank launched a first-of-its-kind banking product in Oman aimed at supporting youth during marriage. The Zaffaa marriage loan addresses a long-felt social need, extending a helping hand to Omani youth requiring financial support to conduct their marriage. Zaffaa is targeted at unmarried Omani youth. As per the 2010 census figures, around 58 per cent of Omani nationals comprise youth spread across all regions of Oman. Zaffaa caters to this segment as there is a big demand for such a product in Oman.

Meethaq home finance

Meethaq's Al Bait home finance provides the right financial tool to fulfill the aspirations of a dream home. During 2013, Meethaq signed an agreement to provide the attractive home finance for Zawaya's Al Hilal project in Baushar. The real estate sector is a major component of the national economy and Meethaq is committed to offering easy access to Shari'a based home finance.

Corporate social responsibility

Over the past year, the bank reinforced its CSR strategy to engage directly with communities through in-house programmes. While we continue to contribute to social causes through NGOs and charities, we believe that creating our own programmes mean that we are more accountable for making them a success.

Endowed with a global outlook, **bank muscat** remains Omani at heart, truly a classic case of service without boundaries. **bank muscat** is the first bank to establish a full-fledged Corporate Social Responsibility (CSR) department in Oman. Considered among core values, the CSR policy stems from the bank's commitment to social responsibility

encompassing all-round development vis-à-vis society, environment and economy.

The bank has established a leadership position in CSR in the Sultanate with impactful projects that stand out for their core values. The bank ensures its commitment to social responsibility through the following:

Supporting social and humanitarian activities, events and charitable programmes aimed at serving local communities. The bank works in close co-operation with Government establishments, social and voluntary associations to achieve this.

Adopting policies aimed at sustainable development. The bank acknowledges that its activities should promote sustainable development benefiting society and the environment.

Encouraging the bank employees to undertake voluntary social activities benefiting society.

Developing a world class work environment with Human Resources policies that create a healthy work environment and culture.

The CSR strategy focuses on the following elements:

1. Close alignment with the bank's vision and values.
2. Identifying strategic areas for social development support.
3. Promoting sustainable development programmes.
4. Developing unique social programmes with **bank muscat** identity as well as in collaboration with Government institutions.
5. Encouraging and establishing a culture of social responsibility among the bank staff.

The bank seeks to ensure its commitment to social responsibility through the following:

- Externally, the bank's vision/CSR strategy is communicated with the promise and assurance of "Let's. Do. More".

- Internally, the bank's vision/CSR strategy is implemented with the pledge of "We Can Do More".

The year 2013 marked a notable change as the bank expanded the scope of the CSR department, which is now functional as the CSR and Sustainability department. All the CSR programmes and activities initiated by the bank are of a sustainable nature, aimed at positively impacting as many beneficiaries as possible. Coinciding with a workshop on Environmental and Social Risk Analysis (ESRA) organised in association with the United Nations Environment Programme Finance Initiative, the bank published its first Sustainability Report compiled according to the accredited international criteria of GRI Index. The major initiatives by the CSR & Sustainability department during the year include the following.

Tadhamun

The Tadhamun programme launched by the bank in partnership with the Ministry of Social Development extended support to 146 social welfare and low income families in the Sultanate in 2013. The CSR initiative to distribute household goods and appliances to beneficiary families served as the anchor programme of the month-long activities lined up by the bank to mark the Holy Month of Ramadhan. The Tadhamun programme underscores the bank's commitment to complement the government's efforts in social responsibility and thereby strengthen the hands of needy sections in society. Reflecting the corporate ethos, the bank seizes every available opportunity to channel resources for creating sustainable, positive changes in communities by investing in their welfare to equip them for a better life.

Over the years, the Tadhamun programme has benefitted numerous social welfare and low-income beneficiaries and it will be expanded to cover more beneficiaries.

Jesr Al Mustaqbal

The bank supported 27 students in 2013 under the 'Jesr al Mustaqbal' (Bridge to Future) youth scholarship programme. Students belonging to social welfare and low income families from across the country were selected to study in their chosen fields, including Banking, Accounting, Information Technology and Finance. The programme received over 200 applications, proving the demand for educational support. 'Jesr al Mustaqbal' scholarship programme is continuously being developed to widen benefits to eligible students.

The bank launched the 'Jesr al Mustaqbal' (Bridge to Future) scholarship programme in execution of the directive of His Majesty Sultan Qaboos to provide relevant educational and training opportunities to Omani youth to develop employable skills. The CSR programme offers educational and vocational training for young Omanis belonging to social welfare and low income families who have not been able to complete their education for various reasons. Scholarships are available to students from all regions of the country.

As part of the 'Jesr al Mustaqbal' (Bridge to Future) CSR programme, 15 youth successfully completed a training programme to be employed as foreign exchange officers and another batch completed an IATA training programme. These two programmes extended vocational training for young Omanis belonging to social welfare and low income families. The bank also invited applications to select a new batch of Omani youth for 'Jesr al Mustaqbal' higher education scholarship programme.

Green Sports

Marking the second year of the unique Green Sports initiative aimed at developing a sporting nation, the bank signed agreements with 10 sports teams/clubs across Oman to green their playing fields. With this, a total of 20 teams have been extended support to green their playgrounds across the Sultanate. The

initiative yielded encouraging results as four of these teams received green fields developed by the bank in 2013. Al Reef Team in the Wilayat of Ibri was the first to receive a green playground, followed by A'dhahar Team in the Wilayat of Bidiya, Bilad Seet team in the wilayat of Bahla and Al Noor team in the wilayat of Musanah.

The Green Sports initiative was launched in 2012 by the bank in collaboration with the Ministry of Sports Affairs to promote Oman as a sporting nation. The bank recognises that local clubs wield immense influence on neighbourhood communities, especially youth, therefore clubs with modern infrastructure facilities can help raise sporting heroes for the country. Green Sports not only encourages youth to excel in sports, but also promotes a healthy lifestyle and environmental protection.

Staff CSR Initiatives

The bank staff organised various initiatives benefiting society in 2013. The CSR activities included the following:

1. **Executive Management** – Raised funds to construct a house for the family of a widow in Al Sawadi.
2. **Corporate Banking Department** – Hosted an event to educate young minds on the benefits of saving as well as ways to start small businesses. Students of four government schools were chosen for this programme. The department also hosted an event for socially disadvantaged children from Dar Al Aytam orphanage.
3. **Central Muscat Branch Staff** – Donated a library for the Association of Early Intervention for Children with Special Needs on the occasion of the inauguration of the bank's Central Muscat Regional Administration Office.
4. **Central Operations Team** – Hosted an Open Day at Sultan Qaboos University Hospital for children undergoing treatment for cancer and other illnesses. Gifts were distributed to the children, utilizing funds raised from a bake sale.
5. **Salalah Branch Employees** – Participated in a Blood Donation drive in association with the

Blood Bank at Sultan Qaboos Hospital, Salalah. The staff also participated in a Road Safety exhibition in the Wilayat of Mirbat.

6. **Priority Banking** – Aimed at raising health awareness, Asalah Priority Banking in partnership with Muscat Road Runners hosted Asalah Marathon.
7. **Meethaq Islamic Banking** – Hosted a bake sale to raise funds for charity.
8. **Operations and Information Technology Department** – Hosted the 'Coffee Break' to raise funds for Oman Cancer Association.
9. **Learning and Development** – Visited Sultan Qaboos University Hospital and presented gifts to children admitted to the hematology and oncology ward.
10. **North Batinah Regional Office** – Participated in a Road Safety event. The bank was honoured on the occasion by H.E Shaikh Hilal bin Ali bin Saud Al Habsi, Wali of Sohar, in recognition of support to community events.
11. **Risk Management** – Raised funds that were used to donate medical equipment for physically challenged children of Al Wafa Centre.

Zakati National Campaign

The Ministry of Awqaf and Religious Affairs, in association with Meethaq Islamic Banking, launched a national campaign aimed at encouraging citizens in fulfilling the Islamic obligation of Zakati. The Zakati National Campaign facilitates convenient financial processes to fulfill Zakati obligations, thereby adding value to the Islamic banking experience.

Meethaq short film competition

Meethaq launched a short film competition for citizens and residents in Oman, aimed at inculcating Islamic virtues and morals in society and encouraging youth to develop skills in short film production.



RECOGNISING OUR ENVIRONMENTAL IMPACT

Committed to responsible banking, our focus is clear – creating a sustainable financial platform for society and business, thereby contributing to sustainable development and protection of the environment. Our innovative endeavours to do more for the environment are reflected in our head office, which has incorporated design features, including enhanced insulation and occupancy sensors, to reduce energy consumption.

Looking forward: 2014 Sustainability Goals

- 10–15 per cent reduction in electricity consumption, leading to reduced levels of emissions and cost saving from reduced electricity consumption
- Efficient use of fuel and corresponding reduction in carbon footprint through IVMS
- Waste recycling solutions
- Electroflow electronic device

Recognizing our Environmental Impact

The main environmental impact of our business comes from financing large-scale development projects. In this respect, we manage our environmental impact by adhering to the Equator Principles for responsible financing. Information on our performance in applying the Equator Principles is detailed in the “Enhancing Economic Performance” chapter. As an organisation, our impact on the environment stems from resource consumption and corresponding emissions. Individually, we are committed to efficiently utilising resources to minimise our environmental footprint.

Health, Safety and Environment

Our Health, Safety and Environment (HSE) team within the Risk Management department drives responsible working practices across our operations. The HSE team is developing an internal environmental policy to further lead the organisation towards sustainable working practices. The focus areas include studying our energy consumption patterns in the head office to identify areas for improvement and implementing more energy efficient devices and practices. We are also monitoring our waste production more stringently and exploring recycling options.

In-vehicle monitoring system (IVMS)

During 2013, the bank installed in-vehicle monitoring systems (IVMS) in the bank's vehicles, owned or leased. The tracking system is aimed at ensuring safety and avoiding accidents, thereby contributing to efficient use of fuel and corresponding reduction in carbon footprint.

The following are the key features of the IVMS:

1. The bank vehicles are to be used only for official purposes. The IVMS helps in monitoring vehicle utilisation.
2. Record vehicle speed (maximum speed limit 60/80/100/120 KMPH as indicated by road signs).
3. Record instances of harsh braking and harsh acceleration.
4. Record instances of engine idling (to reduce emission).
5. Detect wearing of seat belts

To date, IVMS has been installed in 62 bank vehicles and the tracking system will be installed in the remaining bank vehicles shortly.

Highlights of HSE initiatives in 2013

- Two fire evacuation drills were successfully conducted in the head office. The evacuation of over 1,400 people was achieved in under-5 minutes. Significant co-ordination and preparation efforts were in place to ensure the exercise was a success without impacting services to customers.
- The HSE team regularly interacted with departments to ensure compliance with HSE regulations and policies.
- Regular inspection of facilities was carried out to avoid mishaps.
- Proactive HSE procedures were put in place to maintain a safe work environment.

Environmental Footprint

As the flagship bank in Oman with the largest number of employees, we are conscious that our resource requirements impact the environment. As a people-centric organisation, our main environmental impact comes from the energy we use for cooling our offices and powering equipment, movement of employees and suppliers, and the waste we dispose.

Emissions

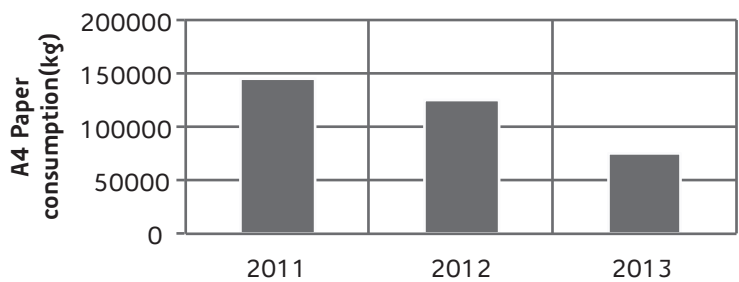
We are aware of the threat that climate change poses and understand that we must act to reduce our emissions. Currently, we are focused on measuring how our electricity consumption impacts climate change. Most of our emissions come from electricity consumption. We are also adopting measures to calculate emissions generated from commuting and business travel.

We believe the following measures taken in 2013 will help reduce our emission levels:

- Eighty Uninterruptible Power Supply batteries were replaced to ensure continual smooth operation of bank's critical equipment. The new batteries will prolong the life of equipment and reduce maintenance cost, averting sudden interruption to operations, machines and equipment.
- The terms of annual maintenance contracts were revised to ensure proper coverage of all items, especially after 3 years of operations.
- Monthly inspection of generators was carried out to ensure smooth operation.

Initiatives for saving energy

- The external lighting system was efficiently utilized to save energy.
- Daily inspection was carried out to ensure efficient operation of equipment.
- The viability of renewable energy (solar panels) for external lighting was evaluated.
- Replacement of existing lights by energy-efficient LED lights is under consideration.
- The benefits of shutting down few HVAC units (alternately) during non-working hours and holidays was evaluated. This will result in:
 - a) Prolonging the life of equipment and reducing maintenance cost.
 - b) Energy saving (5-10% annually).



Efficient Electricity Consumption Project

We are considering the Efficient Electricity Consumption Project (Electroflow) in the head office. As part of the project, Electroflow electronic devices will be fitted in parallel to incoming power supply. This will ensure continuous power supply, even during power failure, and also improve the quality of electricity supplied to the head office.

Following are the key benefits of the Electroflow project:

- 10-15 per cent reduction in electricity consumption, leading to reduced levels of emissions and cost saving from reduced electricity consumption.
- Electroflow will improve the quality of electricity, thereby extending the life of electrical equipment and appliances used in the head office. Hence, the carbon footprint of the bank will be reduced. We do not have supporting data yet on this and should be able to see results in the coming years.
- Currently, there are 100+ capacitors that need to be replaced every 5 years. By implementing Electroflow, the bank will avoid replacement of capacitors in a phased manner. This will result in cost savings as well as contribute to reducing the carbon footprint.

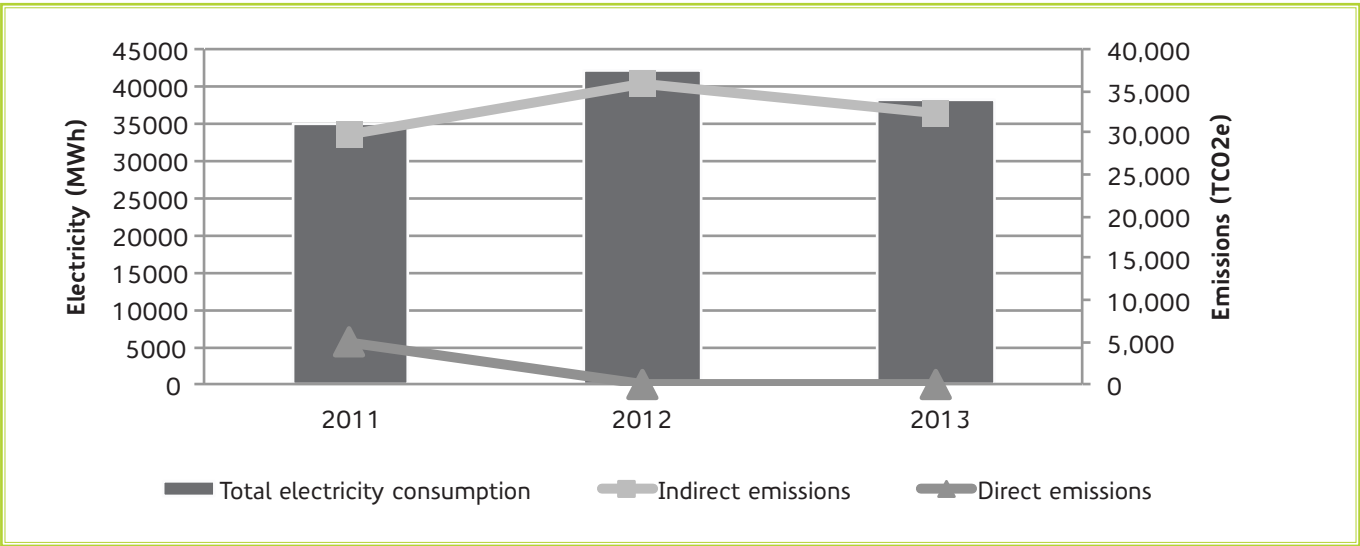
Waste

We have defined organisation-wide waste reduction targets and are considering options to recycle waste. Special bins have been provided at the head office to encourage employees to segregate their waste.

Paper is a large component of our waste at the bank. In an effort to reduce the usage of paper, we have implemented the following initiatives:

- Almost all our internal communication is exchanged electronically by employees.
- Soft copies of all our policies are available for employee reference on our "i-Share" server system.
- The head office is equipped with digital banners and kiosks to promote the bank's products, initiatives and in-house events. This saves printing of around 440 pull-up banners every year.
- We are gradually moving from physical newspapers to digital (online) newspapers, in phases. This will lead to a significant reduction in paper waste as employees will be reading online newspapers and publications.
- All paper documents are being converted into electronic documents for online access.
- We are exploring paper and waste recycling options.

In extending our waste reduction values to customers, our online banking and mobile banking allow access to information without the need for printed material. Electronic statements are also becoming popular in place of physical statements.



Eco-friendly Head Office

Our head office was designed to inspire environmental stewardship among employees and customers. The building incorporates the following unique environmental design features to conserve energy and water resources.

bank muscat is constantly looking for ways to enhance service to customers as part of which free wi-fi service is available at the head office and 12 branches, facilitating the use of wireless internet through smart phones, tablets or laptops.

Energy and Water Saving Features

- Building orientation maximises natural light, reducing lighting requirements during daytime.
- Pilkington "E" glass and film on Oriel windows insulate the building from heat.
- Water features in the lobby bring down temperature and reduce cooling requirement.
- Occupancy sensors ensure that interior lights are off when an area is vacated.
- The synchronised positioning of air-conditioning units enhances the natural flow of cool air.
- Water taps and toilet flushes are fitted with automated sensors to save water.

Oman Green Award

The bank won the 2013 Oman Economic Review (OER) Green Campaign of the Year award in recognition of its unique Green Sports initiative. The Green Sports initiative was launched by the bank to develop green playgrounds across Oman in support of youth, who represents 70 per cent of the Sultanate's population, and thereby contribute to developing a sporting nation, sustainable development and protection of the environment.





Statement GRI Application Level Check

GRI hereby states that **Bank Muscat** has presented its report "2013 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 6 May 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 29 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

APPENDIX A:

REPORTING PROCESS AND PARAMETERS

How we prepared this report

As sustainability reporting covers a very broad range of topics, we focused on only the most relevant issues. Following the GRI reporting principles, we consulted our stakeholders through a variety of channels to understand their key concerns. We crystallized our important topics by applying the materiality principle.

Stakeholder Engagement

Understanding our stakeholders' needs is essential for ensuring our success as a sustainable business. We have many communication channels open with all our key stakeholders to discuss issues that affect them. Our stakeholders' inputs highlight opportunities for us to improve, especially in terms of creating more value for our stakeholders. The stakeholder engagement matrix below summarizes our efforts to incorporate internal and external stakeholder feedback into our corporate sustainability strategy. The stakeholder groups were identified based on their ability to impact our operations and activities, and our ability to affect them as stakeholders.

Stakeholder group	How bank muscat engages with this stakeholder group	Priority Sustainability Concerns	bank muscat's Actions
Employees	<ul style="list-style-type: none">• Periodic appraisal sessions• Weekly team meetings, periodic one-to-one meetings• Employee satisfaction survey• Continuous communications and interaction through bank muscat news alert (e-mail system) and iShare (intranet)• Staff recreation events• Grievance mechanism	<ul style="list-style-type: none">• Job satisfaction• Fair compensation• Fair and transparent appraisal system• Staff engagement• Providing a stimulating work environment	<ul style="list-style-type: none">• Conduct periodic employee satisfaction surveys• Implemented HR online appraisal and goal setting systems, that require employee feedback• The bank implemented a comprehensive learning & development strategy• A state-of-the-art head office to provide best work environment• New organizational structure with young Omanis in leading positions• The bank has a staff engagement function within HR Department

Stakeholder group	How bank muscat engages with this stakeholder group	Priority Sustainability Concerns	bank muscat's Actions
Customers	<ul style="list-style-type: none"> • Call Centre – calls are logged into the bank's Feedback Management System (FMS). • Bank's website – Customers can log on to www.bankmuscat.com and register their remarks under the section "feedback". • Focus groups – CSD conducts focus group programs all through the year involving customers and branch staff in all regions wherein suggestions from customers are taken for improving the bank's services. • Customer networking events for specific customer segments • Largest branch network & ATM/CDM network • Press releases, interviews, magazine articles, etc.. Website & Social Media (Facebook, Twitter, LinkedIn, etc..), SMS, e-mail messages, outdoor media, TV & Radio Spots, Annual Reports, brochures and leaflets 	<ul style="list-style-type: none"> • Efficient customer service • Innovative and convenient suite of products and services catering to requirements of different segments • Deploy technology to provide best electronic banking channels • Enhance the bank's widest range of banking channels in Oman 	<ul style="list-style-type: none"> • Established a dedicated customer care unit within CSD • Feedback/complaints logged into FMS/are tracked and reported monthly. Reports are shared with the bank's management committee. • The bank organizes mystery shopper exercises to test the efficacy of customer care processes.
Government (including Regulatory bodies)	<ul style="list-style-type: none"> • Designated "Government Business" Division that caters to the banking needs and requirements of the government entities through meetings, visits, correspondences, etc.. • Investment in the national economy • Supporting initiatives of national importance 	<ul style="list-style-type: none"> • Contribution to the national economy • Alignment to Oman's 2020 vision • Abidance by government rules and regulations, and those related to transparency and disclosure 	<ul style="list-style-type: none"> • Maintain continuous communication with government bodies through the government business unit • Continuous dialogue with ministries and other government bodies on sustainability, economic and social development issues
Correspondent / other banks /international entities	<ul style="list-style-type: none"> • Dialogue through Financial Institutions Group (FIG) • Annual Reports • Roadshows & presentations 	<ul style="list-style-type: none"> • Normal business transactions • Enhance lines of credit & grow business 	<ul style="list-style-type: none"> • Established a dedicated department to engage with this stakeholder • Follow a relationship-based approach • Obtained quality awards from other banks (JP Morgan Chase, Deutsche Bank & Citi bank awards)

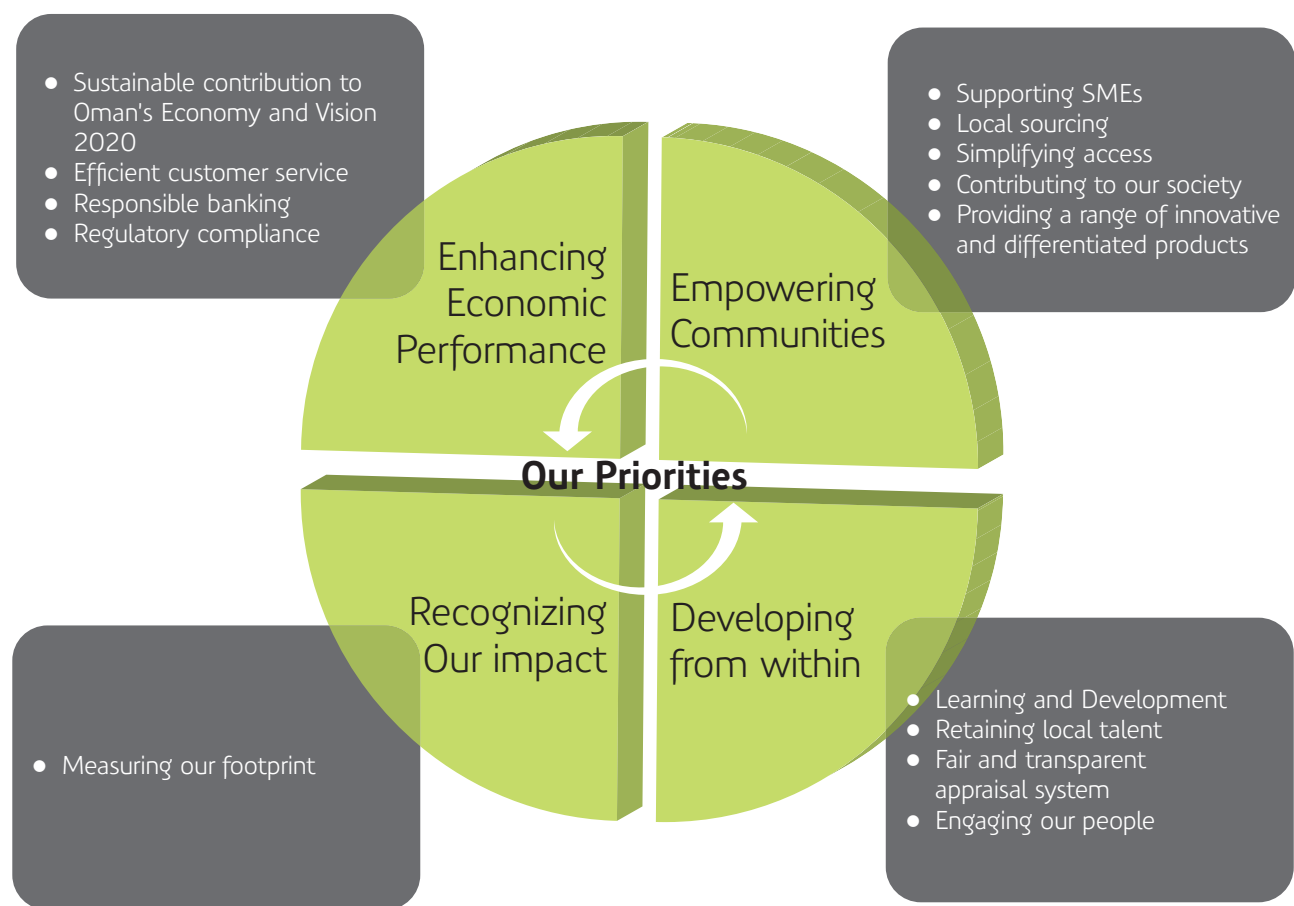
Stakeholder group	How bank muscat engages with this stakeholder group	Priority Sustainability Concerns	bank muscat's Actions
Shareholders/ Investors	<ul style="list-style-type: none"> Annual General Meeting of the shareholders Extraordinary Meeting of the Shareholder (when required) Board of Directors' meetings Annual Report Periodic Investor Meetings and presentations Website: latest news is available on www.bankmuscat.com and there is a dedicated "Investor relations" page Investor Roadshows/ presentations 	<ul style="list-style-type: none"> Creating added value for all our stakeholders including shareholders and investors 	<ul style="list-style-type: none"> Steady net income and asset growth Reward shareholders, yet look at future growth in terms of capital adequacy
Local community, NGOs & Others	<ul style="list-style-type: none"> Continuous correspondence with NGOs and other bodies Supporting local talents and charitable organizations through sponsorship unit and CSR Department Daily coverage of the bank's activities via press releases, interviews, magazine articles, radio spots etc..Website & Social Media (Facebook, Twitter, LinkedIn, etc..) 	<ul style="list-style-type: none"> Responsibility toward all-around development of the society Work closely with social and voluntary associations and non-government establishments 	<ul style="list-style-type: none"> Dedicated sponsorship function within the bank Dedicated CSR Department within the bank
Local, regional & international media	<ul style="list-style-type: none"> Daily Press releases, interviews, magazine articles, Daily Social Media updates (Facebook, Twitter, LinkedIn, etc.) Press Conference Annual Reports, brochures and leaflets Media networking events 	<ul style="list-style-type: none"> Media relations & PR Media awards 	<ul style="list-style-type: none"> Practice of monthly press conference where all media are invited to the head office Awards from local, regional and international media.

Materiality

We created a prioritization process to identify the issues to include in our report that would be considered most important by our stakeholders. Our report content was defined using the following approach:

- ❖ We consulted our stakeholders to identify their key concern, as summarized in our stakeholder matrix. We then prioritized each stakeholder group's concerns and emphasized any issues which were raised by more than one group.
- ❖ We looked at our own internal policies, challenges and goals to further streamline our report content. We compared our internal issues with those of our stakeholders to distill the concerns which are important to us as an organization and externally.
- ❖ Finally, we considered the big themes being discussed in the global banking industry today. We recognize that many issues of corporate culture and governance have been raised on the back of the crisis within the sector and this report covers the measures we have taken to continue acting as a responsible corporate citizen.

We grouped our material issues to draw out our four priority sustainability themes: Enhancing economic performance; Empowering communities; Developing from within; and Recognizing our impact. Our sustainability priorities and related material issues are illustrated in the chart to the right.



APPENDIX B:

STANDARD DISCLOSURES

Part 1 – Profile Disclosures

STRATEGY AND ANALYSIS		
GRI re-requirement	Description	Reference
1.1	Statement from the most senior decision-maker of the organization	5
1.2	Description of key impacts, risks and opportunities	5, 20-23
ORGANIZATIONAL PROFILE		
GRI re-requirement	Description	Reference
2.1	Name of the organization	Title page
2.2	Primary brands, products and/or services	11
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	15-17
2.4	Location of organization's headquarters	9
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	9
2.6	Nature of ownership and legal form	10
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	9-11, 24-27
2.8	Scale of the reporting organization	9, 10, 20
2.9	Significant changes during the reporting period regarding size, structure or ownership	No significant changes
2.10	Awards received in the reporting period	10
REPORT PARAMETERS		
GRI re-requirement	Description	Reference
3.2	Date of most recent previous report (if any)	2012
3.3	Reporting cycle (annual, biennial, etc.)	Annual
3.4	Contact point for questions regarding the report or its contents	Back cover
3.5	Process for defining report content	7
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) (see GRI Boundary Protocol for further guidance)	7

3.7	Specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	7
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations	7
3.9	Data measurement techniques and the basis for calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report (including explanation of any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols)	Details are mentioned throughout the report together with the data presented, any re-statements are stated
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	No re-statements
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	No significant changes
3.12	Table identifying the location of the Standard Disclosures in the report	Appendix B
3.13	Policy and current practice with regard to seeking external assurance for the report	No external assurance conducted

GOVERNANCE, COMMITMENTS AND ENGAGEMENT

GRI re-requirement	Description	Reference
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	15–17
4.2	Whether the chair of the highest governance body is also an executive officer	15
4.3	For organizations that have a unitary board structure, the number of members of the highest governance body that are independent and/or non-executive members	17
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	15
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	15
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	16
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics	16
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	13
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	15, 16
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	15

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	5, 15, 21, 22
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	5, 13, 21, 22
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic	5, 22
4.14	List of stakeholder groups engaged by the organization	Appendix A
4.15	Basis for identification and selection of stakeholders with whom to engage	Appendix A
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Appendix A
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Appendix A

Part 2 – Disclosures on Management Approach

DISCLOSURES ON MANAGEMENT APPROACH		
GRI re-requirement	Description	Reference
DMA (EC)	Disclosure on Management Approach Economic (EC)	20, 21, 29, 37, 35–38
DMA (EN)	Disclosure on Management Approach Environment (EN)	22, 23, 43–46
DMA (LA)	Disclosure on Management Approach Labour Practices (LA)	29–33
DMA (HR)	Disclosure on Management Approach Human Rights (HR)	31, 37
DMA (SO)	Disclosure on Management Approach Society (SO)	15, 19, 20, 35–38
DMA (PR)	Disclosure on Management Approach Product Responsibility (PR)	21

Part 3 – Performance Indicators

ECONOMIC		
GRI requirement	Description	Reference
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	20, economic value retained in 2013 (as per GRI methodology) = 117.2 million RO
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	37, local being the Sultanate of Oman
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	29-31
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	36, 40, 41
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	36-38
ENVIRONMENTAL		
GRI requirement	Description	Reference
EN1	Materials used by weight or volume.	Partial – 45
EN4	Indirect energy consumption by primary source	45, in 2013 the bank used an estimated 135,000 GJ of indirect energy
EN5	Energy saved due to conservation and efficiency improvements	44-46
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	44-46
EN16	Total direct and indirect greenhouse gas emissions by weight	45, emissions factors specific for Oman electricity generation have been used from the US DoE
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Partial – 44
EN22	Total weight of waste by type and disposal method.	Partial – 46
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	22, 23
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	21

LABOUR PRACTICE		
GRI requirement	Description	Reference
LA1	Total workforce by employment type, employment contract and region	Partial – 30
LA2	Total number and rate of employee turnover by age group, gender and region	Partial – 31
LA10	Average hours of training per year per employee, by employee category	Partial – 31–33, the average per employee in 2013 was 23.7 hours
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	31–33
LA12	Percentage of employees receiving regular performance and career development reviews	Partial – 31–32
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	17, 30, 33
HUMAN RIGHTS		
GRI requirement	Description	Reference
HR4	Total number of incidents of discrimination and actions taken	31
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	bank muscat does not allow child labour within its operations, or for its suppliers to use child labour
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	bank muscat does not allow forced labour in its operations, or for its suppliers to use forced labour
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	31
SOCIETY		
GRI requirement	Description	Reference
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	35–41
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	21

PRODUCT RESPONSIBILITY

GRI requirement	Description	Reference
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	21
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	21
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	24-26
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	21
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	21

FINANCIAL SERVICES SECTOR SUPPLEMENT

GRI requirement	Description	Reference
FS1	Policies with specific environmental and social components applied to business lines.	15-17
FS2	Procedures for assessing and screening environmental and social risks in business lines.	15
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	17
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	15
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	15
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	21-24
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	22, 23
FS11	Percentage of assets subject to positive and negative environmental or social screening.	22, 23
FS13	Access points in low-populated or economically disadvantaged areas by type.	38
FS14	Initiatives to improve access to financial services for disadvantaged people.	38
FS16	Initiatives to enhance financial literacy by type of beneficiary.	36

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