

Corporate Governance Report

Board of Directors of Galfar and Management presents the Corporate Governance Report for the year ended 31 December 2021.

Company’s Philosophy

Galfar Engineering and Contracting SOAG is committed to good corporate governance and healthy corporate practices. The concept of good governance envisages care of the Company to enhance the value of all its stakeholders by adhering to proper methods of management, internal controls, accountability, corporate governance rules and high level of transparency to the extent of not affecting the competitive position of the Company.

The Company has implemented the principles of the Code of Corporate Governance for publicly listed companies, promulgated by the Capital Market Authority. Transparency, Accountability, Fairness and Responsibility are the pillars of good Corporate Governance.

Board of Directors

The Board of Galfar comprises currently of 6 members, all of whom are non-executives and four of them are independent. The Directors are well experienced in their diversified professional fields and have given great support to practice good governance, to supervise the performance of the Company’s business with the view to ensuring its effectiveness and enhancement of shareholders value. Three members of the Board resigned during the year due to their personal commitments.

No Director is a member of more than 4 joint stock public companies whose shares are listed on the Muscat Securities Market (MSM) and no Director is chairman of more than 2 public companies whose principal office is in the Sultanate of Oman. None of the Directors are members of a Board of a joint stock public or closed company which carries out similar business and whose principal office is in the Sultanate of Oman.

Mission of Galfar Board is to lead the Company and achieve its objectives, short and long terms strategic plans, besides monitoring the Company’s businesses and its operations. In this context the Board gives support to Executive Management, without interfering in their day-to-day works, to perform their duties successfully and properly towards achieving the company’s objectives. The Board exercises its primary functions and duties in line with the principles provided for in the Code of Corporate Governance and other relevant laws of Sultanate of Oman and is assisted by various sub committees and the higher executive management of the Company.

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| Board of Directors |  |                            |                                    |  |
|--------------------|--|----------------------------|------------------------------------|--|
| Sr. No             | Name of Director                           | Designation                | Category                           | Directorship in Other Joint Stock Companies  |
| 1.                 | Engr. Majid Salim Said Al Fannah Al Araimi | Chairman                   | Non-Independent<br>Non - Executive | None   |
| 2.                 | Engr. Mohiuddin Mohamad Ali                | Deputy-Chairman            | Non-Independent<br>Non – Executive | Oman Medical College S.A.O.C.<br><br>Caledonian College of Engineering S.A.O.C.<br><br>National University of Science & Technology S.A.O.C |
| 3.                 | Shk. Hassan Ahmed Mohammed Al Nabhani      | Director<br><br>(Resigned) | Independent<br><br>Non-Executive   | <br><br>None   |

|    |   |                            |                                       |   |
|----|---|----------------------------|---------------------------------------|---|
|    | Resigned w.e.f. 01/01/22  |                            |                                       |   |
| 4. | Mr. Bader Mohamed<br>Rashid Al Araimi<br><br>Resigned w.e.f. 02/11/21   | Director<br><br>(Resigned) | Non-Independent    Non -<br>Executive | A`Sharqiya Investment Holdings<br>S.A.O.G.<br><br>Al Siraj Holdings S.A.O.C   |
| 5. | Mr. Kalat Ghuloom Hassan<br>Al Bulooshi<br><br>Resigned w.e.f. 19/09/21 | Director<br><br>(Resigned) | Independent    Non -<br>Executive     | Sembcorp Salalah Power and Water<br>Company S.A.O.G<br><br>Oman Investment Corporation S.A.O.C<br><br>Khazaen Development and Investment<br>Co. S.A.O.C |
| 6. | Mr. Hamdan Ahmed<br>Hamood Al-Shaqsi                                    | Director                   | Independent<br><br>Non-Executive      | <br><br>Nama Holding S.A.O.C  |
| 7. | Mr. Mohamed Taqi<br>Ibrahim Al Jamalani                                 | Director                   | Independent<br><br>Non - Executive    | National Life & General Insurance Co.<br>S.A.O.G<br><br>Public Authority for Special Economic<br>Zones and Free Zones                                   |
| 8. | Mr. Said Salim Ali Al Hajri   | Director                   | Independent<br><br>Non - Executive    | Oman Shipping Company   |
| 9. | Mr. Maqbool Hussein Salih<br>Al Zadjali                                 | Director                   | Non-Independent    Non -<br>Executive | <br><br>None  |

**Board Meetings:**

During the year 2021, the Board held 12 meetings and passed 35 resolutions by circulation. The dates of the meetings and the attendance details are given below:

| Board Members                                 | 4<br>Feb | 10<br>Mar | 2<br>May | 10 May | 31 May | 23 Jun | 6<br>Jul | 12 Aug | 22 Aug | 15<br>Sep | 11 Nov | 29 Dec |   |
|---|----------|-----------|----------|--------|--------|--------|----------|--------|--------|-----------|--------|--------|---|
| Engr. Majid Salim Said<br>Al Fannah Al Araimi | √        | √         | √        | √      | √      | √      | √        | X      | X      | √         | √      | √      | √ (Attended) X (Regret) * Resigned  |
| Engr. Mohiuddin<br>Mohamad Ali                | √        | √         | √        | √      | X      | √      | X        | √      | √      | √         | √      | √      | <b><u>Sub- Committees of the<br/>Board:</u></b>   |
| *Mr. Bader Mohamed<br>Rashid Al Araimi        | √        | √         | √        | √      | √      | √      | √        | √      | √      | X         | NA     | NA     | The following Sub-<br>committees assist and support<br>the Board in carrying out its<br>responsibilities. |
| * Engr. Kalat Ghuloom<br>Hassan Al Bulooshi   | X        | X         | √        | √      | X      | √      | X        | X      | X      | X         | NA     | NA     |   |

|  |   |   |   |   |   |   |   |   |   |   |       |   |   |
|--|---|---|---|---|---|---|---|---|---|---|-------|---|---|
|  |   |   |   |   |   |   |   |   |   |   |       |   | <div><div><b>Executive Committee (EC)</b></div><div>The EC is a sub-committee of the Board which oversees operational matters. It is constituted to enable the Board to conduct and monitor the company’s business and provides a mechanism for the Board to engage, within the limits granted to this sub-committee, in decision making, oversight, and communication on important</div></div> |
| Mr. Mohamed Taqi Ibrahim Al Jamalani     | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √     | √ |   |
| Engr. Said Salim Ali Al Hajri            | √ | X | √ | √ | √ | X | √ | X | √ | √ | √     | X |   |
| Engr. Maqbool Hussein Salih Al Zadjali   | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √     | √ |   |
| Mr. Hamdan Ahmed Hamood Al-Shaqsi        | √ | √ | √ | √ | √ | X | X | √ | √ | √ | √     | √ |   |
| *Sheikh Hassan Ahmed Mohammed Al Nabhani | √ | √ | √ | X | X | √ | √ | √ | X | X | Proxy | X |   |

organizational matters. It reviews the annual budget and business plan and monitors the performance of all Company’s units.

| Executive Committee Members                 | Designation | 01 Apr | 05 May | 08 Nov | 27 Dec |
|---|-------------|--------|--------|--------|--------|
| Engr. Majid Salim Said Al Fannah Al Araiimi | Chairman    | √      | √      | √      | X      |
| Engr. Mohiuddin Mohamad Ali                 | Member      | √      | √      | √      | √      |
| Engr. Kalat Ghuloom Hassan Al Bulooshi      | Member      | √      | √      | NA     | NA     |
| Engr. Maqbool Hussein Salih Al Zadjali      | Member      | √      | √      | √      | √      |

**Audit Committee (AC)**

The AC currently comprises of 3 independent members. The primary function of AC is to assist the Board in fulfilling its responsibilities of monitoring and overseeing the adequacy and effectiveness of the internal control systems, procedures, financial reporting process, the effectiveness of the internal audit function and recommends the appointment of the external auditor. In performing its duties, the committee maintains effective working relationships with the board of directors, management, and the external and internal auditors. The Audit Committee held 8 meetings in the year 2021. The dates of the meetings and the attendance details are given below:

| Audit Committee Members                | Designation | 15-Feb | 28-Feb | 07-Mar | 03-May | 30-May | 08-Aug | 07-Nov | 19-Dec |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Mr. Hamdan Ahmed Hamood Al-Shaqsi      | Chairman    | √      | √      | √      | √      | √      | √      | √      | √      |
| Mr. Mohamed Taqi Ibrahim Al Jamalani   | Member      | √      | √      | √      | √      | √      | √      | √      | √      |
| Engr. Said Salim Ali Al Hajri          | Member      | X      | X      | X      | √      | √      | X      | √      | √      |
| Mr. Bader Mohamed Rashid Al Araimi     | Member      | √      | √      | √      | √      | √      | √      | X      | X      |
| Sheikh Hassan Ahmed Mohamed Al Nabhani | Member      | √      | X      | √      | √      | X      | √      | X      | X      |

**Human Resource Nomination and Remuneration Committee (HRN&RC):**

The Human Resource Nomination and Remuneration Committee (HRN&RC) was formed by the Board in accordance with the requirements of the Code of Corporate Governance for Public Listed Companies. The Committee scrutinizes Board candidate applications and assist the annual general meeting of the company in the nomination of proficient directors for election. It also assists the board in selecting the suitable executives to the executive management and oversee the succession planning for such key executives. The HRN&RC Committee held 2 meetings in the year 2021. The date of the meeting and the attendance details are given below:

| Members of the Committee              | Designation | 11-July | 22-Nov |
|---------------------------------------|-------------|---------|--------|
| Engr. Said Salim Ali Al Hajri         | Chairman    | √       | √      |
| Engr. Mohiuddin Mohamad Ali           | Member      | √       | √      |
| Shk. Hassan Ahmed Mohammed Al Nabhani | Member      | x       | x      |
| Mr. Bader Mohamed Rashid Al Araimi    | Member      | √       | NA     |

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**Sitting Fees & Remuneration to the Board of Directors:**

OMR 700 was approved by the shareholders as sitting fee for the year 2021 for each Board meeting and OMR 400 for each of the sub- committees meeting. The total amount of

the sitting fees for board and sub-committee meetings held in 2021 is OMR 57,900.

| Sr. No. | Name of Director                            | Sitting Fees | Remuneration | Total OMR |
|---------|---|--------------|--------------|-----------|
| 1       | Engr. Majid Salim Said Al Fannah Al Araiimi | 8.200        | -            | 8,200     |
| 2       | Engr. Mohiuddin Mohamad Ali                 | 9,400        | -            | 9,400     |
| 3       | Mr. Hamdan Ahmed Hamood Al-Shaqsi           | 10,000       | -            | 10,000    |
| 4       | Mr. Bader Mohamed Rashid Al Araiimi         | 9.100        |              | 9,100     |
| 5       | Engr. Kalat Ghuloom Hassan Al Bulooshi      | 2,900        |              | 2,900     |
| 6       | Mr. Mohamed Taqi Ibrahim Al Jamalani        | 10,000       |              | 10,000    |
| 7       | Engr. Said Salim Ali Al Hajri               | 8,000        |              | 8.000     |
| 8       | Engr. Maqbool Hussein Salih Al Zadjali      | 10,000       |              | 10,000    |
| 9       | Shk. Hassan Mohammed Ahmed Al Nabhani       | 5,800        |              | 5.800     |
| Total   |   |              |              | 73,400    |

Note: Two Directors have declined to avail the sitting fees amounting to Ro.17,300. During 2021 OMR.27,400 was paid as sitting fee for the year 2020.

**Annual General Meeting:**

The Annual General Meeting for the year 2020 was held on 31<sup>st</sup> March 2021 vide electronic platform for holding General Meetings. The attendance details are given below.

| Sr. No. | Name of Director                            | Designation   | Attendance |
|---------|---|---------------|------------|
| 1       | Engr. Majid Salim Said Al Fannah Al Araiimi | Chairman      | √          |
| 2       | Engr. Mohiuddin Mohamad Ali                 | Vice Chairman | √          |
| 3       | Shk. Hassan Mohammed Ahmed Al Nabhani       | Director      | X          |
| 4       | Mr. Bader Mohamed Rashid Al Araiimi         | Director      | √          |
| 5       | Engr. Kalat Ghuloom Hassan Al Bulooshi      | Director      | √          |
| 6       | Mr. Mohamed Taqi Ibrahim Al Jamalani        | Director      | √          |
| 7       | Engr. Said Salim Ali Al Hajri               | Director      | X          |
| 8       | Engr. Maqbool Hussein Salih Al Zadjali      | Director      | √          |
| 9       | Mr. Hamdan Ahmed Hamood Al-Shaqsi           | Director      | √          |

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**Corporate Social Responsibility (CSR):**

In line with Principal 13 of the code of Corporate Governance, Galfar integrates its business values and operations for boosting up the national economic development of Oman. Galfar supports monetarily and technically, within its capabilities, the surrounding Communities at projects work sites and society at large, protecting the environment and safety of the citizens and striving to meet expectations of all stakeholders.

The Company has contributed to local communities wherever we deliver our projects and in 2021 joined the national efforts to relief and support areas affected by Cyclone Shaheen disaster. In addition, we are active in supporting innovation and safety campaigns throughout the country.

**Procedure for Standing as a Candidate for the Board:**

The Company's Board of Directors comes up for election once in three years. The present board was elected in the Ordinary General Meeting held in 2020.

The right to stand as a candidate for membership of the Board of Directors of the Company is open to shareholders and non-shareholders who satisfy the legal requirements provided for in the Commercial Company Law, the Articles of Associations of the Company and principles of the Code of Corporate Governance.

Any person who wishes to stand as a candidate for the Board and is eligible for the same as per the regulations as well as the Articles of association, is required to submit the candidacy form as prescribed by CMA. A candidate who stands for election to the Board is elected at the General Meeting by following the procedures laid down in the Commercial Companies Law, and rules and regulations issued by the CMA. The Company's Legal Advisor reviews the candidates form to ensure that all the required information is recorded and the candidates satisfy all the terms and conditions of the election process.

**Key Management Remuneration:**

Total remuneration during the financial year 2021 to key management staff was RO 635,834/-

**Employment contract**

Employment contracts to staff are for a period of one to two years, which is subject to renewal at the time of expiry based on terms and conditions agreed between the parties. Notice period is one month for all positions or salary in lieu thereof.

**Non-Compliance:**

The Company complies with the principles of Code of Corporate Governance and there were no penalties imposed on the Company in the year 2021.

**Compliance with Rules and Regulations:**

The Company has been following the applicable rules and regulations issued by MSM, CMA and those stipulated in the Commercial Companies Law and Articles of Association of the Company. The Compliance with Rules and Regulations are monitored and ensured jointly by the Legal & Compliance Department and the Internal Audit Unit in coordination with the other units.

The Company has in place internal regulations and control systems duly approved by the Board which includes Manual of Authority, policies for Whistle blowing, Code of conduct, Related Party Transactions, Revenue Recognition in addition to a Corporate Social Responsibility Policy. The Company follows the disclosure guidelines for Public Listed Companies issued by the Muscat Securities Market.

**Communication with Shareholders and Investors:**

The Company maintains good communication with shareholders and Investors and responds as much as possible to their queries and requests in line with the disclosures rules.

The Company publishes its un-audited financial results in the newspapers on a quarterly basis and the audited financial statements annually. Detailed financial statements are sent to shareholders on request. The Company posts its quarterly and annual results on MSM website, and also on the Company's website: [www.galfar.com](http://www.galfar.com). All the Company's

announcements are posted on MSM’s website.

The Management discussions and analysis report forms an integral part of the Annual Report.

**Statement on Market Price and distribution of Holdings:**

Market High/Low price during each month of 2021:

| Month  | High  | Low   | Close |
|--------|-------|-------|-------|
| Jan-21 | 0.056 | 0.042 | 0.051 |
| Feb-21 | 0.055 | 0.041 | 0.047 |
| Mar-21 | 0.050 | 0.043 | 0.045 |
| Apr-21 | 0.058 | 0.044 | 0.055 |
| May-21 | 0.057 | 0.048 | 0.048 |
| Jun-21 | 0.092 | 0.049 | 0.083 |
| Jul-21 | 0.086 | 0.075 | 0.082 |
| Aug-21 | 0.085 | 0.078 | 0.080 |
| Sep-21 | 0.083 | 0.076 | 0.076 |
| Oct-21 | 0.087 | 0.076 | 0.079 |
| Nov-21 | 0.079 | 0.073 | 0.073 |
| Dec-21 | 0.075 | 0.072 | 0.073 |

**Distribution of Ownership of Shares shareholders at 2021            (Including Shares preferential voting rights)**

| Sr. No. | Category     | No. of Shareholders | No. of Shares | % of Shareholding |
|---------|--------------|---------------------|---------------|-------------------|
|         | Less than 5% | 3,914               | 98,744.134    | 33.97%            |
| 2.      | 5% to 10%    | 2                   | 36,009,701    | 12.39%            |
| 3.      | Above 10%    | 4                   | 155,897,111   | 53.64%            |
| Total   |              | 3,920               | 290,650,946   | 100.00%           |

There are no Securities / Convertible Financial Instruments as on the reporting date which will have an impact on the Shareholders’ equity.

**Profile of the Statutory Auditor**

Abu Timam Grant Thornton is a leading accountant and consulting firm providing assurance, tax and advisory services. The organization has more than 2,500 partners spread across the globe who helps clients with their knowledge and experience. The Omani arm of Grant Thornton International, is headquartered in Muscat with a branch in Salalah. The Muscat office was established in 1995 and is one of the leading auditing and consulting firms in Oman, evidenced by the portfolio of clients that includes well-established companies across a broad spectrum of industries. Abu Timam Grant Thornton is approved by the Capital Market Authority as one of the audit firms allowed to audit joint stock companies.

**Audit fees of the Company and Subsidiaries:**

Audit Fees of Company and Subsidiaries and fees for other services paid to the Auditors for 2021

**Amount (In RO)**

| Sr. No. | Particulars  | Audit  | Others |
|---------|--|--------|--------|
| 1.      | Galfar Engineering and Contracting SOAG                  | 56,500 | 2,450  |
| 2.      | Al Khalij Heavy Equipment & Engineering LLC (Subsidiary) | 2,000  |        |
| 3.      | Aspire Projects & Services LLC (Subsidiary)              | 2,500  | 150    |
| 4.      | Galfar Aspire Ready-mix LLC (Subsidiary)                 | 2,500  |        |

The Board of Directors acknowledges the preparation of financial statements in accordance with the applicable standards and rules. The internal control systems of the Company are efficient and adequate and that it complies with internal rules and regulations and there is no material matter that affects the continuation of the Company and its ability to continue its operations during the next financial year.

**Majid Salim Said Al Fannah Al Araimi**

**Chairman**