



# RAK

CERAMICS



GOVERNANCE REPORT  
2020





**His Highness Sheikh Khalifa Bin Zayed  
Al Nahyan**  
President of the United Arab Emirates  
and Ruler of Abu Dhabi



**His Highness Sheikh Mohammed  
Bin Rashid Al Maktoum**  
Vice President and Prime Minister  
of the United Arab Emirates  
and Ruler of Dubai



**His Highness Sheikh Saud Bin Saqr  
Al Qasimi**  
Supreme Council Member and  
Ruler of Ras Al Khaimah



**His Highness Sheikh Mohammed  
Bin Saud Bin Saqr Al Qasimi**  
Crown Prince of  
Ras Al Khaimah



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# Governance Principles

## **1- THE STATEMENT OF THE PROCEDURES TAKEN TO COMPLETE THE CORPORATE GOVERNANCE SYSTEM DURING THE YEAR 2020**

R.A.K Ceramics PJSC ("RAK Ceramics" or the "Company") considers sound corporate governance to be one of the pillars of running a responsible, profitable and sustainable business that creates value. An organizational commitment to corporate governance drives enhanced management accountability, creation of value for shareholders and protecting the interests of all stakeholders and the community.

RAK Ceramics has adopted a comprehensive set of corporate governance policies and procedures that draws upon global best practices and is in accordance with all relevant UAE legislation including Resolution No. 3 of 2020 of Securities and Commodities Authority (SCA) concerning Corporate Governance Rules and Corporate Discipline Standards. This assures that utmost vigil is exerted by the Board of Directors (the "Board"), executive management and employees of RAK Ceramics.

The company periodically monitors the procedures that have been implemented for the governance framework, including:

- a. Requirements for the composition of the Board of Directors.
- b. Requirements for the composition of the Board Committees.
- c. Internal Control System.
- d. Insider Trading.
- e. Code of Conduct.
- f. Governance Guide.
- g. Amending the Article of Association if necessary.
- h. Issuing of Corporate Governance Report.



# Governance Principles

## **1- THE STATEMENT OF THE PROCEDURES TAKEN TO COMPLETE THE CORPORATE GOVERNANCE SYSTEM DURING THE YEAR 2020 (CONTD.)**

During 2020, the Company has applied the following procedures in regards with Corporate Governance System:

### **Meetings of the Board of Directors and its Committees**

During 2020, the Board held Five (5) Meetings, the Audit & Risk Committee held Six (6) Meetings, the Nomination & Remuneration Committee held one (1) meeting and Insider Trading Committee held one (1) meeting and one (1) Circular Resolution had been issued.

### **Annual General Meeting: (AGM)**

In accordance with Federal Law No. 2 of 2015 concerning the Commercial Companies and Resolution No. 3 of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards, the company held its AGM of shareholders on 11 March 2020.

### **Disclosures and Transparency**

The company is committed to regulations and legislation on disclosure. During 2020, the company made disclosures on important events, Board of Directors' reports, Financial Statements (Quarterly & Yearly), Corporate Governance Report for 2019, Board of Directors' Meetings and its results, Sustainability Report 2019 and Annual General Meeting and its results.

### **Insiders Trading**

The company periodically updates its insiders list, and informs the insiders of the start and end of the prohibition periods.

Thus, by exercising best corporate governance practices, the Company ensures that the interests of the stakeholders are protected along with Company meeting all its statutory and regulatory obligations.

This annual corporate governance report aims to ensure a transparent disclosure of the governance practices applied by the Company. These practices include monitoring of:

- The capital structure,
- Internal control processes and systems,
- Shareholders' rights,
- The charters of the Board of Directors and its committees,
- Related party transactions,
- Auditor's independence, rotation, and the periodic review of the principles of professional conduct.

# Board Transactions

## 2 STATEMENT OF OWNERSHIP AND TRANSACTIONS OF THE BOARD AND THEIR SPOUSES, THEIR CHILDREN IN THE COMPANY SECURITIES DURING THE YEAR 2020.

### Transaction Law

The Company has adopted rules regarding dealing in the Company's securities by the members of the Board, their first degree relatives and the key management personnel. These rules are based on Articles (38) and (39) of the Federal Law No. (4) Of 2000 concerning Securities and Commodities Authority, and Article (14) of Resolution No. (2) of 2001 concerning the regulations as to trading, clearing, settlement, transfer of ownership and custody of securities, and Article (36) of Decision No (3) of 2000 concerning the regulation on transparency and disclosure and Article (33) of Resolution No. 3 of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards. The above mentioned rules were approved and endorsed by the Board and approved by the SCA. The rules specifically require directors and key management personnel not to engage, without prior approval of the Board, in any trade of the Company's shares held by them for less than three years.

### Transactions in Securities

The following information shows the dealings of the members of the Board, their first degree relatives and key management persons, in the Company securities during the year 2020:

Sr. Name	Position/Relative Degree	Shares Owned 31 Dec 2020	Total Sale Transaction	Total Buy Transaction
1. Shirish Saraf Tej Bahadur Saraf	Vice Chairman	0	2,894,062	-
2. Abdallah Massaad	Group CEO	912,742	-	201,630
3. Pramod Kumar Chand	Group CFO	0	278,213	-
4. Sh. Khalid Bin Saud Al Qasimi	Chairman	-	-	-
5. Khalid Abdullah Yousef Aal Abdullah	Board Member	-	-	-
6. Fawaz Suilman Al Rajhi	Board Member	-	-	-
7. Khalid El Eisri	Board Member	-	-	-
8. Yousef Ali Al Belooshi				
9. Wassim Moukahhal	Board Member	-	-	-

# Board of Directors

## 3 THE BOARD OF DIRECTORS (THE "BOARD")

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through prudent management of its business and associated risks. In particular, the Board is responsible for strategic direction, supervision of management and adequate controls to drive the success and long term value creation. The Board plays a central role in the corporate governance framework by ensuring that the Company complies with obligations arising from its legal and regulatory requirements; its memorandum and Articles of association and duties towards the shareholders.

### Composition of the Board of Directors

The current Board consists of seven members:

- the Chairman (Non-Executive, Independent),
- the Vice Chairman (Non Executive, Non Independent),
- Three Non-Executive & Independent Directors, and
- Two Non Executive & Non Independent Director.

The majority of the Directors meet the requirement of being non-executive and independent. Therefore, the Board composition satisfies the requirements of Article (40/2) of Resolution No. 7 of 2016 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards. The Members were elected at the AGM held on 27 February 2018 for a period of 3 years. The term of the Board members will expire on 26 February 2021.

The following Table describes the composition of the Board of Directors as on 31 December 2020:

# Board of Directors (contd.)

## 3 THE BOARD OF DIRECTORS (THE "BOARD") (CONTD.)

Sr	Name	Category	Qualifications	Period as Board Member	Other Current Position in any P.J.S.Cs	Positions at any Governments Dept.
1	Sheikh Khalid Bin Saud Al Qasimi	Chairman (Non-Executive, Independent)	Extensive experience in Finance and Investment Management. Holding Business Management Degree from New York University, Abu Dhabi	July 2015; 5 year & 6 months	N/A	Positions on Boards of Al Marjan Islands, UAE and the Vice Chairman of the Investment & Development Office and Government of RAK, UAE.
2	Mr. Shirish Saraf	Vice Chairman (Non-Executive, Non-Independent)	*BSc (Economics) from London School of Economics and Political Science. *Charterhouse School	June 2014; 6 Year & 7 Months	N/A	N/A
3	Mr. Khaled Abdulla Yousef Abdulla AlAbdulla	Member (Non-Executive, Non Independent)	Bachelor's degree in Business Management majoring in Management Information System, from University of Arkansas, USA	May 2012; 8 years & 10 Months	Board member of Julphar	*Board Member of RAKEZ. * Board Member of RAK Chamber
4	Mr. Fawaz Sulaiman Al Rajhi	Member (Non-Executive, Independent)	Master in Business Administration from Stanford University- USA. Bachelors in MIS and Accounting from KFUPM- KSA	April 2015; 5 Year & 11 months	N/A	N/A
5	Mr. Wassim Moukahhal	Member (Non-Executive, Non-Independent)	MBA from the Wharton School, University of Pennsylvania and, Bachelor in Economics & Finance from McGill University	February 2016 5 Years	N/A	N/A
6	Mr. Yousef Ali Al Belooshi*	Member (Non-Executive, Independent)	Certified Fraud Examiner (CFE). Certified Control Specialist (CCS). CRMA (Risk Management Assurance) and Bachelor Degree in Accounting	August 2020. 4 Months	Vice Chairman - Julphar	General Manager – Finance Dept – Govt of RAK.
7	Mr. Khalid El Eisri**	Member (Non-Executive, Independent)	.CFA. Specialist in Private Equity. Bachelor Degree in Finance	August 2020. 4 Months	N/A	Head of Asset Management – Oman Investment Authority.

\* On Aug 2020, Sh. Ahmed bin Humaid Al Qasimi resigned from his position as a member of the Board, and decided unanimously, as per article 145 of the Federal Law No2 of 2015, to appoint Mr. Yousef Ali to replace him and complete his term until February 2021. Such appointment shall be submitted to the General Assembly at its first meeting for confirmation.

\*\* On Aug 2020, Mr. Khalid Ali Saif Al Yahmadi resigned from his position as a member of the Board, and decided unanimously, as per article 145 of the Federal Law No2 of 2015, to appoint Mr. Khalid Al Eisiri to replace him and complete his the term until February 2021. Such appointment shall be submitted to the General Assembly at its first meeting for confirmation.

For their Experience, please refer to their profiles mentioned below.



# Board of Directors (contd.)

## 3 THE BOARD OF DIRECTORS (THE "BOARD") (CONTD.)

Members of the Board have the requisite expertise and management skills to perform their duties in furthering the best interest of the Company. Members of the Board are selected through cumulative voting process as per the guidelines issued by the SCA.

Profile of the members of the Board:

### **Sheikh Khalid Bin Saud Al Qasimi**

#### **Chairman**

*Non-executive, Independent*

Board Member since 2015, reappointed in 2018 AGM for a term of three years till 26 February 2021. Sheikh Khalid holds business management qualification from New York University, Abu Dhabi Campus. Sheikh Khalid Bin Saud Al Qasimi is the Chairman of RAK Ceramics PJSC and is also Chairman of Al Marjan Island, Ras Al Khaimah and Vice Chairman of the Investment and Development Office, Government of Ras Al Khaimah. Sheikh Khalid Bin Saud Al Qasimi has extensive experience in finance and investment management.

### **Shirish Saraf**

#### **Vice Chairman**

*Non-executive, Non-independent.*

Board member since 2014; reappointed in 2018 AGM for a three year term till 26 February 2021. Founder & Vice Chairman of Samena Capital. In June 2014 he led the acquisition of a significant stake in RAK Ceramics PJSC. Prior to founding Samena Capital, he was a Co-Founder and Managing Director of Abraaj Capital, which grew to become one of the largest global private equity firms managing in excess of US\$6 billion. In 1998, he founded Oriol Investment Company, which emerged as one of the leading regional corporate finance firms. He has previously held numerous directorships including Aramex Holdings, Abraaj Capital, Commercial Bank of Oman SAOG, EFG Hermes and Amwal Capital (Qatar). In September 2013, he was listed as one of Asia's 25 most influential people in Private Equity by Asian Investors. Mr. Saraf was educated at Charterhouse (England) and holds a BSc (Economics) from the London School of Economics and Political Science.

### **Khaled Abdulla Yousef Abdulla Alabdulla**

#### **Board Member**

*Non-executive, Non-independent*

Board member since 2012; reappointed in 2018 AGM for a three year term till 26 February 2021. Mr. Khaled has over 24 years' experience providing fiscal, strategic and operations leadership with expertise in finance, budgeting, cost management, public relations media, strategic planning, sales, marketing, profitability analysis, cost analysis, policy and procedures development. Executive member of the Board for RAKEZ, and RAK Chamber of Commerce and Julphar PJSC. He is the founder of KAY Invest, a UAE based Investment Company with a diverse portfolio including finance, properties and trading. He is also the CEO and Member of the Board of Directors of Majan Printing and Packaging Co, one of the largest printing and packaging companies in the Middle East.. Mr. Khaled holds a Bachelor's Degree in Business Management from the University of Arkansas, USA.

### **Fawaz Sulaiman Alrajhi**

#### **Board Member**

*Non-executive, Independent.*

Board member since 2015, reappointed in 2018 AGM for a three year term till 26 February 2021. Mr. Fawaz is the Chairman of the Board, CEO and Head of Investment Committee of Al Rajhi United, a family-owned investment company with offices in Riyadh, Jeddah, New York and Dubai, focusing on public equity, private equity and real estate. Prior to this position, he had served as Head of Private Equity Placement as well as Director of Sales and Distribution at Al Rajhi Capital. Mr. Fawaz he has also worked with Proctor & Gamble as system analyst at their Arabian Peninsula headquarters in building IT solution for Business Development Fund. Mr. Fawaz holds Master in Business Administration from Stanford University, USA and Bachelors in MIS and Accounting from KFUPM, KSA.

### **Wassim Moukahhal**

#### **Board Member**

*Non-executive, Non-independent.*

Board member since 2016. Re-appointed in 2018 AGM for a three year term till 26 February 2021. Mr Moukahhal has more than 12 years of experience in private equity investments and is currently serving as Managing Director- private equity of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region. Mr Moukahhal is also a Member of the Board of Directors of Anghami and a member of the Investment Committee of the Samena Special Situations Funds. Mr Moukahhal holds a MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.

# Board of Directors (contd.)

## 3 THE BOARD OF DIRECTORS (THE "BOARD") (CONTD.)

### Yousef Ali Al Belooshi

#### Board Member

*Non-executive, Independent.*

Board Member Since August 2020. Had been appointed to replace Sheikh Ahmed Bin Humaid and complete his term until February 2021. Such appointment shall be submitted to the General Assembly at its first meeting for confirmation. Mr. Yousef Ali is a Certified Fraud Examiner, (CFE), Certified Control Specialist, (CCS); he is also Certified in Risk Management Assurance, (CRMA) and holds a Bachelor Degrees majoring in Accounting from the UAE University.

He has over 24 years carried out many audits, accounting and financial analyses to the major suppliers/vendors due to major contracts, in addition heading special projects.

Mr. Yousef Ali is currently the General Manager – Department of Finance – RAK Government, and previously occupied different positions in different major companies, such as VP Financial Audit in ETISALAT GROUP, Head of Internal Review and Compliance in MERAAS HOLDING, Financial Controller in Baynonah Power Company, Internal Auditor in NDC "ADNOC GROUP" and others. He is currently Vice Chairman of Gulf Pharmaceutical industries Company- JULPHAR

### Khalid Elisiri

#### Board Member

*Non-executive, Independent.*

Board Member Since August 2020. Had been appointed to replace Mr. Khalid Al Yahmadi and complete his term until February 2021. Such appointment shall be submitted to the General Assembly at its first meeting for confirmation. Mr. Al Eisiri is a Chartered Financial Analyst (CFA), Certified Private Equity Specialist and holds a Bachelor Degrees majoring in Finance from the Sultan Qaboos University.

He has over 14 years work experience in managing a portfolio of private equity investment and in advisory services such as private placement, feasibility studies, rights issues/IPO.

He is currently the Principal of the Asset Management in Oman Investment Authority.

### Female representation in Board in 2020

No Representative.

### Reasons for non-nomination of any woman in the membership of the Board of Directors

No women were nominated for the membership of the Board of Directors held in 27 Feb 2018.

### Remuneration of the members of the Board

Remuneration for members of the Board is proposed by the Nomination & Remuneration Committee and approved by the shareholders of the Company in General Assembly Meeting. Their remuneration is governed by the requirements of Article (29) of Resolution No. 3 of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards, and Article (169) of Federal Law No. 2 of 2015 concerning the Commercial Companies.

1. Board remuneration for the year 2019 was AED 3,700,000.
2. The proposed Board remuneration for the year 2020 is AED 1,850,000 which will be presented before the Assembly General Meeting for their approval.
3. No Additional allowance, salaries or fees are paid to Board member other than annual remunerations.
4. No attendance fees are paid to the members of the committees of the Board.

# Board of Directors (contd.)

## 3 THE BOARD OF DIRECTORS (THE "BOARD") (CONTD.)

### Meetings of the Board of Directors

Meetings of the Board of Directors are held regularly, or when requested by the Chairman, or when demanded by at least two third of members of the Board. Notice of a meeting is communicated to all Directors at least one week prior to the meeting. In this regard, any member can add a subject to the meeting agenda. The Company's Articles of Association also provide detailed information on the attendance, quorum, voting and meeting requirements.

In 2020, the Board held Five (5) meetings as follows:

Date	Attendees	Number of Attendance by proxy	Names of absent members
11 February 2020	7 Members	N/A	N/A
05 May 2020	5 Members	1	Shirish Saraf Khaled Abdullah Yousef Aal Abdullah
02 June 2020	7 Members	N/A	N/A
10 August 2020	5 Members*	N/A	N/A
03 November 2020	7 Members	N/A	N/A

\* Two members resigned from their position as a member of the Board.

The attendance of members of the Board at these meetings and the General Assembly Meetings is as follows:

Attendance	11 Feb 2020	05 May 2020	02 Jun 2020	10 Aug 2020	03 Nov 2020
Sheikh Khalid Bin Saud Al Qasimi	P	P*	P*	P*	P*
Mr. Shirish Saraf	P	Absent	P*	P*	P*
Sh. Ahmed Bin Humaid Al Qassimi	P	P*	NAX	NAX	NAX
Mr. Khalid Ali Saif Al Yahmadi	P	P*	P*	NAX	NAX
Mr. Khaled Abdulla Yousef Aal Abdulla	P	Absent	P*	P*	P*
Mr. Fawaz Sulaiman Al Rajhi	P	P*	P*	P*	P*
Mr. Wassim Moukahhal	P	P*	P*	P*	P*
Mr. Yousef Ali Al Belooshi	NAX	NAX	N/AX	NA#	P*
Mr. Khalid Elisiri	NAX	NAX	N/AX	NA#	P*

\* Participated through Conference Call.

x Not Applicable (Not a member in that time)

# Not Applicable (been Appointed to replace the resigned member)

### Number of the Circular Board resolutions passed during the year 2020

One circular resolution was passed during 2020.

## Board of Directors (contd.)

### 3 THE BOARD OF DIRECTORS (THE "BOARD") (CONTD.)

#### Delegation to Executive Management

In accordance with the corporate governance code issued by the SCA, the Board has adopted a clear policy on segregation of duties between the responsibility of the Chairman of the Board and the responsibility of the Chief Executive Officer (CEO) of the Company, whereby the Board assumes overall supervision for the strategic growth of the Company and provides direction through the approval of strategic initiatives, policies and objectives, while the day to day affairs of the Company are carried out by the executive management led by the CEO of the Company.

The CEO is appointed by the Board of Directors. The primary role of the CEO is to define and execute the business vision, mission, and strategy and manage the organization. He is responsible for the overall operations, profitability, and achievement of objectives set by the Board.

In line with this policy, the day-to-day operations of the Company are managed by Mr. Abdallah Massaad, CEO of the Company since June 2012. At the time of his appointment, the Board of Directors set the Delegation of Authority to the CEO and further updated it in February 2018. The following tables shows the delegations performed by the Executive Management pursuant to an authorization by the BOD:

Sr	Name of the authorised person	Delegation authority	Duration of Delegation
1	Chief Executive Officer	Financial	Valid till 2021
2	Chief Executive Officer	Operational	Valid till 2021
3	Chief Executive Officer	Capital Investment	Valid till 2021
4	Chief Executive Officer	Legal and Regulation	Valid till 2021
5	Chief Executive Officer	Administrative	Valid till 2021
6	Chief Executive Officer	General Powers	Valid till 2021

The Delegation is effective till the term of the present Board of Directors term or it is revoked by the Board. During the year 2020, the Board had reviewed the powers of delegation.

The CEO is assisted in his duties by an experienced and qualified executive management team. Executive management of the Company is committed to strengthening governance framework in the organization by strict adherence to Company's policies and procedures.

#### Dealing with the Related Parties

The related parties represent some of the members of the Board of directors, major shareholders and key management. The details of the transactions which occurred in 2020 are as follows:

Related Parties: The Chairman and members of the Company Board, members of the Senior Executive Management of the Company, employees of the Company, and the companies in which any of such persons holds 30% or more of its capital, as well as subsidiaries or sister companies or affiliate companies.

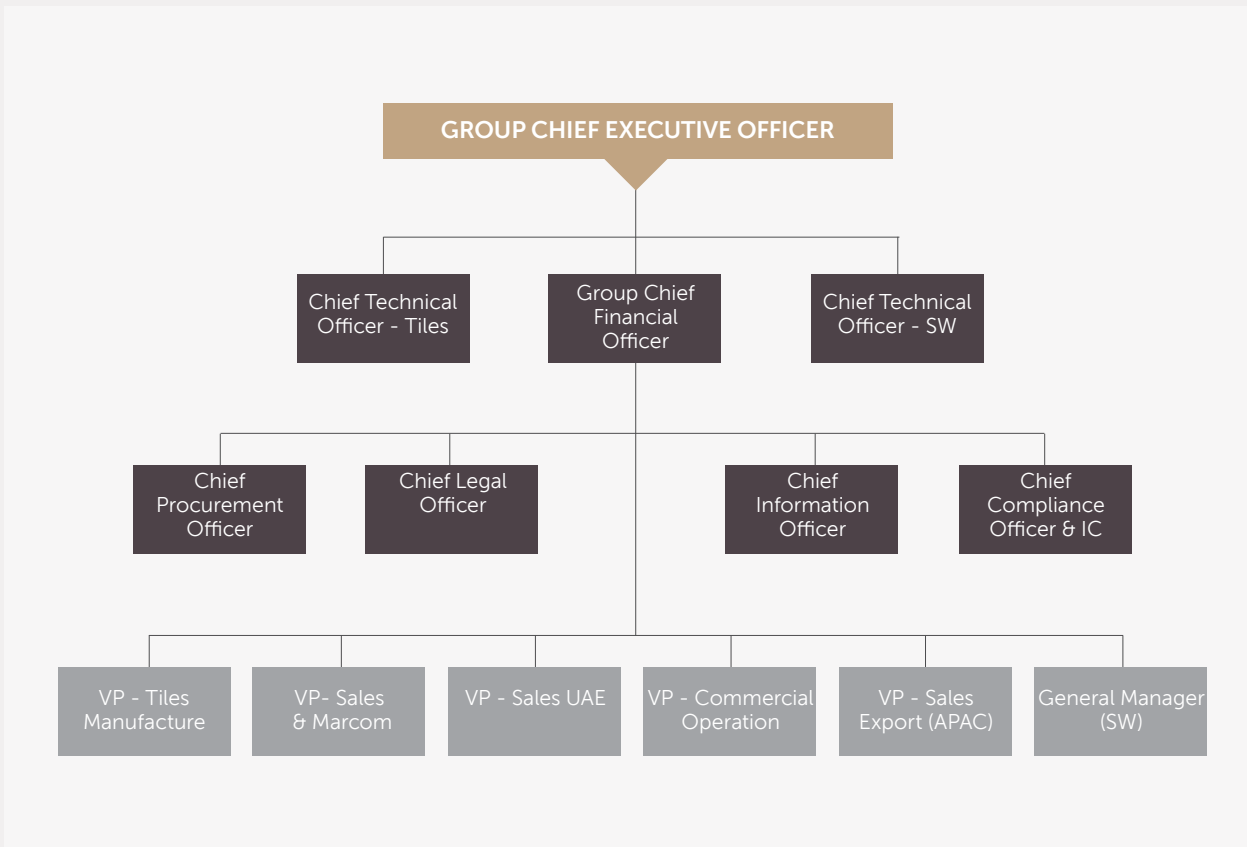
Sr.	Statement of Related Parties	Clarifying the Nature of relation	Type of transaction	Value of transaction
1	Al Hamra Real Estate Development LLC	Shaikh Khalid Bin Saud Al Qassimi is the Chairman of related party	Supply of services	52,085.38
2	RAKEEN Development LLC	Shaikh Khalid Bin Saud Al Qassimi is the Chairman of related party	Supply of services	82,297.83



# Board of Directors (contd.)

## 3 THE BOARD OF DIRECTORS (THE "BOARD") (CONTD.)

### Organisation Structure



### Senior Executive Management Remuneration

Names, positions, date of appointment and remuneration of Senior Executive Management as on 31 Dec 2019 (AED thousands)

Sr	Position	Appointed Date	Total Salaries including Allowances for the year 2020	Total Bonus paid for 2020	Any Cash Incentives / In-kind in 2019 Or will be due in Future for 2020
1	Group CEO	02 Jun 2004	2,571,450	-	-
2	Group CFO	17 Jul 2012	1,048,062	298,000	-
3	CTO – Tiles	20 Aug 2013	562,587	150,000	-
4	CTO – SW	08 Apr 2014	544,317	130,000	-

1. The Group CEO is also paid company performance and profitability based incentive.

# External Auditor

## 4 EXTERNAL AUDITOR

According to the Commercial Companies Law No.2 of 2015, and corporate governance code, the AGM appoints an independent external auditor for the fiscal year based on recommendations made by the Board. The AGM also approves the remuneration of the external auditors. The AGM held on 11 March 2020 appointed Deloitte & Touch (ME) as external auditors of the Company for the year ending on 31 December 2020. The external auditors are invited to the Audit Committee meetings and they also attend the AGM to present their report and answer shareholders' questions.

The external auditors conduct quarterly reviews and the annual audit of the financial statements in accordance with relevant international standards. The external auditors present their report to the Audit Committee of the Board and the AGM in compliance with the Laws of the United Arab Emirates.

In 2014, the Company instituted a non-audit services policy in relation to work that may be performed by the independent auditor to provide additional assurance that their independence is not impaired in accordance with the guidance provided of the Resolution No. 3 of 2020 of SCA Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

### Overview of the External Auditor

Deloitte & Touch is one of the largest professional services networks in the world, and one of the "big four" audit firms. Deloitte & Touch (ME) is a member of the Deloitte & touch Tohmatsu Group Ltd, a leading professional company in auditing, taxation, and financial consultation with more than 2,500 partners, managers and employees working in 26 offices in 15 Countries in ME (6 Offices within UAE) with a global network of connected companies in more than 150 countries and 182 specialist. Deloitte & Touch provides high-quality services to its client in the public and private sectors in a wide range of economic fields by proposing effective solutions to the challenges facing their business.

The Assembly General Meeting, in its meeting held on March 11th, 2020, approved the appointment of Deloitte & Touch (ME) as the Company's External Auditor for the financial year ending on December 31st 2020, in place of M/S KPMG. This is the First year of Deloitte & Touch (ME) as the Company's external auditors.

### External Auditors' Remuneration

Deloitte & Touch (ME)/ Mr. Sunder Nurani	Audit Office Name & Partner Name
Number of Years spent as an external auditor of the company	2 years
Number of Years the partner spent in auditing the Company	2 years
Total fees for auditing the Interim and Yearly financial statements for 2020	AED 700,000 of audit fees excluding VAT.
Total fees for other services other than auditing the financial statement for 2020.	1- AED 5,000 2- AED 69,507
Nature of other provided services.	1- Certificate for unclaimed dividend amount to be submitted to SCA 2- Advisory on transfer pricing benchmark
Description of the other Services provided by Other external Auditor rather than the Company Auditor for the year 2020	N/A

### A statement of the qualified opinions made by the external auditor in the interim and annual financial statement for 2020

No qualified opinion.

### Board Committees

The Board is assisted by three Committees: Audit & Risk Committee, Nomination & Remuneration Committee, and Insider Trading Committee

# Audit & Risk Committee

## 5 AUDIT & RISK COMMITTEE

### Acknowledgement

Mr. Fawaz Al Rajhi, Audit & Risk Committee Chairman acknowledges his responsibility for the Activities of the committee in the Company, review of its work mechanism and ensuring its effectiveness.

b- Names of the Audit Committee Members as on 31 December 2020 and their Tasks:

- Fawaz Sulaiman Al Rajhi (Chairman),
- Wassim Moukahhal (Member), and
- Yousef Ali Al Belooshi (Member)
- Philip Gore Randall (Audit Committee Expert)

### Audit & Risk Committee Tasks

The Committee shall perform the following tasks and duties:

1. Review the company financial and accounting policies and procedures.
2. Monitor and review the integrity of the Company financial statements and reports (annual, semi-annual and quarterly) and its control regulation as part of its normal operation during the year. It shall concentrate in particular on the following:
3. a. Any changes in accounting policies and practices.
4. b. Highlighting of the aspects subject to the management discretion.
  - Ensure that the Company annually updates its policies, procedures and control systems.
  - Substantive amendments resulting from the audit.
  - Assumption of business continuity.
  - Compliance with the accounting standards established by the Authority.
  - Compliance with listing and disclosure rules and other legal requirements related to financial reporting.
5. Coordinate with the company Board, senior executive administration, the financial manager or the manager delegated with the same duties in the company, in order to perform its duties.
6. Consider any significant and unusual terms contained or to be contained in such reports and accounts, and shall give due consideration to any matters raised by the Company Chief Financial Officer, the manger delegated with the same duties, the compliance officer or the auditor.
7. Raise recommendations to the Board regarding the selection, resignation or dismissal of the auditor. In case the Board does not approve the Audit Committee recommendations in this regard, the Board shall attach to the governance report a statement explaining the Audit Committee recommendations and the reasons why the Board has not followed them.
8. Develop and implement the policy of contracting with the auditor, and submit a report to the Board, outlining the issues that it deems necessary to be taken, along with providing recommendations for steps to be taken.
9. Ensure that the auditor meets the conditions stated in the applicable laws, regulations and decisions and in the company articles of association, along with following up and monitoring its independence.
10. Meet the auditor of the company without presence of any of the senior executive management personnel or its representatives, and discuss the same with regard to the nature and scope of the audit process and its effectiveness in accordance with the audited standards.
11. Approve any additional works made by an external auditor for the company and the fees received in consideration for that works.

## Audit & Risk Committee (contd.)

### 5 AUDIT & RISK COMMITTEE (CONTD.)

12. Examine all matters related to the auditor work, his work plan, correspondence with the company, his observations, suggestions and reservations, and any substantial queries raised by the auditor to the senior executive management regarding the accounting records, financial accounts or control systems, in addition to following up the response of the company management and provision of the necessary facilities to do his work.
13. Ensure that the Board responds in a timely manner to the clarifications and substantive issues raised in the auditor letter.
14. Review and evaluate the company internal auditing and risk management systems.
15. Discuss the internal auditing system with the Board, and make sure it performs its duty with regard to establishing an effective internal control system.
16. Consider the results of the main investigations regarding the internal auditing matters assigned to it by the Board or at the initiative of the Committee and the approval of the Board.
17. Review the auditor evaluation of the internal control procedures and ensure that there is coordination between the internal and external auditors.
18. Ensure of the availability of necessary resources for the internal auditing department, review and monitor the effectiveness of such department.
19. Examine internal auditing reports and follow up implementation of corrective actions of the observations contained therein.
20. Establish controls that enable the Company employees to report confidentially on any potential violations in the financial reports, internal auditing or other matters, and the steps to ensure making an independent and fair investigation of such violations.
21. Monitor the company compliance with the rules of professional conduct.
22. Review related party transactions with the Company, ensure that there are no conflicts of interest and raise recommendations about them to the Board before concluding them.
23. Ensure the application of the business rules of its functions and the powers entrusted to it by the Board.
24. Develop a comprehensive risk management strategy and policies that are consistent with the nature and volume of the Company activities, monitor its implementation, review and update it, based on the company internal and external changing factors.
25. Identify and maintain an acceptable level of risks that the Company may face, and ensure that the Company does not exceed such level.
26. Supervise the risk management framework of the company and evaluate the effectiveness of the framework and mechanisms of identifying and monitoring the risks that threaten the company, in order to identify areas of inadequacy and adequacy.
27. Provide guidance to management, as needed, to assist them in improving their risk management practices and / or mitigating certain risks, including the presence of qualified management personnel to carry out risk management activities effectively.
28. Obtain assurance from the executive management and internal audit that the risk processes and systems operate effectively with appropriate controls, in addition to compliance with approved policies.
29. Prepare detailed reports on the level of exposure to risks and recommended procedures for managing such risks, along with submitting them to the Board.
30. Make recommendations to the Board on matters relating to risk management.
31. Ensure of the availability of adequate resources and systems for risk management.



# Audit & Risk Committee (contd.)

## 5 AUDIT & RISK COMMITTEE (CONTD.)

32. Report regularly to the Board on the Company risk profile and promptly inform the Board of any significant changes in the volume of the risk.
33. Verify that the risk management personnel are apart from the activities that may expose the Company to risks.
34. Submit reports and recommendations to the Board on the above matters mentioned.
35. Appointment and removal of Chief Audit, Risk & Compliance Officer and determining his responsibilities and compensation.
36. Consider any other matters determined by the Board.

To strengthen Corporate Governance, Internal Controls and for ensuring adherence to best practices, RAK Ceramics Board has engaged an Audit Committee Expert to provide the necessary advice and assistance to the Audit Committee. Mr. Philip Gore-Randall is the designated Audit Committee Expert. His brief profile is presented below:

### Philip Gore-Randall

#### Audit Committee Expert

Philip Gore-Randall has many years of extensive experience at a senior level in large private and publicly held international organisations and has a portfolio of advisory and Board roles. He is currently Chairman of several international companies, Chairman of two Audit Committees of other businesses (including Samena Capital) and an adviser to several others. He spent most of his executive career at Andersen where he was an audit partner for 26 years; and where he ran the Firm's UK practice and subsequently became the Global COO. He is a UK Chartered Accountant and holds an MA from University College, Oxford.

### Audit & Risk Committee Meetings

The Committee is required to meet once every quarter. The Committee held 6 meetings during the year 2020, as detailed below:

Date	Mr. Fawaz Sulaiman Al Rajhi	Shk. Ahmed Bin Humaid Al Qassimi**	Shk. Ahmed Bin Humaid Al Qassimi**	Shk. Ahmed Bin Humaid Al Qassimi**
11 February 2020	P	P	P	N/A
05 May 2020	P*	A	P*	N/A
02 June 2020	P*	P*	P*	N/A
10 August 2020	P*	N/A	P*	N/A
03 November 2020	P*	N/A	P*	P*
07 December 2020	P*	N/A	P*	P*

P Participated

N/A Not applicable

P\* Participated through Conference call

A Absent

\*\* On 10 Aug 2020, Mr. Khakid Ali Saif Al Yahmadi resigned from the Audit committee and was replaced by Mr. Yousef Ali Al Belouchi  
The Audit Committee Expert attended all meetings.

# Nomination and Remuneration Committee

## 6 NOMINATION AND REMUNERATION COMMITTEE

### Acknowledgment

Mr. Fawaz Al Rajhi, Nomination & Remuneration Committee Chairman acknowledges his responsibility for the activities of the committee in the Company, review of its work mechanism and ensuring its effectiveness.

### Names of the Nomination and Remuneration Committee Members as on 31 December 2020 and their task

- Fawaz Sulaiman Al Rajhi (Chairman),
- Shirish Saraf (Member), and
- Khalid Elisiri (Member)

### Nomination and Remuneration Committee Tasks

The Nomination and Remuneration Committee's primary functions are to:-

1. Develop a policy to apply for membership of the Board and Executive administration, taking into account gender diversity within the formation and encouraging women through incentive and training programs and benefits.
2. Organize and follow up the procedures for applying for membership of the Board in accordance with the applicable laws and regulations and the provisions of this resolution.
3. Ensure the independence of independent members on an ongoing basis.
4. Ensure availability of continuity of the membership conditions in the Board members annually.
5. Prepare and review the policy on granting rewards, benefits, incentives and salaries to the Board members and the staff therein, on an annual basis.
6. Ensure linking the remunerations and bonuses, including the other deferred options and remunerations and benefits offered to senior executive management in the performance of the company in the medium and long term
7. Annually review the required needs of the suitable skills for Board membership and prepare a description of the abilities and qualifications required for Board membership, including determining the time that the member should set for the Board work.
8. Review the structure of the Board and make recommendations regarding possible changes.
9. Identify the company needs of competencies at the level of senior executive management and staff and the basis of selecting them.
10. Prepare the policy related to human resources and training in the company and monitor its implementation, along with reviewing it annually.
11. Any other matters determined by the Board.

### Nomination and Remuneration Committee Meeting

The committee is required to meet once annually. The Committee held one (1) meeting during 2020, as detailed below:

Date	Fawaz Sulaiman Al Rajhi	Shirish Saraf	Khalid Ali Saif Al Yahmadi	Khalid Elisiri*
11 February 2020	P	P	P*	NA

P Participated

P\* Participated through Conference call

N/A Not Applicable

\* On 10 Aug 2020, Mr. Khalid Ali Saif Al Yahmadi resigned from the N&R committee and was replaced by Mr Khalid Elisiri.

# Insider Trading Committee

## 7 INSIDER TRADING COMMITTEE:

### Acknowledgment

Mr. Vibhuti Bhushan, Insider Trading Committee Chairman acknowledges his responsibility for the activities of the committee in the Company, review of its work mechanism and ensuring its effectiveness.

### Names of the Insider Trading Committee Members as on 31 December 2020 and their Tasks

- Vibhuti Bhushan, Group Chief Audit, Risk & Compliance Officer (Chairman)
- George Rabahie, Group Chief Legal Counsel & Board Secretary (Member)
- Pramod Kumar Chand, Group Chief Financial Officer (Member)

### Insider Trading Committee Tasks

The Insider Trading Committee's primary functions are:-

- Prepare a special and complete register for all Insiders
- Supervision of insiders' trading and their ownership.
- Conservation of official acknowledgment from the Company Insiders about the company internal information.
- Inform all the insiders about the regulations and legal responsibility through signing the official acknowledgement.
- Inform the insiders about the prohibited period.
- Notify SCA and the market of an update list of insiders.
- Submit a copy of the insiders register to the authority upon request.
- Comply with any other requirements specified by the authority.

### Insider Trading Committee Meeting

The committee is required to meet once annually. The Committee held one (1) meeting during 2020, as detailed below:

Date	Vibhuti Bhushan	George Rabahie	Pramod Kumar Chand
19 February 2020	P	P	p
P	Participated		

### Summary of Committee Activities in 2020

- The Members had reviewed the registered insider list, and recommended to update the list for any addition or deletion of any employees or authorized person have access to any financial and materials matters.
- The Committee informed the insiders through official means of any materiality matters immediately upon their occurrence or at their knowledge, and on the dates of the prohibition period.
- The Committee reviews the monthly and periodically trading on the Company share, in order to ensure that the Insider are not trading on Company share during the prohibition period, or during the period of the materiality events.
- Submit a copy of the insiders register to the authority upon request.
- Update the Insider details on ADX website – RAK Ceramics PJSC portal.

# Internal Controls Violations Committed

## 8 INTERNAL CONTROLS

### Board Responsibility

The Board assumes overall responsibility for internal controls in the Company including mandating the requirements, where appropriate, for policies, guidelines and controls (including authority levels and segregation of duties).

The executive management is responsible for the implementation of internal controls in co-ordination with the Heads of Functions, General Managers, Divisional Managers and domestic and overseas Branch Managers. The responsibility for implementing, and adhering to, efficient internal control systems in the Company rests with each employee.

### Head of Internal Audit Department and Compliance Officer, Qualifications and the appointment date

According to corporate governance requirements and the directions of the Securities and Commodities Authority, an Internal Audit Department has been established with sufficient independence and appropriate staffing to meet its obligations. The department reports to the Audit & Risk Committee of the Board.

The Internal Audit Department is headed by Mr. Vibhuti Bhushan, a CFA and MBA with more than 30 years international working experience in the fields of internal audit, risk management, corporate governance and finance. Mr Bhushan also serves as Compliance Officer. Mr. Bhushan was appointed on 14th April 2014.

### Work Mechanism of Internal Control and Dealing with Problems

The Board believes that the Group's internal control system provides reasonable assurance on the completeness, integrity, accuracy and presentation of financial information/ statements, safeguarding and preservation of assets, detection of fraud and compliance with applicable laws and regulations.

The Audit & Risk Committee, on behalf of the Board, reviews the system of internal control and assesses the framework by evaluating the work carried out by the internal control department and the external auditors. The Board confirms the adequacy of the existence of effective internal controls in the Group based on the recommendations and advice presented by the Audit & Risk Committee

Internal Audit Department conducts reviews of internal control systems in the Company and submits its assessment and recommendations to the Audit & Risk Committee and Board each quarter. The review process is in accordance with applicable international standards and Resolution No. 3 of 2020 of SCA concerning Corporate Governance Rules and Corporate Discipline Standards.

In 2020, the company did not face any problems with its internal controls.

### Number of Report issued by Internal Control Department to Board of Directors

4 Reports were issued.

## 9 VIOLATIONS COMMITTED

During 2020, there were no instances of imposition of any fine for any violation by the Company.

# Corporate & Social Responsibility

## 10 CORPORATE & SOCIAL RESPONSIBILITY

### Company's contributions

Company's contributions in developing the community and protection the environment during 2020

Social activity		Amount (AED)
1	CSR Activity on UAE National Day	9,625
2	Terry Fox run Donation & T-shirts	10,000
3	Sponsorship for RAK Municipality Magazine	22,175
4	Staff welfare activity for Eid Al Adha	13,900
5	Sponsorship for RAK Football Tournament	11,860
6	Medical assistance	233,891
7	Women's day & Christmas celebration	2,695
8	Donations & Social contribution at overseas units	143,000
9	Educational Support	29,199
<b>Subtotal (A)</b>		<b>476,345</b>
<b>COVID 19 related facilitation</b>		
10	COVID 19 isolation facility expenses	499,002
11	COVID 19 testing for employees on work	138,489
12	Provision of masks, gloves, face shields, sanitizers	542,204
<b>Subtotal (B)</b>		<b>1,179,695</b>
<b>Total (A+B)</b>		<b>1,656,040</b>

# General Information

## 11 GENERAL INFORMATION

The Company reports financial results and other material information on the relevant webpage of Abu Dhabi Stock Exchange (ADX) at [www.adx.ae](http://www.adx.ae). The Company also publishes invitations to General Assembly Meetings and other material information in English and Arabic newspapers.

The annual audited accounts and report of the Board are circulated to the shareholders at the General Assembly Meeting. The report of the Board is provided in the annual report, and includes Management Discussion and Analysis of periodic performance.

The quarterly financial statements of the Company are not sent to the individual shareholders of the Company, but are uploaded on the designated web page of Abu Dhabi Stock Exchange under Company symbol "RAKCEC" and also at the Company webpage [www.rakceramics.com](http://www.rakceramics.com)

### Stock Market data

Stock Market data for the period from 1st January to 31 December 2020 & Statement of the Performance of the Company's Share

Month	High	Low	Number of Shares Traded
January	1.70	1.56	9,781,684
February	1.90	1.61	21,785,067
March	1.85	1.24	14,588,138
April	1.46	1.27	5,868,884
May	1.52	1.39	1,494,398
June	1.42	1.32	11,909,037
July	1.37	1.30	18,285,456
August	1.38	1.24	10,865,372
September	1.51	1.32	20,617,295
October	1.44	1.34	4,541,764
November	1.45	1.33	29,515,267
December	1.54	1.38	13,287,575
<b>Total</b>			<b>162,539,937</b>

### Statement of the comparative performance

Statement of the comparative performance of the company's share with the general market index and sector index during 2020

Index & Price	Open	Close	Difference
General Index	5,075.89	5,045.31	-30.58
Industrial Sector Index	1,283.86	1,603.41	319.55
RAKCEC Share	1.59	1.50	-0.1



# General Information (contd.)

## 11 GENERAL INFORMATION (CONTD.)

### Distribution of Share Capital Ownership

Distribution of Share Capital Ownership as on 31 December 2020:

Sr. Category	Percentage of shareholding (%)			
	Individuals	Companies	Government	Total
1 Local	24.50	20.25	7.12	51.87
2 Arab	6.80	16.68	0.01	23.49
3 Foreigner	0.84	23.80	0.00	24.64
4 Total	32.14	60.73	7.13	100

### Shareholders owning 5% or more

Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2020:

Sr Shareholders	Number of shares	% of Holding
1 Samena Limestone Co. *	174,353,892	17.55
2 Limestone L.L.C.*	63,692,527	6.41
3 Government of RAK	49,399,386	4.97
4 Shikra Management LLC**	27,216,866	2.74
5 Al Nahla Contracting and Trading*	25,511,044	2.57
6 Samena Limestone Holdings*	25,319,095	2.55
7 Falcon Investment Co. LLC**	25,062,581	2.52
8 Al Hamra Group LLC	306,796	0.03
9 Others	602,841,771	60.67
<b>Total</b>	<b>993,703,958</b>	<b>100</b>

\* Total shares held by Samena Capital (29.07%)

\*\* Companies owned by H.H Sh. Saud bin Saqr Al Qasimi represent 5.29%

### Shareholders distribution

Shareholders distribution as on 31 December 2020:

Sr Shares Ownership	Number of Shareholders	Number of shares	% of Holding
1 Less than 50,000	473	6,123,630	0.62
2 From 50,000 to Less than 500,000	281	39,199,047	3.94
3 From 500,000 to Less than 5,000,000	69	123,280,628	12.41
4 More Than 5,000,000	37	825,100,653	83.03
	Total	993,703,958	100

# General Information (contd.)

## 11 GENERAL INFORMATION (CONTD.)

### Regulations of Investors Relation:

In 2015, the Company has established an Investors Relations Department and appointed a Head of Investor Relations. A separate section called Investor Center was also added to the Company's website (<http://corporate.rakceramics.com/investors/>)

### Investor Relations Department

Head of Investor Relation Department and his Contact Details:

Mr. Pramod Kumar Chand, Group Chief Financial Officer who is also Insider Trading Committee member, and assisted by Mr. Mohannad Al Safadi and Mr. Abdul Wahid. Investor Relations can be contacted on the following details:

Email: [ir@rakceramics.com](mailto:ir@rakceramics.com)

Phone: +971 7 246 7325

Fax: +971 7 244 5722

The Link of the Investor Relations webpage on the website of the Company.

<http://corporate.rakceramics.com/investors/>

### Special Resolutions

No special resolution has been issued in 2020.

### The Name of the Board Secretary and the date of his appointment:

Mr. George Rabahie – Chief Legal Counsel and Company Secretary, had been appointed on 15 March 2015.

### Materiality Events during 2020:

There were no materiality events encountered the company during 2020.

### A statement of the transactions that the company has made with related parties during the year 2020 that are equal to 5% or more of the company's capital.

No Transactions

### Statement of the percentage of Emiratisation at the company by the end of 2018, 2019 & 2020:

Year	No. of Emirati Employees	No. of Admin Employee	%
2018	5	197	2.5%
2019	8	194	4%
2020	8	156	5%

### Statement of innovative projects and initiatives undertaken by the company or under development in 2020:

RAK Ceramics believes in continues innovation and supplying products using latest technology and design to its customers. There is dedicated team of professionals as well as outsourced technicians who are engaged in developing these designs:

Tile Section: Launch of the new RAK Sanit, an advance and innovative products against bacteria which enables safer and healthier environments by reducing the possibility of bacterial contagion.

Sanitaryware Section: Recently we had lunched a wash basin collection called RAK Petit and RAK Variet which are specially designed for project sector. We had also completed a prestigious collection called RAK Valet, these collections are the exceptional result of fruitful collaboration with world class designers.

# Conclusion

## 11 CONCLUSION

### Closing Statement

RAK Ceramics is committed to respecting the rights of all its stakeholders through the adoption of the highest standards of governance resulting in transparency and integrity in all its dealings and disclosures.


The Board reinforces the concept of equal opportunity by the adoption of a remuneration and compensation policy that motivates all employees to continuously improve their performance in line with the strategic objectives of the Company. As a responsible corporate citizen, the Company actively promotes CSR initiatives and various other activities focused on giving back to and improving its communities. The Company continues to develop trustworthy relationships with its customers and all other stakeholders by establishing appropriate channels for receiving complaints and their resolution, enhancing its corporate governance, and managing the business with wisdom.



Signature of the  
Board Chairman



Signature of  
Audit Committee  
Chairman



Signature of  
Nomination and  
Remuneration  
Committee  
Chairman



Signature of Internal  
Control Department

**HEAD OFFICE**

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**RAKCERAMICS.COM**

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