

Corporate Governance Report

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 adopts high standards of Corporate Governance and has implemented the principles of the Code of Corporate Governance, promulgated by the Capital Market Authority. Transparency, Accountability, Fairness and Responsibility are the pillars of good Corporate Governance.

Eight of the directors in the current Board have been recommended for election by the Nomination and Remuneration Committee after satisfying the required skills and Competences provided for in the second principle of the Code of Corporate Governance Para 4 and 5. One director satisfying the required skills and Competences has been appointed by the Board of Director to fill a vacant seat until the upcoming AGM.

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.

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.

All our employees are guided by code of conduct including Board members and senior management. Code of conduct is featured in company's web site www.galfar.com. New employees are given induction and trained on code of conduct.

In general, the board exercises its primary functions and duties in line with the powers stipulated in the Articles of Association of the company and the principles provided for in the Code of Corporate Governance. For this purpose, the Board is assisted by various sub committees and the higher executive management of the company.

Board of Directors

The Board of Directors comprises of 9 members who were elected by the shareholders at the Annual General Meeting of the Company held on 30th March 2017 and 29th March 2018. The director seat which has become vacant with effect from 09 October 2018 due to resignation of Mr. Ganesan Sridhar for personal reasons was filled by The board appointed on 15th November 2018 Mr. Hamdan Ahmed Hamood Al-Shaqsy till the election in the upcoming AGM. 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.

Independent Evaluation of the Board

M/s Protivity was appointed by the shareholders as an independent consultant to conduct evaluation of the Board of Director's performance for the year ending 31.12.2018. Their report will be submitted to the shareholders at the upcoming Annual General Meeting to be held on 31st March 2019.

Current Members of the Board with effect from 30 th March 2017 and 29th March 2018				
Sr. No	Name of Director /Juristic person he Represents (if any)	Designation	Category	Directorship in Other Joint Stock Companies
1.	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	Non Independent Non - Executive	Ominvest SAOG, A'saffa Foods SAOG
2.	Engr. Mohiuddin Mohamad Ali	Vice-Chairman	Non Independent Non - Executive	Oman Medical College S.A.O.C
3.	Mr. Kalat Ghuloom Hassan Al Bulooshi	Director 29.03.2018	Independent, Non - Executive	Sembcorp Salalah Power and Water SAOG, Oman Investment Corporation SAOC, Khazaen Development and Investment Co. SAOC
4.	Mr. Hamdan Ahmed Hamood Al-Shaqsy	Director 15.11.2018	Independent, Non-Executive	None
5.	Mr. Mohamed Taqi Ibrahim Al Jamalani	Director 29.03.2018	Independent, Non - Executive	National Life & General Insurance Co. SAOG, Horizon Capital Markets SAOC
6.	Engr. Salman Rashid Al Fannah Al Araimi	Director	Non Independent Non - Executive	National Factory for Security & Safety Equipments SAOC
7.	Mr. Badar Mohamed Rashid Al Araimi	Director	Non Independent, Non - Executive	A'sharqiya Investment Holdings SAOG
8.	Mr. Maqbool Hussein Salih Al Zadjali	Director 29.03.2018	Independent, Non - Executive	None
9.	Mr. Saeed Salim Ali Al Hajri	Director 29.03.2018	Independent, Non - Executive	Oman National Investments Development Co. SAOC
Previous Members whose Membership ended on 11 March and 15 November 2018				
10.	Dr. Hatem Bakheit Saeed Al Shanfari	Director	Independent, Non-Executive	Gulf Investment Services Co. S.A.O.G
11.	Engr. Raiz Basheeruddin	Director	Independent, Non-Executive	None
12.	Sheikh Salim Abdullah Saeed Badr Al Rawas	Director	Independent Non - Executive	Kunooz Oman Holding S.A.O.C.
13.	Mr. Ganesan Sridhar	Chairman	Independent, Non-Executive	Gulf Invest. services holding SAOG

Board Meetings:

During the year 2018, the Board held (10) meetings in (13) sessions and passed 21 resolutions by circulation. The dates of the meetings and the attendance details are given in the following two tables:

Board of Directors Meetings & Attendance Details - Year 2018

Sr No	Name of Director & Representative	Meeting 83 Two Sessions	Meeting 84	Meeting 85	Meeting 86	Meeting 87	Meeting 88	Meeting 89, Two Sessions	Meeting 90	Meeting 91 Two Sessions	Meeting 92
		25-Jan18 & 29 Jan 18	27-Feb-18	08-Mar-18	12-Apr-18	10-May-18	28-Jun-18	9-Aug-18 & 14-Aug-18	09-Oct-18	12-Nov-18 & 13-Nov-18	23-Dec-18
1	Engr. Majid Salim Said Al Fannah Al Araiimi	√	√	√	√	√	√	√	√	√	√
2	Engr. Mohiuddin Mohamad Ali	√	√	√	√	√	√	√	√	√	√
3	Engr. Salman Rashid Al Fannah Al Araiimi	√	√	√	√	X	√	√	√	√	√
4	Mr. Badar Mohamed Rashid Al Araiimi	√	√	√	√	√	√	√	√	√	√
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	Member w.e.f 29 Mar 2018			√	√	√	√	X	X	√
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	Member w.e.f 29 Mar 2018			√	√	√	√	√	√	√
7	Engr. Said Salim Ali Al Hajri	Member w.e.f 29 Mar 2018			√	√	√	√	X	√	X
8	Engr. Maqbool Hussein Salih Al Zadjali	Member w.e.f 29 Mar 2018			√	√	√	√	√	√	X
9	Mr. Hamdan Ahmed Hamood Al-Shaqsy	Member w.e.f 15 Nov 2018									√
10	Mr. Ganesan Sridhar	√	√	X	X	√	√	X	Resigned w.e.f. 09 Oct 2018		
11	Engr. Raiz Basheeruddin	X	√	√	Resigned w.e.f. 08 March 2018						
12	Sheikh Salim Abdullah Saeed Badr Al Rawas	√	√	√	Resigned w.e.f. 08 March 2018						
13	Dr.Hatem Bakheit Saeed Al Shanfari	√	X	√	Resigned w.e.f. 08 March 2018						

Sub- Committees of the Board:

The following Sub-committees assist and support the Board in carrying out its responsibilities.

Executive Committee (EXCOM)

On 08th March 2018, the Supervisory and Follow up Committee (SAFCOM) changed its name to Executive Committee (EXCOM). The Committee now consists of 4 members. The primary role and responsibilities of the Committee are: Providing strategic direction to the Company by working closely with management to develop and accomplish the Company's objectives, strategies, and performance targets that by way of improving the financial

position; Review the annual budget and business plan; Study of Investment Opportunities / Divestment; Setting and monitoring the required supervisory procedures for the performance of all the Company Units from all aspects, and Monitors the performance of all Company's units including procurement matters

Current EXCOM Members with effect from 12 th April 2018		
Sr. No.	Name of EXCOM Members	Designation
1	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman
2	Engr. Mohiuddin Mohamad Ali	Member
3	Engr. Kalat Ghuloom Hassan Al Bulooshi	Member
4	Engr. Maqbool Hussein Salih Al Zadjali	Member
Previous Members whose membership ended on 08 th March & 12 th April 2018		
1	Sheikh Salim Abdullah Saeed Badr Al Rawas Member	Member
2	Engr. Raiz Basheeruddin	Member
3	Mr. Bader M. Rashid Al Fannah Al Araimi	Member

EXCOM Meetings

During the year 2018 SAFCOM/EXCOM held 4 meetings. The following table shows dates of the meetings and attendance details

Sr. No.	Name of Committee members	Designation	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting
			01-Mar-18	09-May-18	07-Aug-18	05-Nov-18
1.	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	√	√	√	√
2.	Sheikh Salim Abdullah Saeed Badr Al Rawas	Member	√	Resigned w.e.f. 08 March 2018		
3.	Engr. Mohiuddin Mohamad Ali	Member	√	√	√	√
4.	Engr. Raiz Basheeruddin	Member	X	Resigned w.e.f. 08 March 2018		
5.	Mr. Badar Mohamed Rashid Al Araimi	Member	√	Membership up to 11 Apr 2018		
6.	Engr. Kalat Ghuloom Hassan Al Bulooshi	Member	Not Member	√	√	X
7.	Engr. Maqbool Hussein Salih Al Zadjali	Member	Not Member	√	√	√

Audit Committee:

Members to the current Audit Committee were selected following the election of the new Board on 29 March 2018. The Committee has 5 members. The primary responsibilities and functions of Audit Committee are to provide assistance to the Board of Directors 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; the independent audit. The process including recommending the appointment and assessing the performance of the external auditor; the company's process for monitoring compliance with laws and regulations affecting financial reporting and code of business conduct.

The Audit Committee reviews and approves the annual audit plan which is prepared based on risk based audit approach. It also reviews the Audit Committee Charter, Internal Audit Charter periodically. These are key to reinforce the organizational independence of Internal Audit and to establish their rules of engagement throughout the Company.

The Audit Committee has focused to create awareness on the code of ethics and whistleblower policy and ensure that all the staff of the Company has gone through the whistleblower awareness program.

In performing its duties, the committee maintains effective working relationships with the board of directors, management, and the external and internal auditors. To perform its role effectively, each committee member will need to develop and maintain his skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks.

Current Audit Committee Members		
Sr. No.	Name of Audit Committee Members	Designation
1.	Mr. Hamdan Ahmed Hamood Al-Shaqsy	Chairman
2.	Engr. Salman Rashid Al Fannah Al Araiimi	Member
3.	Mr. Mohamed Taqi Ibrahim Al Jamalani	Member
4.	Mr. Badar Mohamed Rashid Al Fanna Al Araiimi	Member
5.	Mr. Saeed Salim Ali Al Hajri	Member
Previous Members whose membership ended during the year 2018		Membership ended on
1.	Mr. Ganesan Sridhar	09-Oct-2018
2.	Dr. Hatim Bakhit Said Al Shanfari	08-Mar-2018
3.	Engr. Raiz Basheeruddin	08-Mar-2018

Audit Committee Meetings:

The Audit Committee held 8 meetings in the year 2018. The dates of the meetings and the attendance details are given in the following table:

Sr. No	Name of Committee members	Designation	1st Meeting	2nd Meeting	3rd Meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting	8th Meeting
			8-Mar-2018	8-May-2018	8-Aug-2018	18-Aug-2018	12-Sep-2018	4-Oct-2018	11-Nov-18	23-Dec-2018
1	Mr. Hamdan Ahmed Hamood Al-Shaqsy	Chairman	Chairman Audit Committee w.e.f. 15 Nov 2018							√
2	Mr. Mohamed Taqi Ibrahim Al Jamalani	Member/Chairman-designate	Not Member	√	√	√	√	√	√	√
3	Mr. Said Salim Ali Al Hajri	Member	Not Member	X	√	√	√	√	√	X
4	Mr. Bader Mohammed Rashid Al Fannah Al Aرامي	Member	Not Member	√	√	√	√	√	√	√
5	Engr. Salman Rashid Al Fannah Al Aرامي	Member	√	√	√	√	√	√	√	√
6	Mr. Ganesan Sridhar	Member/Past chairman	√	√	√	X	X	X	Resigned w.e.f. 09 Oct 2018	
7	Engr. Raiz Basheeruddin	Member	√	Resigned w.e.f. 08 March 2018						
8	Dr. Hatim Bakhit Said Al Shanfari	Past chairman	√	Resigned w.e.f. 08 March 2018						

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

The Human Resource Nomination and Remuneration Committee (HRN&RC) was formed by the elected Board on March 30th 2017 and now consists of 3 members. The primary roles and responsibilities of the committee are: overseeing the human resources matters and strengthen the HR unit with the appropriate HR Policies and strategies that boost capabilities of the Company to achieve its business objectives and to benefiting all its stakeholders. The committee assesses the candidates for election to the Board of Directors and recommends election of the Candidates who fulfill the required criteria and skills to standing for election to the Board of Directors every three years.

Current Members of HRN&RC with effect from 12th April 2018		
	Name of Director & Representative	Designation
1.	Engr. Said Salim Ali Al Hajri	Chairman
2.	Engr. Mohiuddin Mohamad Ali	Member

3.	Mr. Badar Mohamed Rashid Al Araimi	Member
Previous Members of HRN&RC whose membership ended on 12th April 2018		
1.	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman
2.	Mr. Ganesan Sridhar	Member

The HRN&RC Committee held 3 meetings in the year 2018. The dates of the meetings and the attendance details are given in the following table:

Sr. No.	Name of Director & Representative	Designation	15th Meeting	16th Meeting	17th Meeting
			17-Jan-18	28-Mar-18	25-Sep-18
1	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	√	√	Not Member
2	Engr. Mohiuddin Mohamad Ali	Member	√	X	√
3	Mr. Badar Mohamed Rashid Al Araimi	Member	√	√	√
4	Mr. Said Salim Ali Al Hajri	Chairman (From 12 th April 2018)	Not Member	Not Member	√
5	Mr. Ganesan Sridhar	Member	√	√	Not Member

Sitting Fees & Remuneration to the Board of Directors:

The rate of sitting fees approved by the shareholders for the year 2018 is OMR 700 per each Board meeting and OMR 400 per each of the sub- committees meeting.

The amount of the total sitting fees for the board meetings and the sub-committees meetings held in 2018 is OMR 75,700.

Sr. No	Name of Director	Sitting Fees OMR	Remuneration	Total OMR
1	Eng. Majid. Salim Said Hamed Al Fannah Al Araimi	9,400		9,400
2	Engr. Mohiuddin Mohamad Ali	9,400		9,400
3	Engr. Salman Rashid Al Fannah Al Araimi	9,500		9,500
4	Mr. Badar Mohamed Rashid Al Araimi	11,400		11,400
5	Engr. Kalat Ghuloom Hassan Al Buloosh	4,300		4,300
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	7,700		7,700
7	Mr. Said Salim Ali Al Hajri	5,900		5,900
8	Engr. Maqbool Hussein Salih Al Zadjail	5,400		5,400
9	Mr. Hamdan Ahmed Hamood Al-Shaqsy	1,100		1,100

10	Mr. Ganesan Sridhar	5,500		5,500
11	Engr. Raiz Basheeruddin	1,800		1,800
12	Sheikh Salim Abdullah Saeed Badr Al Rawas	2,500		2,500
13	Dr.HatemBakheit Saeed Al Shanfari	1,800		1,800
Total				75,700

Annual General Meeting:

The Annual General Meeting for the year 2017 was held on 29th March 2018. The attendance details are given below.

Sr. No.	Name of Director & Representative	Designation	Attendance
1.	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	√
2.	Engr. Mohiuddin Mohamad Ali	Director	√
3.	Engr. Salman Rashid Al Fannah Al Araimi	Director	√
4.	Mr. Badar Mohamed Rashid Al Araimi	Director	√
5.	Mr. Ganesan Sridhar	Director	√

Corporate Social Responsibility (CSR):

Galfar being one of the pioneers and leading engineering and contracting Companies in the Sultanate of Oman has a positive track record in extending monetary and technical support to the Oman Society.

In alignment with the concept of Corporate Social responsibility, Galfar integrates its business values and operations for boosting up the national economic development of Oman, supporting within its capabilities the surrounding Communities at projects work sites and the society at large, protecting the environment and Safety of the citizens, strive to meet expectations of all stakeholders. During the year 2018, the Company contributed a sum of OMR 7,000 for social support and has estimated a budget in a sum of RO 150,000 for the social support for the current year 2019.

Procedure for Standing as a Candidate for the Board:

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 1974 as amended, the Articles of Associations of the Company and principles of the Code of Corporate Governance.

In case of a shareholder, whether in personal capacity or representing a juristic person, he must have a minimum equity of not less than 10000 shares. 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.

Key Management Remuneration:

Total remuneration during the financial year 2018 to top Management (top 5) was RO 539,830

The Company enters into employment contracts with its employees at the start of their service according to the requirements of the Omani Labour law.

Non-Compliance:

The Company complies with the principles of Code of Corporate Governance and no penalties were imposed on the Company by CMA or MSM during the year 2018.

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 1974 as amended 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.

Board has rules and procedures in place as term of reference (Articles 20 to 47) which govern the directors in exercising their responsibilities.

An induction is given to new Directors to get acquainted with the executive management and Company's activities.

The Company follows the disclosure rules of the Capital Market Authority and the disclosure guidelines for Public Listed Companies of the Muscat Securities Market.

Communication with Shareholders and Investors:

The company maintains good communications with the 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. 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 2018:

Sr. No.	Month	High	Low	Closing
1	Jan-18	0.080	0.071	0.078
2	Feb-18	0.093	0.076	0.086
3	Mar-18	0.110	0.084	0.108

4	Apr-18	0.117	0.094	0.107
5	May-18	0.119	0.103	0.115
6	Jun-18	0.115	0.108	0.111
7	Jul-18	0.113	0.091	0.103
8	Aug-18	0.109	0.095	0.103
9	Sep-18	0.109	0.102	0.103
10	Oct-18	0.108	0.099	0.101
11	Nov-18	0.102	0.091	0.093
12	Dec-18	0.096	0.077	0.080

Distribution of Ownership of Shares shareholders at 2018 (Including Shares preferential voting rights)

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shareholding
1.	Less than 5%	4,366	141,063,045	33.97
2.	5% to 10%	2	51,442,431	12.39
3.	Above 10%	4	222,710,161	53.64
Total		4,372	415,215,637	100.00

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

Profile of the Statutory Auditors

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

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

Audit fees of the Company and Subsidiaries:

Audit Fees of Company and Subsidiaries and fees for other services paid to the Auditors for 2018

Sr. No.	Particulars	Amount (In RO)
1.	Statutory Audit Fees (Parent)	75,500
2.	Statutory Audit Fees Al Khalij Heavy Equipment & Engineering LLC (Subsidiary)	2,100
3.	Statutory Audit Fees Galfar Training Institute LLC (Subsidiary)	1,350
4.	Statutory Audit Fees Galfar Engineering & Contracting India Pvt. Ltd (Subsidiary)	5,581
5.	Statutory Audit Fees Aspire Projects & Services LLC (Subsidiary)	2,500
6.	Statutory Audit Fees Galfar Aspire Readymix LLC (Subsidiary)	2,500
7.	Statutory Audit Fees Salasar Highways Pvt. Ltd. (Subsidiary)	2,791
8.	Statutory Audit Fees KashipurSitarganj Highways Pvt. Ltd. (Subsidiary)	2,791

The Board of Directors acknowledges:

- ☐ With its liability for the preparation of financial statements in accordance with the applicable standards and rules.
- ☐ Review of the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- ☐ That there is no material matter that affects the continuation of the Company and its ability to continue its operations during the next financial year.



Mohiuddin Mohamad Ali
Vice-Chairman