

FUJAIRAH CEMENT INDUSTRIES

(P.J.S.C)



Annual Corporate Governance Report 2018



**To view Governance report of the Company for the year
2018 please visit the following websites:-**

- www.fujairahcement.com
- www.adx.ae

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GOVERNANCE REPORT 2018

1) Governance System Application

Fujairah Cement Industries (FCI) believes that compliance with governance rules, standards and application contribute mainly in directing and controlling company's business at higher standards as to ensure achieving their objectives and fulfilling criteria necessary for accountability, integrity and transparency.

Application of governance system and advantages thereof contributed in leading change and restructure thereby enhancing performance improvement, continuity, risks mitigation and support to accountability and transparency.

FCI is committed to application of rules of disclosure and transparency in the process of enhancing confidence in accordance with rules and criteria it follows towards practicing concepts of prudent management and principles of governance, which guarantee safeguarding FCI's interests and protecting shareholders' rights.

Governance practices are applied in the light of competent authorities' regulations and instructions, for promoting standard of management structure and financial control in view of utmost importance of the same in protecting financial system from crisis and providing protection for shareholders as well as whatsoever related to transparency given the importance of the same for FCI shareholders.

FCI Board of Directors implements the Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

2) Members of Board of Directors and their first-degree relatives' trading in FCI Securities
Board of Directors' trading in securities takes place in accordance with Article (14) of the Resolution of the Authority's Board of Directors No (2) for 2001 concerning trading, clearing, transfer of ownership and custody of securities.





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On the other hand, members of Board of Directors and officers having access to FCI basic information are prohibited from acting on their own motion or through a third party with respect of trading in securities of the same, mother, affiliated or sister company in short terms with the intention of speculation whether on daily or weekly basis.

Also, members of the Board of Directors and officers having access to FCI basic information are prohibited from trading in such shares with the intention of deceiving the remaining investors and influencing directly or indirectly FCI prices, as well as from trading in FCI shares whenever becoming aware of any information about significant events or decisions that may influence FCI prices.

In any event, FCI members of Board of Directors, Managing Director, Senior Executives or any person of officers having access to basic information, may not act on his own motion or through a third party with respect of trading in any of FCI securities during the following periods:

- Prior to (10) ten days from declaring any material information that may influence a share price in terms of rise or decline unless such information arises from contingent and sudden events.
- Prior to (15) fifteen days from the end of quarterly, bi-annual and annual financial period until disclosure of financial statements.

Provided that provisions of Law are observed whenever any of the persons in question acts on his own motion or through a third party with respect of trading in securities of the same, mother, affiliated, allied or sister company. Any trading to the contrary, shall be deemed null and invalid.

- No trading operations in FCI shares belongs to members of Board of Directors and their first-degree relatives have been conducted during 2018.





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A) Board of Directors Composition

The elected Board of Directors at annual General Assembly on 13/04/2017.

Name	Category	Qualifications	Membership & positions with any other joint stock companies	Positions in any other significant audit, government or commercial bodies.	Membership
Sheikh Mohammed Bin Hamad Bin Saif Al Sharqi	Independent	MA in Project Management	-	E-Government Director - Fujairah - Government of Fujairah Representative	2008
Mohammed Ghaith Al Muhairbi	Independent	University Graduate	-	Government Business - Government of Abu Dhabi Representative.	1986
Abdul Ghafour Hashim Behroozian	Independent	University Graduate	Government Business - Chairman of Board of Directors Fujairah National Insurance.	Government of Fujairah Representative.	1980
Mohammed Sharif Habib Mohammed Rafie Al Awadhi	Independent	University Graduate	Board member of Fujairah National Insurance.	Director General of Fujairah Free Zone Authority - Board member of Fujairah Foundation for Regions Development.	2017
Fahad Ahmed Abdullah Al Shaier	Independent	University Graduate	Government Business - Board member of Fujairah National Insurance.	-	2014
Saeed Mubarak Obaid Ahmed Al Zahmi	Independent	University Graduate	Lawyer - Board member of Fujairah National Insurance.	-	2014
Saleh Halwan Humaidan Al Humaidan	Independent	PhD	Islamic Development Bank Representative - Saudi Arabia	Economic Advisor to Ministry of Economy & Planning - Saudi Arabia	2014
Abdul Latif Saad Abdul Latif Al Dosary	Independent	University Graduate	Executive Chairman of Spring United General Trading Co.	-	2017
Ali Saad Batel Al Mirshad	Independent	University Graduate	Businessman - Gal Pal Real Estate	-	1993
Abdul Latif Abdullah Rashid Al Zeer	Independent	University Graduate	Practicing Lawyer	Certified local Arbitrator & Conciliator at Kuwait Chamber of Commerce & Industry.	2017
Saad Abdullah Hussain Al Hanyan	Independent	University Graduate	Chairman of Board of Directors of Bait Co. - Vice-Chairman of Board of Directors of Saudi Projects Holding Co,	-	2008



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B) Women Representation Percentage in Board of Directors for 2018.

No women are represented in Board of Directors for 2018.

C) Reasons for why no women nomination for Board of Directors membership

The current Board of Directors was elected on 13/04/2017. No woman applied for nomination.

D)

1) Board of Directors total paid remunerations for 2017.

A sum of three million and three hundred thousand Dirham was paid to members of Board of Director for financial year 2017.

2) Board of Directors total proposed remunerations for 2018 to be presented at General Assembly Meeting for approval.

Subject to Article (169) of Federal Law No (2) for 2005 concerning Commercial Companies, a sum of AED 300,000/- is proposed as a remuneration for each member of Board of Directors.

3) Details of allowances received by Board members for attending Board of Directors and Committees meetings for 2018.

No allowances were paid for attending meetings of committees arising from Board of Directors for financial year 2018. Number of meetings of Board of Directors are shown in Clauses (5/b) & (6/b).

E) Number of Board of Directors meetings held during financial year 2018, their dates and number of times of attendance in person:



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Fujairah Cement Industries
Board of Directors Meetings Attendance for 2018

Name	Capacity	1 st	2 nd	3 rd	4 th
		09/08/2018	12/04/2018	09/08/2018	08/11/2018
Sheikh Mohammed Bin Hamad Bin Saif Al Sharqi	Chairman of the Board	✓	✓	✓	✓
Mohammed Ghaith Al Muhairbi	Vice-Chairman of the Board	✓	✓	✓	✓
Abd Al Ghafur Hashim Bahrozyan	Member	✓	✓	x	✓
Mohammed Sharif Habib Mohammed Rafie Al Awadhi	Member	✓	✓	✓	✓
Saeed Mubarak Obaid Ahmed Al Zahmi	Member	✓	✓	✓	✓
Fahad Ahmed Abdullah Al Shaier	Member	x	✓	✓	✓
Saleh Halwan Hemaïdan Al Hemaïdan	Member	✓	✓	✓	✓
Abdul Latif Saad Abdul Latif Al Dosary	Member	✓	✓	✓	✓
Saad Abdullah Hussain Al Hanyan	Member	x	✓	✓	✓
Ali Saad Batel Al Mirshad	Member	✓	✓	✓	✓
Abdul Latif Abdullah Rashid Al Zeer	Member	✓	✓	✓	✓



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F) Board of Directors roles and responsibilities delegated to the Executive Management.

The Board of Directors have not delegated any of their tasks to either Board members or the Executive Management.

The Executive Management powers are as follows:

- Manage FCI business activity and provide directives to the executive body in line with FCI strategic objectives and policies decided by Board of Directors, provisions of law and other legislations related to FCI business and activity.
- Provide Board of Directors with precise periodical reports on FCI financial positions, business, and actions taken in respect of risk management and internal control system so as to enable the Board to review the set objectives, plans and policies and hold the Executive Management accountable for their performance.
- Submit recommendations in connection with any proposals they deem appropriate in relation to FCI business.
- Provide supervisory bodies with any required information, data and documents in accordance with provisions of law, regulations, instructions and decisions in pursuance to either of which they are issued.

g) Dealings conducted with related parties (Stakeholders) with showing nature of relationship and type of dealing:

No dealings have been conducted with related parties.



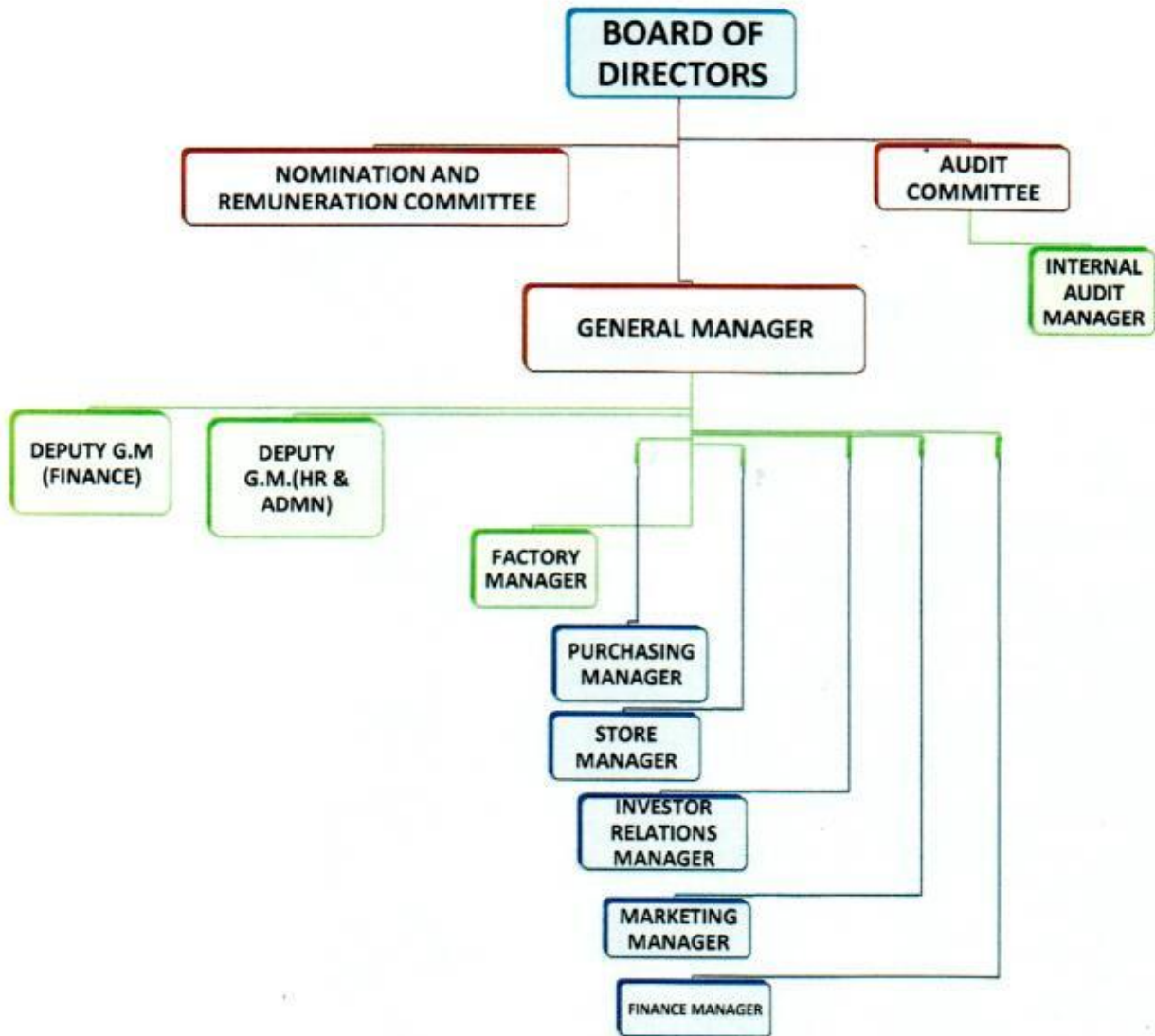
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COMPANY ORGANIZATIONAL CHART





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i) Statement of FCI Senior executive officers' salaries and remunerations for 2018.

#	Office	Appointment date	Annual salary inclusive allowance for 2018	Remun-erations for 2018	Other cash or in-kind remunerations for 2018 or due in future
1	General Manager	01/04/1981	963,600	Nil	Nil
2	Deputy General Manager (H.R & ADMN)	23/05/1983	455,880	Nil	Nil
3	Deputy General Manager (Finance)	31/01/2012	453,600	Nil	Nil
4	Factory Manger	18/02/2007	420,000	Nil	Nil
5	Senior Marketing and Sales Manager	05/07/1982	348,120	Nil	Nil
6	Senior Purchasing Manager	22/04/1982	365,880	Nil	Nil
7	Internal Audit Manager	12/02/2012	221,280	Nil	Nil
8	Investors Relation Management Manager	19/07/2011	138,240	Nil	Nil

4) External Auditor

a) Horwath Mak (previously AGN) Fujairah Mak UAE, a reputable worldwide accounts, financial and professional auditors and consultants firm operating all over Middle East over the last 25 years through a team composed of chartered accountants, accounts auditors, auditing consultants and professional advisors in accounts and management where internal and external audit, business consultancy, activities evaluation, feasibility studies and finance of companies are deemed its most important guidelines.

b) The external audit firm is independent from FCI and its Board of Directors, practicing accounting audit, verifying financial statements and controlling FCI accounts for the financial year in which it has been appointed.

The firm, for the sake of performing the duties, shall have the right of access at any time to all FCI books, records and documents and to request statements and notes which it deems necessary to obtain. The firm may verify FCI assets and liabilities.

The external auditor attends General Assembly meetings, verifies procedures followed in calling for the meeting and provides his opinion on financial statements as to whether there are any violations of the provisions of FCI Articles of Incorporation, Companies Law or General Assembly resolutions that might have taken place during the financial year.





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Name of Audit Firm:	Horwath Mak
Number of years spent as an external auditor for FCI:	7 years
Total financial statements audit fees for 2018:	AED 201,000.00
Other special service fees and costs rather than financial statements audit for 2018:	nil
Other services delivered during 2018 by another auditor rather than FCI auditor:	No other auditor

c) No qualified opinions have been incorporated by the external auditor in the interim or annual financial statements for 2018.

5) Audit Committee.

a) Names of Audit Committee's members and statement of competencies and tasks assigned to the Committee.

Name	Position	Category	Experience	Membership
Fahad Ahmed Abdullah Al Shaier	Chairman	Independent	University graduate/government business - member of National Takaful Board.	2014
Saad Abdullah Al Hanyan	Member	Independent	University graduate/Chairman of Board of Directors of Bait Company/Vice-chairman of Board of Directors of Saudi Projects Holding Group.	2008
Abdul Latif Saad Abdul Latif Al Dosary	Member	Independent	University graduate/government business./ Executive Chairman of Spring United General Trading Co.	2017

Objective of Audit Committee:

The objective of the Audit Committee is to support Board of Directors in respect of its responsibility towards shareholders in connection with auditing FCI financial information and matters related to corporate governance in a regularly manner to ensure effective utilization of available resources.

The Audit Committee undertakes all competencies and tasks contained in Article (49) of the Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.





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b) Number of Audit Committee meetings and members' attendance in person:

Audit Committee Meetings Attendance for 2018

Name	Position	1 st	2 nd	3 rd	4 th
		08/02/2018	10/05/2018	09/08/2018	08/11/2018
Fahad Ahmed Abdullah Al Shaier	Chairman	✓	✓	✓	✓
Saad Abdullah Hussain Al Henayan	Member	✓	✓	✓	✓
Abd Al Latif Saad Abd Al Latif Al Dosary	Member	✓	✓	✓	✓

6) Nominations and Remunerations Committee

a) Nominations and Remunerations Committee Structure .

Name	Position	Category	Experience	Membership
Abdul Ghafour Hashim Behroozian	Chairman	Independent	University graduate/government business – Chairman of the Board of Fujairah National Insurance	1980
Ali Saad Batel Al Mirshad	Member	Independent	University Graduate/Businessman - Gal Pal Real Estate.	1993
Saeed Mubarak Obaid Ahmed Al Zahmi	Member	Independent	University graduate/Lawyer - member of Fujairah National Insurance Board of Directors.	2014

Objective of Nominations and Remunerations Committee:

The objective of Nominations and Remunerations Committee is to determine nomination policies and criteria for Board of Directors membership, periodical review of Board' requirements for capabilities and skills, ensure independency of members, prepare human resources and training policies including aspects of conflict of interest in members' membership of other companies' Board of Directors together with preparing polices for awards, benefits, incentives and salaries relating to the Board members and staff and review such polices on annual basis.



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The Nominations Committee undertakes all competencies and tasks contained in Article (7) of the Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

b) Number of Nominations and Remunerations Committee Meetings and members' attendance in person:

Nominations and Remunerations Committee Meetings Attendance for 2018

Name	Capacity	1 st
		08/02/2018
Abdul Ghafour Hashim Behroozian	Chairman	✓
Ali Saad Batel Al Mirshad	Member	✓
Saeed Mubarak Obaid Ahmed Al Zahmi	Member	✓

7) Committee for follow-up and supervision of insider Trading

Names of Committee Members:

- 1) Khalil Saeed Obaid Al Nuaimi
2. Ashraf Abdelkader El-Sayed

The committee is responsible for follow-up and supervision of insider transaction of stocks and ownership of stocks and maintain a register in their respect.

Summary of tasks undertaken during 2018

- 1) Continuous updating of FCI list of company insider on Securities Exchange website.
- 2) Notifying the FCI shareholders of the periods of their prohibition of trading on the FCI securities, each on time.
- 3) Continuous follow-up of FCI shareholders trading movement.

8) No other committees ratified by Board of Directors are existed.

9) Internal Control System

The Board of Director acknowledges its responsibility for FCI internal audit system and for reviewing the system operational mechanism and ensuring its effectiveness.

FCI has established an effective Internal Audit Department . Rama Krishnan Subramanian, a Chartered Accountant, holder of BSc in Business Administration and Economics, was appointed on 12/02/2012 as head of IAD and Compliance Officer with the appointment of three professionally qualified and experienced assistants.



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Internal Audit Department aims at implementing a precise and robust system dealing with delivering and developing departmental performance efficiency and FCI internal control in terms of continuous auditing operational results, examining financial records, assessing internal control system and assisting Senior Management with enhancing FCI operations efficiency and effectiveness in respect of discovering manipulation and monitoring errors in FCI financial system.

Internal Audit Department performs its duties in accordance with Article (50) of the Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

Internal Audit Department has the sufficient independence to perform its tasks and directly reporting to the person in charge of internal audit system. Internal Audit Department adopts implementation of international standards of internal audit towards achieving the required objects in an efficiently manner and more cost effective as reflected in the bases of internal audit for ensuring the following:

- 1) Reasonability and conformity of information and data.
- 2) Extent of consistence with policies, plans, procedures, regulations, laws and instructions.
- 3) Extent of safeguarding FCI assets and property.
- 4) Extent of consistency of the set activities, operations and programmes with the set objects and objectives and ensuring being applied by supervisory bodies according to the set plans and objectives. Internal Audit Department prepares annual control plan in liaison with Audit Committee and Departmental Managers or Heads of other FCI Sections.

Internal Audit Department Manager submits detailed reports to Board of Directors on internal audit system assessment demonstrating and providing proposals for bridging gaps in internal audit system in a periodically manner when necessary at any time as he deems and as the exigencies of such assessment may so require.

With regard to Internal Audit Department dealing with FCI major issues or those disclosed in reports and annual accounts, Internal Audit Department implements governance rules and constantly verifies compliance with the provisions of laws and decisions that may bridge gaps in internal audit system through adhering to the following:

- 1) Basic control including control over financial affairs, operations and risk management.
- 2) Ensure FCI ability to respond to changes in their business and external environment.



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3) Extent of implementing internal regulations, procedures and policies and submission of necessary reports to both Audit Committee and Board of Directors.

Internal Audit Department has not recorded any violations or major issues within FCI during 2018.

10) No violations have been committed during the year ending on 31/12/2018

11) FCI contribution for 2018 to local community development and conservation of environment.

FCI Board of Directors is greatly concerned with undertaking the responsibility for the service of the society and surrounding environment. FCI seeks through its staff to participate in all national occasions and social events of their different religious, cultural and sport activities. FCI participates and sponsors annual Fujairah International Mining Forum and Expo organized by Fujairah Natural Resources Corporation in collaboration with UAE Ministry of Energy and Industry and Arab Industrial Development and Mining Organization.

FCI participated as well in 2nd Fujairah Conference for Coastal Areas and Maritime Environment 2018 organized by Dibba Al Fujairah Municipality in collaboration with Environment Center for Arab Towns. FCI was represented by HH Sheikh Mohammed Bin Hamad Bin Saif Al Sharqi Chairman of the Board of Directors who signed with strategic stakeholder cooperation and partnership charter between Dibba Al Fujairah Municipality and all organizations specializing in eco-tourism in Fujairah (Committed to make bright and sustainable future for Fujairah) proceeding from conservation of environment and a joint responsibility among everybody for achieving sustainable social and economic development.

Cash Contributions.

FCI cash contributions in 2018 accounted for AED 187,000 reflected in cash support to national public benefit organizations, organizing national festivals including sport, religious and cultural competitions and honoring superior school students.

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Web Site: www.fujairahcement.com : موقع على الإنترنت

المكتب الرئيسي

ص.ب : ٦٠٠ - الفجيرة
الإمارات العربية المتحدة
تليفون: ٠٩-٢٢٢٣١١١
فاكس: ٠٩-٢٢٢٧٧١٨
البريد الإلكتروني: hofci79@fciho.ae

In -kind Contributions:

- FCI contributed to provision of cement for assisting low-income citizens from local community.
- FCI provides training opportunities for university students of different technical specializations.
- FCI upgrades the efficiency of the road connecting Dibba-AL Tawyeeen leading to quarry areas with complete maintenance following rains recently. The cost of constructing and paving this 11 km road is born by FCI.
- FCI sprays a chemical substance on the unpaved road connecting FCI quarry in Wam area and the factory to minimize volatility of dust and soil in conservation of environment.

FCI undertakes to always fulfill its obligations to provide a good and secured working environment for all staff.

FCI is committed as well to make the area surrounding the factory clear from pollution. To this end, Monitoring apparatus have been installed for registering percentages of dust in the air and notify Ministry of Environment of such readings so as to make cement industry more environment friendly.

12) General Information**A) Monthly Share price statement for 2018**

Month	Maximum Price	Minimum Price	Closing Price
January	0.95	0.95	0.95
February	0.95	0.95	0.95
March	1.09	1.09	1.09
4 April	1.09	1.09	1.09
17 April	1.20	1.20	1.20
May	1.20	1.20	1.20
June	1.20	1.20	1.20
July	1.20	1.20	1.20
August	1.20	1.20	1.20
September	1.20	1.20	1.20
28 October	1.20	1.20	1.20
29 October	1.25	1.25	1.25
November	1.25	1.25	1.25
December	1.25	1.25	1.25





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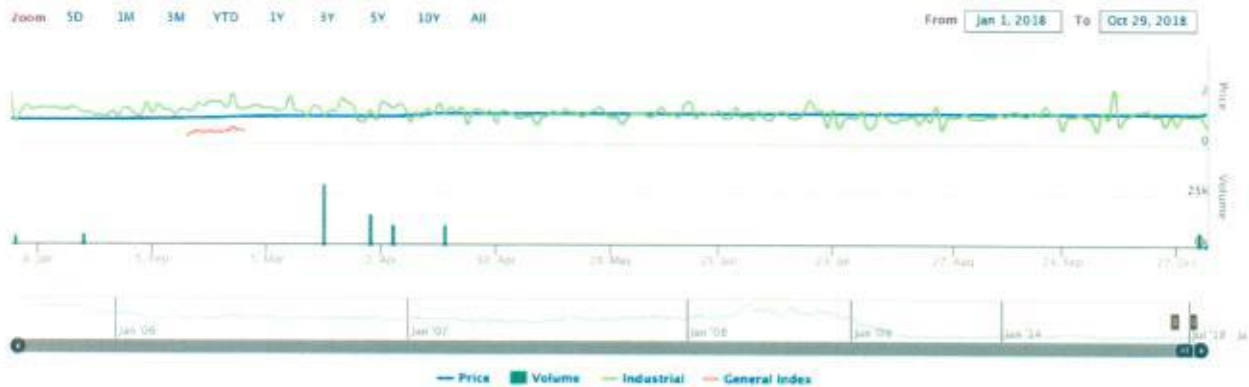
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B) FCI Share versus General Market and Industry indicators for 2018



C) Shareholders' Ownership Distribution

Share classification	Individuals		companies		Government of (Fujairah & Abu Dhabi)	Percentage	Total
	Individuals	%	companies	%			
Local	11,098,138	03.11%	12,590,743	03.54%	87,341,925	24.54%	111,030,806
Arab	111,159,848	31.24%	130,661,719	36.72%	-----	-----	241,821,567
Foreign	559,619	00.16%	2,453,328	00.69%	-----	-----	3,012,947
Total	122,817,605	34.51%	145,705,790	40.95%	87,341,925	24.54%	355,865,320

D) Shareholders who own 5% or more of FCI capital as of 31/12/2018

Name	Number of Shares	% of capital
Government of Fujairah	82,541,250	23.194%
Islamic Development Bank	25,300,000	07.109%
Mohammed Ibrahim Abd Al Aziz Al Rumaih	46,000,000	12.926%
Wafra International Investment/Clients	34,597,490	09.722%

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E) Ownership Structure and Share Distribution as on 31/12/2018

#	Share ownership	Number of shareholders	Number of shares held	Share percentage of capital
1	Less than 50,000	1305	8,805,566	2.50%
2	From 50,000 to less than 500,000	159	27,300,916	7.70%
3	From 500,000 to less than 5,000,000	44	64,833,681	18.20%
4	More than 5,000,000	12	254,925,157	71.60%

F) Actions take in respect of investors relations disciplines

- Accountant Ashraf Abdul Kader El Sayed has been appointed as to be responsible for all tasks related to investors relations subject to the requirements contained in Article (35/a) of the Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies

- FCI website has been fully updated in both Arabic and English languages. A page for Investors has been dedicated, updated and maintained in a continual manner in line with international standards including all means of communication with Investors Relations Department.

- FCI is committed to publish information and data being disclosed to supervisory bodies, markets or the public on FCI website.

- Investors Relations Department Contacts:

Telephone: 0097192223111, Fax: 0097192227718, P. O, Box: 600 Fujairah

E-mail: hofci79@fciho.ae

- Investors Relations page link on FCI website:

www.fujairahement.com/ar/fci/investor-relations-ar

www.fujairahcement.com/fci/investor-relations

G) There were no special resolutions presented to the General Assembly convened during 2018.

H) Name and date of appointment of the Reporter of Board of Directors meetings.

- Accountant Ashraf Abdul Kader El Sayed - Manager of Investors Relations Department

- Date of appointment 11/07/2011.

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I) Key Events during 2018.

- FCI has achieved highest production of clinker since the factory was established.
- FCI obtained ISO - 50001:2011 Certification - Energy Management System in Cement & Clinker Industry.
- FCI recorded highest production of electricity generation at the coal operated power station.
- FCI registered the least consumption (Kw/hr./ton) of cement mill.
- FCI recorded the least year of dependency on electricity supplied by Federal Electricity Authority.

J) Emiratisation reached 4% by end of 2018.**K) FCI innovative projects and initiatives:**

- Use of coal as ovens fuel in lieu of diesel to minimize cost of production. FCI was the first company using coal in lieu of diesel in UAE.

- FCI used coal for generating electricity to reduce cost of production and eliminate electricity interruptions problem during the months of summer.

- By the end of 2015 FCI implemented the latest project for the production of electricity through using wasted heat emitting from ovens and chillers for the production of 12 Megawatt without using any kind of fuel so as to rationalize energy consumption and minimize carbon emissions on environment and reduce cost of production.

- In 2018 necessary amendments have been made to oven feeding openings so as to be able to get rid of some residuals such as old car tyres, wood and some industrial residuals in order to be recycled and utilized and conserve the environment.

For review of FCI Governance Report for 2018, please visit the following websites:

- Fujairah Cement Industries: www.fujairahcement.com
- Abu Dhabi Securities Exchange: www.adx.ae

MOHAMMED BIN HAMAD SAIF ALSHARQI
CHAIRMAN

