



Boubyan Petrochemical Company (K.S.C)



ANNUAL REPORT
For The Year Ended 30 April 2018





BPC ANNUAL CORPORATE GOVERNANCE REPORT

Preface

The Board and executive management of BPC strive to implement a phased approach to meet the Corporate Governance requirements stipulated in CMA Executive bylaws (Book No.15 / resolution No 72/2015) which aims to ensure the best protection and balance between the interest of the management of the company and its shareholders.

BPC is committed to implementing all regulations issued by the Regulatory Authorities, which aim to protect our shareholders' interests & to enhance investors' confidence in the efficiency of the company's performance. Therefore Boubyan Petrochemical Co. (BPC) represented by its Board of Directors (BOD) and the Executive Management is pleased to present to the shareholders the annual Corporate Governance report for the fiscal year ending 30/4/2018, which was adopted by the Board meeting held on 13 May 2018.

Dabbous al Dabbous
Chairman.



Rule (1)

Construct a Balanced Board Composition

(A) Structure of the Board of Directors

BPC's Board of Directors is comprised of (5) members, who hold the educational qualifications and relevant experience to conduct their responsibilities professionally and to form the required Board committees. All members have been elected to the Board in line with the applicable provisions of the Company's Articles of Association as follows :

| Name | Position | Type of Membership | |
|----------------------------------|-----------------|---|-----------------|
| Mr. Dabbous Mubarak Al-Dabbous | Chairman | Elected | Non – Executive |
| Mr. Khaled Ali Al-Ghanim | Vice - Chairman | Elected | Non – Executive |
| Mr. Saud Abdulaziz Al-Babtain | Board Member | Elected | Independent |
| Mr. Khaled Abdulaziz Al-Muraikhi | Board Member | Elected | Independent |
| Mr. Khaled Mohammed Al-Amir | Board Member | Appointed Rep. of Sons Mubarak Al-Dabbous Co. for General Trading and Contracting | Non – Executive |
| Mr. Mohammad Al Bahar | Board secretary | Mr. Al-Bahar was re-appointed as a Board Secretary based on Board resolution No. (6/2014). He also holds the position of General Manager. | |

(B) Organizing Board Meetings

The Board held (8) meetings during the fiscal year ended on 30/4/2018 , with an attendance rate of 90 %,

In addition, the BOD passed one resolution by circulation.

It is worth noting that BPC held an EGM on 14/6/2016 to amend its Articles of Association, by adding an article that organizes the board meeting's attendance as well as how to deal with irregular attendance cases, to be in line with corporate governance requirements.

(C) Registering the Board minutes of Meetings

The company has a private register where the minutes of meetings are organized and recorded with applicable serial numbers according to the Company's fiscal year, and those minutes are enclosed with any discussions and voting processes and signed by the board secretary and all attendees, as per the commercial Law No. 1/2016 and Corporate Governance rules.



Rule (2)

Establish Appropriate Roles & Responsibilities

Board's Achievements relevant to the Corporate Governance rules.

In addition to the Board's role of achieving the company's main objective of enhancing profitability, preserving shareholder equity and ensuring that the executive management is achieving that, the Board has taken steps towards developing an integrated Corporate Governance framework in general, and towards implementing this rule in particular, by forming the specialized independent committees and developing their charters, as follows:

(A) Audit & Risk Committee (ARC)

| | | | |
|---|---------------------------|---|-----------------------|
| After electing new board of directors by the AGM which was held on 18/6/2017, the Audit & Risk committee was formed pursuant to Board Resolution issued in a meeting held on 20/6/2017 as follows : | | | The Date of formation |
| Non-Executive Independent Independent | Chairperson Member Member | Mr. Khaled Ali Al-Ghanim Mr. Saud Abdulaziz Al-Babtain Mr. Khaled Abdulaziz Al-Muraikhi | Committee's Members |
| The (ARC) held (5) meetings during the fiscal year ended on 30/4/2018 with an attendance percentage 93 % . | | | Committee's Meetings |

(B) Nomination & Remuneration Committee(NRC)

| | | | |
|--|---------------------------|---|-----------------------|
| After electing new board of directors by the AGM which was held on 18/6/2017, the Nomination & Remuneration Committee was formed pursuant to Board Resolution issued in a meeting held on 20/6/2017 as follows : | | | The Date of formation |
| Non-Executive Independent Independent | Chairperson Member Member | Mr. Khaled Ali Al-Ghanim Mr. Saud Abdulaziz Al-Babtain Mr. Khaled Abdulaziz Al-Muraikhi | Committee's Members |
| The (NRC) held (2) meetings during the fiscal year ended 30/4/2018 with an attendance percentage 83 % . | | | Committee's Meetings |



Rule (3)

Recruit Highly Qualified Candidates for the Members of the Board of directors and the Executive Management

(A) Achievements of Nomination & Remuneration Committee (NRC)

During this fiscal year (NRC) held (2) meetings with many achievements, such as :

- 1- Recommended to accept renominating the current board members in order to elect new board for 3 years.
- 2- Re- form the committee by electing Mr. Khaled Ali Al-Ghanim as Chairman of the Committee & appoint Mr. Mohamad Al Bahar as a Secretary of the Committee.
- 3- Reviewing the Independency Terms to ensure the validity of those terms on annual basis.
- 4- Reviewing & preparing the annual KPIs report for the Board of directors and Executive management for year ended 30/4/2018.
- 5- Prepared the annual remunerations report of the Board and Executive Managements to be approved by the next AGM as follows:

(5-a) The Board 's Remunerations

The Board is comprised of (5) members elected by the AGM which then must approve as below :

- The total Remuneration (proposed for AGM) for the Board members is (75,000 KD) for the fiscal year ended 30/4/2018.
- The total Remuneration (approved by AGM) for the Board members was (75,000 KD) for the fiscal year ended 30/4/2017.

(5-b) The Executive Management's Remunerations

- The total remunerations for the Executive Management including salaries and benefits is (465,772) for the fiscal year ended 30/4/2018.
- The total remunerations for the Executive Management including salaries and benefits was (394,116 KD) for the fiscal year ended 30/4/2017.



Rule (4)

Ensure the Integrity of Financial Reports

(A) Undertaking of Soundness & Integrity of the financial reports

The Board and the Executive Management are keen on submitting a fair and sound financial statements they have presented a written undertaking confirming the Integrity of financial reports which shall be submitted in the annual report.

(B) Achievements of the Audit & Risk committee (ARC)

During this fiscal year (ARC) held (5) meetings with many achievements, such as :

- 1- Re-forming the committee by electing Mr. Khaled Ali Al-Ghanim as Chairman of the Committee & appoint Mr. Mohamad Al Bahar as a Secretary of the Committee.
- 2- Reviewing the annual/interim Financial Statements and provided a recommendation to the Board for final approval.
- 3- Reviewing the annual Audit committee report with corporate governance report and provided a recommendation to the Board for final approval.
- 4- Reviewing the annual Risk Assessment Report for year ended 30/4/2018.
- 5- Reviewing the internal Audit reports for the operational departments for year ended 30/4/2018 with recommendation to set a remedial plan for the observations.
- 6- Reviewing the annual (ICR) report for year ended 30/4/2017 which was prepared by the independent audit firm .
- 7- Recommending to re- appoint (Grant Thornton) as an independent Audit firm to prepare the annual (ICR) for the fiscal year ended 30/4/2018 .
- 8- Recommending to re- assign the qualified Audit firms to perform Audit & Risk functions for next year ended 30/4/2019.
- 9- Renew the undertaking re the Integrity of Financial Reports and recommended to include it within the annual report.

(C) Verifying the independence & Neutrality of the External Auditor

The committee prepared the criteria of independence & Neutrality of the external auditor from the company and its BOD in line with terms set out in corporate governance rules, and those criteria shall be considered when the committee provide to the board its recommendation to appoint the External Auditor.

Therefore, the committee recommended to re- appoint Mr. /Bader Al Abduljader from EY - as an External auditor for the fiscal year ended 30/4/2019 as he is listed in the CMA auditors register.



Rule (5)

Apply sound system of Risk Management & Internal Audit

(A) Risk Management & Internal Audit Function

BPC recognizes the importance of Implementing Risk Management & Internal Audit functions which would protect the company from any potential risks by setting adequate internal Control Systems matching the nature of company's activity.

Therefore, the Risk & Audit Committee recommended to assign (Grant Thornton) to perform the Internal Audit & risk function in accordance with the CMA approval in this regard. It is worth noting that BPC has a compliance officer to ensure that all regulatory requirements are met as well.

(B) Verifying the Sufficiency of Control Systems

The Risk & Audit Committee recommended to assign (Grant Thornton) as an independent audit firm to carry out the evaluation and review the company's internal control system & to prepare the annual internal control Report (ICR) which is to be submitted to the CMA within 90 days from the end of the fiscal year.

Rule (6)

Promote Code of Conduct & Ethical standards

(A) Promoting Standards of Professional & Ethical behavior

The Company represented by the Board , Executive management and its employees believe in the importance of complying with professional & ethical behavior as it's the most important factor in the company's success , which leads to the shareholder & investors' trust .Therefore ,everyone in BPC is keen to follow this charter as stipulated in the laws & regulations.

(B) Reducing the Conflict of interest

BPC represented by the Board & Executive management is committed to follows the rules of non-conflict of interests stipulated in the CMA's regulations & Companies Law No.(1/2016) in order to reduce and deal with such cases .



Rule (7)

Ensure Timely and High Quality Disclosures & Transparency

(A) Disclosure & Transparency

BPC is committed to disclose continuously in a timely and appropriate manner all material information related to its activities, which may impact the share price and the shareholders' equity. This is in addition to disclosing the quarterly and annual financial statements immediately & without any delay to ensure that shareholders and potential investors are up to date with the company's performance.

In all its disclosures, BPC is keen to be consistent with the standards applied by the CMA in this regard.

(B) Disclosures Record for Members of the Board & Executive Management

The company maintains a disclosure register containing the Board & Executive Management's disclosures of their ownership in the listed companies, as they are listed in the insiders list as per the CMA & CG rules Book (10/15).

(C) Investor Relations Unit (IR)

BPC established the Investor Relations Unit (IR) based on the Board's resolution issued on 11/5/2016. IR unit aims to act as a liaison between the company and the current & potential shareholders and investors to provide them with all necessary information on regular basis through direct communication on the unit's email : IR@boubyan.com

(D) Developing the Infrastructure for the Information Technology

The Company is keen to develop its website to contain all the necessary data relevant to the disclosed information which is important to the shareholders & potential investors according to the corporate governance rules. During this year BPC had launched its new website which contain the most up to date information.



Rule (8)

Respect the Rights of Shareholders

(A) Protecting shareholders' Rights

BPC aims through its investment activities and the annual dividend distributions to protect its shareholders' rights as well as provide them the opportunity to practice their essential rights which are stipulated in the Company's Article of Association and according to Commercial Law & CMA rules as follows :

(1) Keeping a Shareholders Register at the Clearing Agency

The company has a special shareholders' register that is held and updated with the Kuwait Clearing Company (KCC).

This register includes names of shareholders as well as details of their shares. Therefore, BPC is keen to update this record with any changes on the registered data and to disclose to the regulatory authorities - annually- about the largest shareholders who own more than 5 % of BPC.

(2) Participating in BPC's Annual General Meetings

BPC is committed to invite all shareholders without any discrimination. Such invitation would include the AGM Agenda prepared in line with Commercial Law, CMA, and Corporate Governance rules.

BPC is keen to publish the invitation and the Agenda in daily newspapers and on the Kuwait Boursa website in order to inform all shareholders about AGM agenda and to practice their voting rights during the AGM's.

Rule (9)

Recognize the Roles of Stakeholders

(A) Ensure the Protection of Stakeholders' Rights

BPC is very keen to follow a consistent approach matching with its activities and the size of its contracts, to ensure that all stakeholders have an equal & fair treatment by implementing the principle of transparency and relevant regulations , and to maintain a good relationship with them as a result of implementing those rules.



Rule (10)

Encourage & Enhance Performance

(A) Continuous Training for the Board Members & Executive Management

BPC is committed to provide the Members of the Board & the Executive Management with appropriate training programs relevant to its core business and those programs are up to date with latest business development subjects in that regard.

(B) Evaluating the performance of the Board Members & the Executive Management

BPC had applied appropriate key performance indicators (KPIs) related to the company's strategic objectives and the roles of the Board Members & the Executive Management. Therefore, (NRC) had prepared & reviewed the annual (KPIs) report, while the results of this evaluation will be used to develop continuous training plans in order to handle any short comings and weaknesses.

(C) Importance of Corporate Value Creation for Employees

BPC represented by its Board & Executive Management is keen to promote and assert the value creation among its employees through fulfillment of the company's strategic goals, performance improvement & implementing the regulatory authorities' regulations & corporate governance rules .

Furthermore, BPC presented several periodic reports such as (Annual Report, Annual CG report, Annual Audit Committee Report,,) which contain all necessary information to support the Board, Executive management, shareholders & stakeholders in order to make informed decisions .

Rule (11)

Corporate Social Responsibility

(A) Ensuring a Balance between the objectives of the company and of society

BPC believes in the importance of social responsibility to create a balance between the company's goals and those of society, through the company's commitment to meet the regulatory requirements and following an approach matching its business and strategic objectives. Therefore, BPC is keen to invest in its employees by training them continuously & attracting the nationals.



Internal Audit Committee Report

For the fiscal year ended 30/4/2018



Committee Goals

This Committee is responsible for assisting the Board in fulfilling its responsibilities relating to ensuring the quality and integrity of the accounting, auditing, internal control, risk management framework and financial reporting practices of BPC as part of the CG requirements .

Committee Formation

After electing new board of directors by the AGM which was held on 18/6/2017, the committee was formed pursuant to Board Resolution issued in a meeting held on 20/6/2017 according to the CG requirements the committee consists of (3) members, all of whom are non- executive members and (2) are independent, while all members have relevant experience and academic qualification in accounting and the financial fields:

| | | | |
|---------------|--------------|----------------------------------|-------------------|
| Non-Executive | Chair person | Mr. Khaled Ali Al-Ghanim | Committee Members |
| Independent | Member | Mr. Saud Abdulaziz Al-Babtain | |
| Independent | Member | Mr. Khaled Abdulaziz Al-Muraikhi | |

Committee Meetings

The Committee held (5) meetings during the fiscal year ended 30/4/2018 as follows :

| | | |
|-----------------------------------|------------------------|----------------|
| with attendance percentage 93% | held on 15 May.2017 | First Meeting |
| | held on 13 July.2017 | Second Meeting |
| | held on 13 Sep.2017 | Third Meeting |
| | held on 10 Dec.2017 | Fourth Meeting |
| | held on 14 March. 2018 | Fifth Meeting |

Committee's Achievements & Recommendations

| | |
|---|----------------------|
| Reviewed all periodic financial statements before submittal to the Board for final approval. Renewed the undertaking of Integrity of Financial Reporting and to be presented in the annual report. | Financial Statements |
| Recommend to re- appoint GT as an independent Audit firm to prepare the annual Internal Control Report(ICR) for the fiscal year ended 30/4/2018. | Internal Control |
| Reviewing the internal Audit reports for the operational departments for year ended 30/4/2018 with recommendation to set a remedial plan for the observations cited. Recommended to re- appoint Grant Thornton to perform the Risk & Internal audit functions for next year. | Internal Audit |
| Recommended to re-appoint Mr. Bader Al Abdaljader from EY – as an external auditor since he is listed in the CMA auditors register for the fiscal year ended 30/4/2019 . | External Audit |