



Corporate Governance Report

2015

RAK CERAMICS PJSC

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1- Application of Corporate Governance Principles during the year 2015

Ras Al Khaimah Ceramics PSC (“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 Ministerial Resolution No. 518 of 2009 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.

During 2015, the company’s applied the following procedures in regards with Corporate Governance System:

*** Amendment of the Article of Association:**

The Company invited the shareholders to attend the Extraordinary General Assembly Meeting (EGM) held on 26 April 2015 for approving the amendment of the article number 21 of the Articles of Association (“AOA”). The amendment enabled broad-basing the Board composition from UAE majority to GCC majority. After the shareholders’ approval, the amendment was approved by the Securities and Commodities Authority (SCA) and was incorporated into the AOA.

*** Election of the members of the Board of Directors of the company:**

The Company invited the shareholders to attend the Annual General Assembly Meeting (AGM) held on 26 April 2015 for electing the members of the Boards of Directors for a term of three years ending on 25 April 2018.

*** Re-Constitution of the Board and its Committees:**

The Board unanimously nominated the Chairman and Vice Chairman of the Board in a Board meeting held on 26 April 2015, and determined the category of the Board members (*Executive, Non Executive & Independent*). The Board Committees (*Audit & Nomination and Remuneration Committees*) were also reconstituted in the same meeting.

*** Value Creation Plan:**

The company continued implementing the value creation plan to enhance the shareholder value.

*** The Independence of the Auditor:**

A non-audit services policy was approved and implemented to provide additional assurance that, in accordance with the guidance provided in UAE Ministerial Resolution No. 518 of 2009, the independence of the independent auditor is not impaired in relation to work that they may perform.

*** Board of Directors Meetings and it’s Committees:**

During 2015, the Board held 8 Meetings, the Audit Committee held 4 Meetings & Nomination & Remuneration Committee held one meeting.

*** Disclosures and Transparency:**



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The company is committed to regulations and legislation on disclosure. During 2015, the company made disclosures on important events, Board of Directors' reports, Financial Statements (Quarterly & Yearly), Corporate Governance Report for 2014, Board of Directors' Meetings and its results, Annual & Extraordinary Assembly Meeting and its results.

*** Creation of Investor Relation Department:**

Based on the requirements of section number 7 in Article Number 12 of the Ministerial Resolution Number 518/2009, the Company created 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://www.rakceramics.com/investors-center.php>).

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.

The 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 and its committees,
- related party transactions,
- auditor independence, rotation, and the periodic review of the principles of professional conduct.

2- Transactions of the Board and their relatives of first degree in the Company Securities during the year 2015.

a- 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 Article (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 (3.14) of the ministerial resolution No (518) of 2009 concerning the Corporate Governance and Corporate Discipline Standards. The above mentioned rules were approved and endorsed by the Board and approved by the ESCA. 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.

b- Transactions in Securities

The following information shows the dealings of the members of the Board, their first degree relatives and, in the Company securities during the year 2015:



Transactions by the members of the Board

Following were the transactions by the Members of the Board, and their first degree relatives, in the company securities during the year 2015.

Name	Relation	Type of Transaction	Number of Quantity
Khaled Abdullah Yousef Abdullah Aal Abdullah	Member	Buy	500,000
Emirates Rock and Marbles (Sole Proprietor entity owned by H.H. Shk Saud Bin Saqr Al Qassimi)	Father of the Chairman	Sell	38,687,025
H.H. Shk. Saud Bin Saqr Al Qassimi	Father of the Chairman	Sell	17,944,396
Shk. Mohammed Bin Saud Bin Saqr Al Qassimi	Chairman (Previously) 1	Sell	3,616,583
Shk. Khaled Bin Saud Bin Saqr Al Qassimi	Chairman (Currently) 2	Sell	36,000
		Buy	15,000
Al Rajhi Alfa Investment	Board Member 3	Buy	1,721,180

1 Sold shares while he was chairman of the Board and before he stepped down from the Board in July 2015.

2 Sell/Buy transactions before he joined the Board and was made its Chairman in July 2015.

3 Mr. Fawaz Sulaiman Al Rajhi is Chairman of Al Rajhi Alfa Investments Holding, Saudi Arabia.

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.

A- Composition of the Board of Directors

The current Board consists of seven members:

- the Chairman (Non-Executive, Independent),
- four Non-Executive & Independent Directors, and
- two Executive Directors.

The majority of the Directors meet the requirement of being non-executive and independent. Therefore, the Board composition satisfies the requirements of Article (3.2) of Ministerial Resolution No. (518) of 2009. The Members were elected at the AGM held on 26 April 2015. The term of the Board will expire on 25 April 2018.



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The following Table describes the composition of the Board of Directors as on 31 December 2015:

Sr	Name	Category	Qualifications	Period as Board Member	Other Current Position in any PSCs	Positions at any Governments Dept.
1	Sh. Khaled Bin Saud Al Qassimi	Chairman (Non-Executive, Independent)	BBA from New York University, Abu Dhabi	July 2015 6 months	N/A	Positions on Boards of Al Marjan Islands, UAE and Investment & Development Office, Government of RAK, UAE
2	Shirish Saraf	Vice chairman (Non-Executive, Independent)	*BSc (Economics) from London School of Economics and political Science *Charterhouse School	June 2014 1 Year & 7 Months	N/A	N/A
3	Shk. Ahmed Bin Humaid Al Qassimi	Member (Non-Executive, Independent)	Bachelor's degree from military college in Egypt.	January 1996 20 Years	Chairman of RAK White Cement PSC	N/A
4	Mr. Khalid Ali Saif Al Yahmadi	Member (Non-Executive, Independent)	*Bachelor of science in Finance from Sultan Qaboos Univresity - Oman *Master of Science in Accountancy and Finance from University of Illinois – USA; *CPA – USA *CIFP – Malaysia	July 2014 1 Year & 7 Months	N/A	N/A
5	Mr. Ramesh Venkataraman (Till 11 February 2016)	Executive , Non-Independent	*MPA, Economics and Public Policy from Princeton University's Woodrow Wilson School of Public and	July 2014 1 Year & 7 Months	N/A	N/A

Sr	Name	Category	Qualifications	Period as Board Member	Other Current Position in any PSCs	Positions at any Governments Dept.
			International Affairs *MPhil, International Relations. from Oxford University *BTech, Electronics and Communication Engineering. Indian Institute of Technology – Kharagpur			
6	Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla	Executive , Non-Independent	Bachelor's degree in Business Management majoring in Management Information System, from University of Arkansas, the United States of America	May 2012 4 years	N/A	N/A
7	Mr. Fawaz Suliman Al Rajhi	Member (Non-Executive, Independent)	Master in business Administration from Stanford University-USA and Bachelors in MIS and Accounting from KFUPM- KSA	April 2015 9 months	N/A	N/A

Following change has taken place on 11 February 2016:

Sr	Name	Category	Qualifications	Period as Board Member	Other Current Position in any PSCs	Positions at any Governments Dept.
1	Ramesh Venkataraman	Executive , Non-Independent		Resigned on 11 February 2016		
2	Mr. Wassim Moukahal	Member (Non-Executive, Independent)	MBA from the Wharton School, University of Pennsylvania and Bachelor in Economics & Finance from McGill University	Appointed on 11 February 2016	N/A	N/A



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 ESCA.

Profile of the members of the Board:

SHEIKH KHALED BIN SAUD AL QASIMI

CHAIRMAN

NON-EXECUTIVE, INDEPENDENT

Sheikh Khaled holds business management qualification from New York University, Abu Dhabi Campus. He holds Positions on Boards of Al Marjan Islands, UAE and Investment & Development Office, Government of Ras Al Khaimah, UAE.

SHIRISH SARAF

VICE CHAIRMAN

NON-EXECUTIVE, INDEPENDENT.

Board member since 2014; reappointed in 2015 AGM for a three year term till 25 April 2018. Founder & Vice Chairman of Samena Capital. In June 2014 led the acquisition of a significant stake in RAK Ceramics PSC. 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 founded Oriel Investment Company, which emerged as one of the leading regional corporate finance firms. Currently Vice Chairman of Samena Capital and RAK Ceramics P.S.C and has previously held numerous directorships including Aramex Holdings, Abraaj Capital, Commercial Bank of Oman SAOG, EFG Hermes and Amwal Capital (Qatar). In September 2013, 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.

SHEIKH AHMED BIN HUMEID AL QASIMI

BOARD MEMBER

NON-EXECUTIVE, INDEPENDENT

Board member since 1996; reappointed in 2015 AGM for a three year term till 25 April 2018. Also Chairman of RAK White Cement and RAK Porcelain (a RAK Ceramics Group Company). Holds a Bachelor's Degree from the Military College in Egypt.

RAMESH VENKATARAMAN

BOARD MEMBER

EXECUTIVE, NON-INDEPENDENT

Board member since 2014; reappointed in 2015 AGM for a three year term till 25 April 2018. Senior Managing Director – Private Equity, Samena Capital. Former Managing Director with Bridgepoint Capital and Partner with McKinsey and Company. Holds degrees from Princeton University, Oxford University, and the Indian Institute of Technology.



KHALID ABDULLA YOUSEF ABDULLA AAL ABDULLA

BOARD MEMBER

EXECUTIVE, NON-INDEPENDENT

Board member since 2012; reappointed in 2015 AGM for a three year term till 25 April 2018. Has over 23 years' experience providing fiscal, strategic, and operations leadership with expertise in finance, budgeting and cost management, public relations and media, strategic planning, sales and marketing, profitability and cost analysis and policy and procedures development. Executive Member of the Board for RAKIA, RAKFTZ, and RAK Chamber of Commerce. Founder of KAY Invest, a UAE based investment company with a diverse portfolio including finance, properties and trading. Currently, CEO and Member of the Board of Directors, Majan Printing and Packaging Co one of the largest printing and packaging companies in the Middle East. Holds a Bachelor's Degree in Business Management from the University of Arkansas, USA.

KHALID ALI SAIF AL YAHMADI

NON-EXECUTIVE, INDEPENDENT

Investment Director of Oman Investment Fund, leading the resources, manufacturing, and logistics team. Previously Chief Investment Officer at Almadina Investment. More than 13 years' experience in investment banking, corporate finance, and private equity investments. Lectured in Economics and Finance at Sultan Qaboos University, Oman. Studied at the University of Illinois, USA.

FAWAZ SULAIMAN AL RAJHI

NON-EXECUTIVE, INDEPENDENT

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 has served as Head of Private Equity Placement as well as Director of Sales and Distribution at Al Rajhi Capital. He has also worked with Proctor & Gamble as system analyst at their Arabian Peninsula headquarters, in building IT solution for Business Development Fund. Holds Master in Business Administration from Stanford University, USA and Bachelors in MIS and Accounting from KFUPM, KSA.

WASSIM MOUKAHAL

NON-EXECUTIVE, INDEPENDENT.

Mr Moukahhal has more than 11 years of experience in private equity investments and is currently serving as Senior Vice President of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region. He holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.

He is also a Member of the Board of Directors of RAK Porcelain and member of the the Executive Committee of the Company.

B- Female representation in Board in 2015:

RAK Ceramics is always keen to support and encourage women in all the fields. It welcomes recent amendments in the UAE Companies Law.



C- Reasons for non-nomination any women in the membership of the Board of Directors.

The present Board of the Company was elected in April 2015 and no female candidates were nominated at that time. The term of the present Board ends on 25 April 2018. Female nominations shall be welcomed at that time.

D- Remuneration of the members of the Board

Remuneration for members of the Board is calculated as a percentage of the net profit of the Company and is approved by the shareholders of the Company in a general assembly meeting based upon the recommendation from the Board. The remuneration is governed by the requirements of Article (7) of the ministerial decision No. (518) of 2009 concerning governance rules and corporate discipline standards, and Article (118) of the commercial companies Law No. (8) for 1984.

1- Board remuneration for the year 2014 was AED 3,700,000.

2- For 2015, AED 3,700,000 has been proposed as Board remuneration for shareholders' approval in the General Assembly Meeting to be held on 16 March 2016.

3- On September 11, 2014, The Board decided to discontinue the sitting fees.

Mr. Khaled Abdulla Yousuf Abdulla Aal Abdulla draws a monthly salary of AED 100,000 and Mr. Ramesh Venkataraman draws a monthly salary of AED 141,667 for services rendered.

E- Meetings of the Board of Directors

Board Meetings are held regularly, or when requested by the Chairman, or when demanded by at least two thirds 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. The Board periodically undertakes a review to ensure that it is adequately fulfilling its roles and responsibilities.

In 2015, the Board held **Eight (8)** meetings as follows:

Date of meeting	Attendance %
19 February 2015	85
12 March 2015	100
26 April 2015	100
07 May 2015	100
09 July 2015	85
06 August 2015	100
22 October 2015	100
02 November 2015	100



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The attendance of members of the Board at these meetings and the General Assembly Meeting held on 26 April 2015 is as follows:

Date Attendance	19-Feb-2015	12-Mar-2015	26-Apr-2015	07-May-2015	09-Jul-2015	06-Aug-2015	22-Oct-2015	02-Nov-2015	AGM
H.H.Sh. Mohammed Bin Saud Al Qassimi	Absent / Permitted	P	P	P	Absent / Permitted	N/A*	N/A*	N/A*	P
Sh. Khaled Bin Saud Al Qassimi	N/A*	N/A*	N/A*	N/A*	N/A*	P	P	P	N/A*
Shirish Saraf	p**	P	P	p**	p**	p**	p**	P	P
Sh. Ahmed Bin Humaid Al Qassimi	P	P	P	P	P	p**	p**	P	P
Ramesh Venkataraman	p**	P	P	p**	p**	p**	p**	P	P
Khalid Ali Saif Al Yahmadi	p**	p**	P	p**	p**	p**	p**	P	P
Khaled Abdulla Yousef Abdulla**	P	P	P	P	P	p**	p**	P	P
Sh. Kayed Bin Omer Al Qassimi	p**	p**	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	P
Fawaz Suilman Al Rajhi	N/A*	N/A*	P	P	P	p**	p**	P	N/A*

N/A* Not member of the Board at the time of the meeting

p** Participated through conference call organized through headquarters. P: Participated

F- 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 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 Chief Executive Officer (CEO) of the Company.



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The CEO is appointed by the Board. 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. He 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.

The Board of Directors gives executive management the authority to represent the Company in certain financial and administrative transactions and sign on its behalf within prescribed limits.

G- 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 2015 are as follows:

Transactions with Major Shareholders:

(Other than Payment of Dividend)

<u>Description</u>	<u>31 December 2015 (AED'000)</u>
Sale of stake in subsidiary*	16,000
Purchases	-

* Represents consideration received on sale of 100% stake in RAK Logistics LLC to AGL, an entity controlled by Samena Capital. Given the relationship, the Company has followed and applied the guidance provided by UAE Companies Law, UAE Corporate Governance Code for Public Listed companies (Ministerial Resolution number 518), where all related parties have recused themselves from the discussions and decisions related to this transaction. (Refer related public disclosure made by us at www.adx.ae on 01 December 2015)

Transaction with members and their association with other company:

<u>Description</u>	<u>31 December 2015 (AED'000)</u>
Sales	-
Purchases	5,428

Transactions with Key Management:

(Other than Payment of Salary)

<u>Description</u>	<u>31 December 2015 (AED'000)</u>
Sales	-
Purchases	-

H- Organisation Structure:



I- Names, positions, date of appointment and remuneration of Senior Executive Management as on 31 December 2015 in AED thousands:

Sr	Name	Position	Appointed Date	Fixed Remuneration	Total including Bonus & Incentive
1	Abdallah Massaad	CEO#	2-Jun-2004	2,374	5,313
2	Manish Joshi	CSO	1-Aug-2004	1,217	1,445
3	Pramod Kumar Chand	CFO	17-Jul-2012	1,236	1,454
		Total		4,827	8,212

The CEO is also eligible for company performance & profitability based incentive

4- External Auditor

According to the Commercial Companies Law No.8 of 1984, 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 26 April 2015 appointed KPMG Lower Gulf Limited, Dubai (KPMG) as external auditors of the Company for the year ending on 31 December 2015. 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 annual audit of the financial statements in accordance with relevant international standards. The external auditors present their report to the Board and the AGM in compliance with the Laws of the United Arab Emirates.



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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 in UAE Ministerial Resolution No 518 of 2009.

Overview of the External Auditor:

KPMG is one of the largest professional services networks in the world, and one of the “big four” audit firms. KPMG is the auditor of many of the group’s consolidated entities around the globe and where they are not, they undertake appropriate review procedures as part of their work to meet their obligation to report on the overall group financial statements.

External Auditors’ Remuneration:

Audit Office Name	KPMG Lower Gulf Ltd.
Number of Years spent as an external auditor of the company	5 years
Total fees for auditing the financial statement for the year 2015	AED 498,500 plus out of pocket outlays up to 5% of audit fees
Total fees for other services other than auditing the financial statement for the year 2015.	AED 22,500
Nature of other provided services.	Services to the Group on XBRL reporting at end of each quarter and the year at ADX.
Description of the other Services provided by Other external Auditor rather than the Company Auditor for the year 2015	-

5- Board Committees

The Board is assisted by the Audit Committee and the Nomination & Remuneration Committee which comprise the following non-executive independent directors:

a- Audit Committee:

1- Names of the Audit Committee Members as on 31 December 2015 and their Tasks:

- Shirish Saraf (Chairman),
- Sheikh Ahmed bin Humaid Al Qasimi (Member), and
- Fawaz Sulaiman Al Rajhi (Member)

With Shirish Saraf becoming the Chairman of the Executive Committee, following change has taken place on 11 February 2016.

- Fawaz Sulaiman Al Rajhi (Chairman),
- Sheikh Ahmed bin Humaid Al Qasimi (Member), and
- Khalid Ali Saif Al Yehmadi (Member)

Audit Committee Tasks:

The primary function of the Audit Committee is to provide advice with respect to the Company’s financial matters and to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- the financial reports and other financial information provided by Company, either directly or indirectly, to any governmental body or the public;
- the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and



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- the Company's auditing, accounting and financial reporting processes.

Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Company's policies and procedures at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting processes and internal control systems.
- Review and appraise the Company's external auditors and internal control department.
- Review and evaluate the Company's quarterly and annual financial statements as well as its compliance with laws and regulations.
- Oversee the establishment and enforcement of financial policies and business practices.
- Provide an open avenue of communication between the external auditors, financial and senior management, in-house legal counsel, the internal control department, and the Board of Directors.

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 25 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.

2- Audit Committee Meetings

The Committee is required to meet once every quarter. The Committee held four meetings during the year 2015, as detailed below:

Meeting Date	Shirish Saraf	Mr. Fawaz Suilamn Al Rajhi	Shk. Ahmed Bin Humaid Al Qassimi	Shk. Kayed Bin Omer Bin Saqr Al Qassimi
12/03/2015	P	NA*	P	A
07/05/2015	P**	P	A	NA*
05/08/52015	P**	P**	P**	NA*
29/10/2015	P**	P**	P**	NA*

N/A* Not member in that time; A: Absent; P** Participated through conference call organized through head-quarter; P: Participated

The Audit Committee Expert attended all four meetings in person.

b- Nomination and Remuneration Committee

1- Names of the Audit Committee Members as on 31 December 2015 and their Tasks:

The Nomination and Remuneration Committee is composed of three non-executive independent members of the Board.

- Sheikh Ahmed bin Humaid Al Qasimi (Chairman),
- Shirish Saraf (Member), and
- Fawaz Sulaiman Al Rajhi (Member)

With Shirish Saraf becoming the Chairman of the Executive Committee, following change has taken place on 11 February 2016.

- Sheikh Ahmed bin Humaid Al Qasimi (Chairman),
- Fawaz Sulaiman Al Rajhi (Member), and
- Khalid Ali Saif Al Yehmadi (Member)

Nomination and Remuneration Committee Tasks:

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

- Assess necessary and desirable competencies of Board members;
- Verify the independence of Board members
- Review Board succession plans;
- Evaluate the Board’s performance;
- Make recommendations to the Board on:
 - executive remuneration and incentive policies;
 - remuneration packages of senior management;
 - recruitment, retention and termination policies for senior management;
 - incentive schemes;
 - superannuation arrangements; and
 - remuneration framework for directors.

2- Nomination and Remuneration Committee Meeting

The committee is required to meet once annually. The Committee held one (1) meeting during 2015, as detailed below:

Meeting Date	Shk. Ahmed Bin Humaid Al Qassimi	Fawaz Suliman Al Rajhi	Shirish Saraf	Shk. Kayed Bin Omer Bin Saqr Al Qassimi
19/02/2015	P	NA*	p**	p**

N/A* Not member in that time; A: Absent; P** Participated through conference call organized through head-quarter; P: Participated



6- Internal Controls

a- 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.

b- Internal Control Department

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

The Internal Control Department is headed by Mr. Vibhuti Bhushan, an engineer and MBA with 26 years international working experience in the fields of internal audit, risk management, corporate governance and finance. Vibhuti is also serving as Chief Compliance Officer.

c- 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 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 Committee

The internal control department conducts reviews of internal control systems in the Company and submits its assessment and recommendations to the Audit Committee and Board each quarter. The review process is in accordance with applicable international standards and the Ministerial resolution no. 518 of 2009..

7- Violations Committed

During 2015, there were no instances of imposition of any fine for any violation by the Company.

8- Company's contributions in developing the community and protection the environment during 2015

Visits and Educational Tours We were pleased to welcome several visitors to our headquarters including the Luxembourg Ambassador, students from Fortune Institute Of International Business (India), Indian Public High School, and Palm Beach Atlantic University, SIES College of Management, Swiss Business school, SP Jain School, Gulf Medical Center and Birla Institute of Technology.

Charity Participation RAK Ceramics was proud to take part in the 6th annual RAK Terry Fox Run for Cancer Research at the Al Qawasim Corniche. Over 100 employees took part.



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RAK Ceramics participated in fund-raising for the Nepal Earth Quake victims. Also, prizes at Tower Links Nepal Fund Raiser were sponsored and tiles were donated to the Dubai British School. RAK Ceramics supported the Department of Art and Design at the Dubai British School by donating tiles to 275 students aged 11 to 14 years old to create their own designs as part of a project inspired by Islamic Art and Arab Culture in the spirit of Ramadan. Tiles were donated to City University College of Ajman for the UAE Flag Day.

Environmental and Safety Activities RAK Ceramics employees participated in Can Collection Day, organised by the Emirates Environmental Group and collected waste aluminum cans from within the company premises which were then sent for recycling. They also participated in Earth Hour by switching off the lights in its production facilities, employee accommodation buildings and offices for one hour in order to spread awareness amongst its employees of environmental sustainability. RAK Ceramics employees also participated in Earth Day by planting more than 300 trees in campus and also, in World Day for Health & Safety at work with RAK Police to highlight how to avoid accidents in the work place.

Exhibitions RAK Ceramics participated in the Cersai exhibition in Italy, with two dedicated stands one for tiles and other for sanitary ware. The tiles stand focused on the enormous and majestic Maximus Mega Slab – the latest in extra-large format slabs produced using SACMI Continua+ technology. The sanitary ware stand focused on bathware from its Resort, Harmony and Moon ranges as well as launching a collection of complementary accessories including cabinets, cisterns, seat covers with integrated bidets and urinal accessories. The teams also participated in the Big 5 exhibition in the UAE.

UAE Innovation Week RAK Ceramics participated in the UAE Innovation week at RAK Expo between 24-26 November. The event was organised by the Sheikh Saqr Programme for Government Excellence in collaboration with the RAK Department for Economic Development. RAK Ceramics showcased the recently launched giant slab, Maximus Mega Slab measuring 135x305cm.

Awards In 2015 RAK Ceramics achieved Superband status for the seventh consecutive year. RAK Ceramics also won a number of International Business Stevie® Awards in 2015, winning a silver award for Most Innovative Company and a bronze Award for Health, Safety and Environment Programme of the Year in the Middle East and North Africa. RAK Ceramics was awarded Brand of the Year at the prestigious World Branding Awards 2015. RAK Ceramics sponsored the Interior Design category at the Africa & Arabia Property Awards 2015. The RAK Ceramics sponsored category was one of four categories with a range of awards paying tribute to the achievements of residential and commercial property professionals and companies across all sectors of the property and real estate industry. In addition to the sponsorship, RAK Ceramics showcased its latest extra-large slab, Maximus Mega Slab through a specially commissioned video.

9- 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. 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”



Corporate Governance Report for the year 2015

a- Stock Market data for the period from 1st January to 31st December 2015 & Statement of the Performance of the Company's Share

Month	High	Low	Number of Shared Traded	Closing
January	3.09	2.85	2,321,431	3.00
February	3.30	2.95	2,085,670	3.14
March	4.00	3.12	48,020,028	3.90
April	3.96	3.55	17,720,103	3.80
May	3.80	3.16	22,561,389	3.20
June	3.33	3.20	12,638,398	3.25
July	3.60	3.21	8,395,005	3.52
August	3.57	2.97	21,226,947	3.20
September	3.75	3.20	12,572,533	3.60
October	3.71	3.40	13,496,381	3.50
November	3.58	3.30	8,456,328	3.40
December	3.55	3.27	16,596,412	3.49
Total			186,090,625	

b- Statement of the comparative performance of the company's share with the general market index and sector index.

The ADX general index decreased by 4.89% during the year 2015 whereas the ADX industrial sector index decreased by 3.26%. The price of the share of the Company increased by 16.33%. Following table depicts the high-low and range of the indices and the price of the Company share during the year 2015.

Index & Price	High	Low	Range
General Index	4,902.09	3,983.89	918.20
Industrial Sector Index	2,646.50	2,209.87	436.63
RAKCEC Share	4.00	2.85	1.15

Chart of the company's share with the general market index and sector index for the year 2015:





Corporate Governance Report for the year 2015

c- Distribution of Share Capital Ownership as on 31 Dec 2015:

Sr	Categories	No. of Share Held	% of Share Holding
A	<u>Individuals Shareholders'</u>		
	Local	208,759,474	25.53
	GCC	36,667,846	4.50
	Arab	3,307,847	0.40
	Foreign	2,225,883	0.27
	Sub total – A	250,961,050	30.70
B	<u>Companies Shareholders'</u>		
	Local Companies Shareholders'	64,333,922	7.87
	GCC Companies Shareholders'	158,918,513	19.43
	Arab Companies	3,186,639	0.39
	Foreign Companies	273,789,526	33.50
	Sub Total – B	500,228,600	61.19
C	<u>Governments Shareholders'</u>		
	Local Government Shareholders'	66,333,056	8.11
	Sub Total – C	66,333,056	8.11
	Grand Total	817,522,706	100

d- Ownership of Major Shareholders as on 31 Dec 2015:

Sr	Name of Share Holders	Number of Shares	% of Holding
1	Samena Limestone Co. *	155,781,917	19.05
2	H.H. Sh. Saud Bin Saqr Al Qassimi	58,060,618	7.10
3	Limestone L.L.C.*	52,400,000	6.41
4	Al Rajhi Alfa Holding Investment Co.	46,284,527	5.66
5	Sh. Omer Bin Saqr Al Qassimi	38,789,227	4.74
6	Al Nahla Contracting and Trading*	20,988,000	2.57
7	Samena Limestone Holdings*	20830083	2.55
8	Samena Special Situations Fund L.P.*	9,229,403	1.13
9	Others	<u>415,158,931</u>	<u>50.79</u>
	Total	817,522,706	100

* Form of total shares holding by Samena Capital (31.71%)

e- Shareholders distribution as on 31 Dec 2015:

Sr	Shares Ownership	Number of Shareholders	Number of Shares Owning	% of Shareholding
1	Less than 50,000	369	3,903,686	0.48
2	From 50,000 to Less than 500,000	177	26,232,368	3.21
3	From 500,000 to Less than 5,000,000	76	131,215,686	16.05
4	More Than 5,000,000	27	656,170,966	80.26
	Total	649	817,522,706	100



f- Core events the company encountered during the year 2015

During 2015, the company concluded a number of buying and selling transactions of Subsidiaries' shares, where the company disclosed all the transactions as per the regulation on transparency and disclosure and Article (3.14) of the ministerial resolution No (518) of 2009 concerning the Corporate Governance and Corporate Discipline Standards.



10- Conclusion

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.

For RAK Ceramics PSC,

Sheikh Khaled Bin Saud Al Qassimi
Chairman of the Board of Directors



Date:08/03/2016