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.

Board of Directors

The Board of Directors comprises of 9 members, all of whom are non-executives and five of them are independent. The election for a new Board will be held in the upcoming Ordinary Annual General Meeting on Monday 22nd June 2020.

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. An induction program is conducted to ensure that new Directors are acquainted with the Executive management and Company's activities.

Mission of Galfar Board is to steer the Company towards achieving 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.

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.

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.

ص.ب: ٥٣٣، مسقـــط، الرمز الـــبريـــدي: ١٠٠، سلطـــنة عمـــان، هاتف: ٩٦٨٢٤٥٢٥٠٠٠+ فاكس: ٩٦٨٢٤٥٩١٦٧٦+ www.galfar.com
P.O. Box : 533, Muscat, Postal Code 100, Sultanate of Oman. Tel.: +968 24525000, Fax : +968 24591676 www.galfar.com
C.R. No. 1015133
رقم السجل التجاري: ١٠١٥١٣٣

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				
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	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	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-Shaqsi	Director	Independent, Non-Executive	None
5.	Mr. Mohamed Taqi Ibrahim Al Jamalani	Director	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	Independent, Non - Executive	None
9.	Mr. Said Salim Ali Al Hajri	Director	Independent, Non - Executive	Oman National Investments Development Co. SAOG

Board Meetings:

During the year 2019, the Board held (11) meetings in (12) sessions and passed 38 resolutions by circulation. The dates of the meetings and the attendance details are given in the following table:

Board of Directors Meetings & Attendance Details - Year 2019

		Board Meeting -2019										
Sl #	**Name of Director**	**M93 / 17-Jan**	**M94 / 3-Feb**	**M95 / 11-Mar, 17-Mar**	**M96 / 20-May**	**M97 / 1-Aug**	**M98 / 10-Sep**	**M99 / 29-Sep**	**M100 / 11-Nov**	**M101 / 24-Nov**	**M102 / 16-Dec**	**M103 / 18-Dec**
1	Engr. Majid Salim Said Al Fannah Al Araimi	√	√	√	√	√	X	X	√	√	X	√
2	Engr. Mohiuddin Mohamad Ali	X	X	√	√	√	√	√	√	√	X	√
3	Engr. Salman Rashid Al Fannah Al Araimi	X	√	√	√	√	√	√	√	√	√	√
4	Mr. Badar Mohamed Rashid Al Araimi	√	√	√	√	X	√	√	√	√	√	√
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	√	√	√	√	X	√	√	√	√	X	√
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	√	√	√	√	√	X	√	√	√	√	√
7	Engr. Said Salim Ali Al Hajri	√	√	√	√	X	X	X	√	√	√	X
8	Engr. Maqbool Hussein Salih Al Zadjali	√	√	√	√	√	√	√	√	√	√	√
9	Mr. Hamdan Ahmed Hamood Al-Shaqsi	√	√	√	√	X	√	√	√	√	√	√

Sub- Committees of the Board:

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

Executive Committee (Ex-Com)

The Executive Committee comprises of 4 members. The primary role and responsibilities of the Committee are to Provide 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.

EX-Com Members & Meetings

During the year 2019, Ex-Com held 5 meetings. The following table shows names of the members, dates of the meetings and attendance details:

Sl #	Committee Members	Designation	M47 / 28-Jan	M48 / 5-Mar	M49 / 9-May	M50 / 29-Jul	M51 / 7-Nov
1	Engr. Majid Salim Said Al Fannah Al Araimi	Chairman	√	X	√	√	√
2	Engr. Mohiuddin Mohamad Ali	Member	√	√	√	√	√
3	Engr. Kalat Ghuloom Hassan Al Bulooshi	Member	√	√	X	X	X
4	Engr. Maqbool Hussein Salih Al Zadjali	Member	X	√	√	√	√

Audit Committee:

The Audit Committee comprises of 5 non-executive members, from which 3 are Independent 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 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.

Audit Committee Members & Meetings:

The Audit Committee held 7 meetings in the year 2019. The dates of the meetings and the attendance details are given in the following table:

Sr. No.	Members of the committee	Designation	06-Mar	19-May	31-Jul	16-Sep	18-Sep	29-Sep	07-Nov
1	Mr. Hamdan Ahmed Hamood Al-Shaqsi	Chairman	√	√	√	√	√	√	√
2	Engr. Salman Rashid Al Fannah Al Araimi	Member	√	√	√	√	X	√	√
3	Mr. Mohamed Taqi Ibrahim Al Jamalani	Member	√	√	√	√	√	√	√
4	Engr. Said Salim Ali Al Hajri	Member	√	√	X	X	X	X	X
5	Mr. Bader Mohamed Rashid Al Araimi	Member	√	√	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 and comprises of 3 members. The Committee scrutinizes the candidates for election and recommends election of the Candidates who fulfill the required criteria and skills to the Board of Directors. It assists the board in selecting the suitable executives to the executive management and oversees the succession planning for such key executives.

HRN Members & Meetings:

The HRN&RC Committee held 2 meetings in the year 2019. The dates of the meetings and the attendance details are given in the following table:

Sr. No.	Members of the Committee	Designation	M18 / 28 Mar	M19/ 17 Sep
1	Engr. Said Salim Ali Al Hajri	Chairman	√	√
2	Engr. Mohiuddin Mohamad Ali	Member	√	√
3	Mr. Bader Mohamed Rashid Al Araimi	Member	√	√

Sitting Fees & Remuneration to the Board of Directors:

The rate of siting fees approved by the shareholders for the year 2019 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 2019 is OMR 77,500

Sr. No.	Name of Director & Representative	Sitting Fees	Remuneration	Total OMR
1	Engr. Majid Salim Said Al Fannah Al Araimi	7,200	-	7,200
2	Engr. Mohiuddin Mohamad Ali	8,400	-	8,400
3	Engr. Salman Rashid Al Fannah Al Araimi	9,400	-	9,400
4	Mr. Bader Mohamed Rashid Al Araimi	10,000	-	10,000
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	7,100	-	7,100
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	9,800	-	9,800
7	Engr. Said Salim Ali Al Hajri	6,500	-	6,500
8	Engr. Maqbool Hussein Salih Al Zadjali	9,300	-	9,300
9	Mr. Hamdan Ahmed Hamood Al-Shaqsi	9,800	-	9,800
Total				77,500

Note: The above sitting fees will be approved in upcoming AGM in 2020 and will be recognized as expense in the financial statements for the year ending 31 December 2020.

Annual General Meeting:

The Annual General Meeting for the year 2018 was held on 8th April 2019. 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	Vice Chairman	√
3	Engr. Salman Rashid Al Fannah Al Araimi	Director	√
4	Mr. Bader Mohamed Rashid Al Araimi	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	√
8	Mr. Hamdan Ahmed Hamood Al-Shaqsi	Director	√

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.

During the year 2019, the Company contributed a sum of OMR 1,000 for social support and has estimated a budget in a sum of RO 100,000 for the social support for the year 2020.

Procedure for Standing as a Candidate for the Board:

The Company's Board of Directors comes up for election once in three years. Accordingly, the present Board will come up for election in the upcoming Annual Ordinary General Meeting. In case any vacancy arises due to resignation of any one of its Board members, it will be filled up temporarily, and is subject to election at the next Annual General Meeting.

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.

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.

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 2019 to key Management (top 6) was RO 625,843.

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. During the year 2019, CMA had imposed penalty for delay in disclosing the approved unaudited Financial statements for Q1 2019.

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.

However, there were only 3 transactions identified by Internal Audit, whereby Management did not comply with the Related Party Transaction procedures and the related provisions of Corporate Governance. The justifications for non-compliances by Management have been looked into by Internal Audit and are reported to Audit Committee and Board of Directors to ensure that such incidents are avoided and appropriate measures as directed by the Code of Corporate Governance are adopted.

We continually strive to improve future monitoring of Related Party Transactions by incorporating and automated flagging in our ERP system to identify all RPT entities that have been declared. This automation will avoid human errors and potential non-compliance by Management in the process.

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 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 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. 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 2019:

S.No	Month	HIGH	Low	Close
1	Jan-19	0.084	0.072	0.073
2	Feb-19	0.087	0.069	0.086
3	Mar-19	0.091	0.079	0.088
4	Apr-19	0.102	0.081	0.082
5	May-19	0.084	0.076	0.080
6	Jun-19	0.087	0.078	0.080
7	Jul-19	0.082	0.075	0.078
8	Aug-19	0.083	0.078	0.082
9	Sep-19	0.086	0.076	0.076
10	Oct-19	0.084	0.076	0.077
11	Nov-19	0.080	0.077	0.077
12	Dec-19	0.079	0.066	0.069

Distribution of Ownership of Shares shareholders at 2019 (Including Shares preferential voting rights)

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shareholding
1.	Less than 5%	4,312	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		**4,318**	**415,215,637**	**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

EY is a global network of firms 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 7,000 professionals. EY has been operating in Oman since 1974 and is one of the leading professional services firms in the country. EY MENA forms part of EY's EMEIA practice, with over 4,889 partners and approximately 124,318 professionals. Globally, EY operates in more than 150 countries and employs 328,597 professionals in 700 offices. Please visit 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 2019

Amount (In RO)

Sr. No.	Particulars	Audit	Others
1.	Galfar Engineering and Contracting SOAG	55,000	11,500
2.	Al Khalij Heavy Equipment & Engineering LLC (Subsidiary)	2,100	300
3.	Galfar Training Institute LLC (Subsidiary)	1,350	350
4.	Aspire Projects & Services LLC (Subsidiary)	3,000	500
5.	Galfar Aspire Ready-mix LLC (Subsidiary)	3,000	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