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 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.

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.

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 and other relevant laws of Sultanate of Oman. 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	
2.	Engr. Mohiuddin Mohamad Ali	Deputy-Chairman	Non-Independent Non – Executive	Oman Medical College S.A.O.C, Caledonian College of Engineering S.A.O.C, National University of Science & Technology S.A.O.C
3.	Shk. Hassan Mohammed Ahmed Al Nabhani	Director	Independent Non-Executive	None
4.	Mr. Bader Mohamed Rashid Al Araimi	Director	Non-Independent Non - Executive	A'Sharqiya Investment Holdings S.A.O.G, Al Siraj Holdings S.A.O.C
5.	Mr. KalatGhuloom Hassan Al Bulooshi	Director	Independent Non - Executive	Sembcorp Salalah Power and Water Company S.A.O.G Oman Investment Corporation S.A.O.C Khazaen Developmentand Investment Co.S.A.O.C
6.	Mr. Hamdan Ahmed Hamood Al-Shaqsi	Director	Independent Non-Executive	Nama Holding S.A.O.C
7.	Mr. Mohamed Taqi Ibrahim Al Jamalani	Director	Independent Non - Executive	National Life & General Insurance Co.S.A.O.G
8.	Mr. Said Salim Ali Al Hajri	Director	Independent Non - Executive	Oman Shipping Company
9.	Mr. Maqbool Hussein Salih Al Zadjali	Director	Non-Independent Non - Executive	None

Board Meetings:

During the year 2020, the Board held (10) meetings and passed 34 resolutions by circulation. The dates of the meetings and the attendance details are given below:

Sr. No.	Name of Director & Representative	Meeting 01	Meeting 02	Meeting 03	Meeting 04	Meeting 05	Meeting 06	Meeting 07	Meeting 08	Meeting 09	Meeting 10
		21-Jan-20	27-Feb-20	4-Jun-20	25-Jun-20	28-Jun-20	28-Jul-20	26-Aug-20	23-Sep-20	11-Nov-20	31-Dec-20
1	Engr. Majid Salim Said Al Fannah Al Araimi	X	X	√	√	√	X	√	√	√	√
2	Engr. Mohiuddin Mohamad Ali	√	√	√	√	√	X	√	√	√	√
3	Engr. Salman Rashid Al Fannah Al Araimi	√	√	√	√	NM	NM	NM	NM	NM	NM
4	Mr. Badar Mohamed Rashid Al Araimi	√	√	√	√	√	X	√	X	√	√
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	X	√	√	X	X	√	√	X	√	X
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	√	√	√	√	√	√	√	√	√	√
7	Engr. Said Salim Ali Al Hajri	√	√	√	√	√	√	√	√	√	√
8	Engr. Maqbool Hussein Salih Al Zadjali	√	√	√	√	√	√	√	√	√	√
9	Mr. Hamdan Ahmed Hamood Al-Shaqsi	X	√	√	√	√	√	√	√	√	√
10	Sheikh Hassan Al Nabhani	NM	NM	NM	NM	√	X	√	√	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. The Executive Committee held 4 meetings in 2020. The dates of the meetings and attendance details are given below:

Sr. No.	Name of Director & Representative	Designation	M1 / 18-Aug	M2 / 31-Aug	M3 / 19-Oct	M4 / 20-Dec
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	√	√	√	√
4	Engr. Maqbool Hussein Salih Al Zadjali	Member	√	√	√	√

Audit Committee:

The Audit Committee comprises of 5non-executive members, from which 4 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. The Audit Committee held 7 meetings in the year 2020. The dates of the meetings and the attendance details are given below:

Sr. No.	Name of the members of the committee	Designation	M1 / 12-Feb	M2 / 12-Apr	M3 / 1-Jun	M4 / 22-Jun	M5 / 19-Aug	M6 / 16-Sep	M7 / 4-Nov
1	Mr. Hamdan Ahmed Hamood Al-Shaqsi	Chairman	√	√	√	√	√	√	√
2	Engr. Salman Rashid Al Fannah Al Araimi	Member	√	X	√	X	NM	NM	NM
3	Mr. Mohamed Taqi Ibrahim Al Jamalani	Member	√	√	√	√	√	√	√
4	Engr. Said Salim Ali Al Hajri	Member	X	√	√	√	√	X	√
5	Mr. Badar Mohamed Rashid Al Araimi	Member	√	√	√	√	√	√	√
6	Sheikh Hassan Ahmed Mohamed Al Nabhani	Member	NM	NM	NM	NM	√	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 4 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. The HRN&RC Committee held 1meeting in the year 2020. The date of the meeting and the attendance details are given below:

Sr. No.	Members of the Committee	Designation	M1/ 24-June
1	Engr. Said Salim Ali Al Hajri	Chairman	√
2	Engr. Mohiuddin Mohamad Ali	Member	√
3	Shk. Hassan Mohammed Ahmed Al Nabhani	Member	NM
4	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 2020 is OMR 700 per each Board meeting and OMR 400 per each of the sub- committees meeting. The total amount of the sitting fees for board and sub-committee meetings held in 2020 is OMR 72,400

Sr. No.	Name of Director & Representative	Sitting Fees	Remuneration	Total OMR
1	Engr. Majid Salim Said Al Fannah Al Araimi	6,100	-	6,100
2	Engr. Mohiuddin Mohamad Ali	8,300	-	8,300
3	Engr. Salman Rashid Al Fannah Al Araimi	3.600	-	3.600
4	Mr. Bader Mohamed Rashid Al Araimi	8.800	-	8.800
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	5,100	-	5,100
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	9,800	-	9,800
7	Engr. Said Salim Ali Al Hajri	9,400	-	9,400
8	Engr. Maqbool Hussein Salih Al Zadjali	8,600	-	8,600
9	Mr. Hamdan Ahmed Hamood Al-Shaqsi	9,100	-	9,100
10	Shk. Hassan Mohammed Ahmed Al Nabhani	3.600	-	3,600
Total				**72,400**

Note: The above sitting fees will be approved in upcoming AGM in 2021.Two Directors have declined to avail the sitting fees amounting to Ro.14,900. Sitting Fees paid in 2020 includes payment towards 2019: RO. 60,300 and for 2020: RO. 57,500.

Annual General Meeting:

The Annual General Meeting for the year 2020 was held on 28 June 2020. 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	X
4	Mr. Bader Mohamed Rashid Al Araimi	Director	√
5	Engr. Kalat Ghuloom Hassan Al Bulooshi	Director	X
6	Mr. Mohamed Taqi Ibrahim Al Jamalani	Director	√
7	Engr. Said Salim Ali Al Hajri	Director	√
8	Engr. Maqbool Hussein Salih Al Zadjali	Director	√
9	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.

The Company responded positively to various local community requests for CSR support in areas where we deliver our projects. 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. In case any vacancy arises due to resignation of any one of its Board members, it will be filled up temporarily, and will be subject to an 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 2020 to key Management (top 6) was RO 569,077.

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 2020.

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. 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 2020:

S.No	Month	High	Low	Close
1	Jan-20	0.075	0.067	0.068
2	Feb-00	0.068	0.063	0.064
3	Mar-20	0.064	0.044	0.045
4	Apr-20	0.057	0.044	0.056
5	May-20	-	-	-
6	Jun-20	0.054	0.045	0.046
7	Jul-20	0.049	0.046	0.047
8	Aug-20	0.055	0.047	0.053
9	Sep-20	0.053	0.047	0.048
10	Oct-20	0.049	0.038	0.04
11	Nov-20	0.043	0.039	0.04
12	Dec-20	0.044	0.038	0.041

Distribution of Ownership of Shares shareholders at 2020 (Including Shares preferential voting rights)

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shareholding
1.	Less than 5%	4,341	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		**4,347**	**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

Grant Thornton is a network of independent assurance, tax and advisory firms, made up of over 50,000 people in more than 130 countries, helping dynamic organizations unlock their potential for growth. It is one of the top six international accounting and business advisory networks and all its member firms are required to uphold the highest professional and ethical standards. The compliance with these standards is monitored and assured through a very strict quality assurance process.

Abu Timam, the Oman member firm 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 firms in Oman, evidenced by the portfolio of clients that includes well-established companies across a broad spectrum of industries. The professional staff bring a strong background of experience and expertise to their clients' accounting, tax, and management consulting needs. This rare combination of skilled resources and personal commitment explains why Abu Timam Grant Thornton has grown rapidly to a position of prominence among major accounting firms in the Sultanate of Oman. 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 2020

Amount (In RO)

Sr. No.	Particulars	Audit	Others
1.	Galfar Engineering and Contracting SOAG	64,500	13,750
2.	Al Khalij Heavy Equipment & Engineering LLC (Subsidiary)	950	300
3.	Aspire Projects & Services LLC (Subsidiary)	2,500	150
4.	Galfar Aspire Ready-mix LLC (Subsidiary)	2,500	150

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