

Governance Report 2016**BNP Paribas Investment Company KSA****For the financial year ended 31 December 2016.**

Introduction:

BNP Paribas Investment Company KSA is a limited liability company organized and existing under the Laws of Saudi Arabia, located in Riyadh – Faisaliah Tower, 4th Floor. P.O Box 18771, Riyadh 11425

The company is authorized and regulated by the Capital Market Authority with license number 13173-37. It is licensed to provide; dealing as principal, agent and underwriter, arranging, custody, managing investment funds and advisory services.

Annual Fiscal Results and financial Auditors Comments:**Financial Position:**

As at 31 December 2016, total assets of BNP Paribas Investment Company KSA were SAR 83,559,118. Cash and Cash equivalents added to SAR 74,927,119.

Income Statement:

For the year ended 31 December 2016, BNP Paribas Investment Company KSA has reported a net profit of SAR 2,524,100. Total Revenues earned during this period were SAR 8,494,412.

During the year 2016, loss from operations was SAR 3,902,881 compared to SAR 11,033,952 in 2015.

Shareholders' Equity:

Total equity as at 31-Dec-2016 was SAR 77,570,637. Accumulated losses added to SAR 10,030,457.

Loans Payable:

As at 31 December 2016, BNP Paribas Investment Company KSA does not have any outstanding loans payable

Deals which needs to be disclosed:

All BIC deals have no conflict with any associate. BIC deals were all with large companies directly.

There were no deals or contracts where the AP, the board members, the CEO, the CFO or any related persons to the previous persons have any interest in the said deal.

BNP Paribas changes and Strategy for 2017:

The legal structure of BNP Paribas investment company KSA will be changed from limited liability to Joint Stock Company by end of April 2017. The Conversion of the Company is approved, and will be based on the requirements of the new companies' law.

In light of the above legal changes and the new strategy of the bank, the aim for BIC is to get more deals towards 2017 in Global Markets going forward as well as Debt Capital Markets and Mergers and Acquisitions under our Arranging, advising and dealing licenses. This development is in line with the expected growth of the Capital Markets of the Kingdom and the expected rise of the debt capital market especially. BIC has now developed strong relationships with the large Saudi corporates which enables us to play a more crucial role in their arranging raising of capital and their expanding of activities.

Risks facing BNP Paribas:

Under our SLA with the regional Group Bahrain, operational risk has been very strictly covered at BIC under the full compliance of the group and in line with the regulation in the kingdom. There were no operational risk incidents in 2016.

BIC has not carried out any market risk in 2016; our capital has been very strictly kept in cash and not invested. All our deals to clients were all closed on time and reported to CMA with no market risk for BIC. There were no Financing risk associated with our arranging, dealing, advising in 2016.

Under the SLA with the regional group Inspection General (IG) audit applied strict monitoring policies for managing all risk at BIC.

Subsidiaries of the company:

BNP Paribas Investment Company KSA has No subsidiaries in KSA.

Interests and Rights of the board directors:

Part of the board members is executive members in the BNP Paribas Group. These members did not receive any compensation for their selves for being a Board member in BNP Paribas Investment Company KSA.

Members of the Board of Directors:

No bonuses were paid to members of the Board of Directors for the year 2016

Auditor:

PricewaterhouseCoopers were appointed as external auditor of the company until the end of 31-Dec-2016

Names of other companies which the existing board members act as board members as well:

Name:	Other Companies
Dr. Abdulla El Kuwaiz Chairman – Independent Member	<ul style="list-style-type: none"> • Vice Chairman of Oxford Institute for Energy Studies – Oxford - UK • Board Member of the assembly board of good neighborhood charity. • Member of the Governing Board of the Center for Studies of Financial Innovation • Chairman of advisory board of ACWA Power
Jacques Michel – Member	Nil
Elham Hassan Independent Member	<ul style="list-style-type: none"> • Chairman of Alanzoor Physiotherapy Complex • Board member at BBK (Bank of Bahrain and Kuwait) • Board member at Solidarity Holding • Board member at Mumtalakat Holding Company • Board member at Edamah
Hamid Noorizadeh - Member	Nil
Erik Josserand - Member	<ul style="list-style-type: none"> - Director on the Board of TEB Yatirim (investment) Istanbul - Director on the Board of BNPP A.O Moscow <p>Both are subsidiaries of BNP Paribas Group.</p>
Christophe Mariot – Member and CEO	Nil

Structure and composition of the Board of Directors:

The Board of directors of BNP Paribas Investment Company KSA is currently comprised of 6 members; two of them are independent directors.

BNP Paribas Investment Company KSA current board members are all well-versed and experienced businessmen holding leadership positions across various field and domains in

successfully carrying out its role and duties. The Company's CEO is also member of the board serving as an executive director.

Meetings of the Board of Directors:

The company's Board of Directors meets at least three times annually and otherwise as required to resolve any matters within the board's duties by invitation of the chairman of the board or upon the request of any 2 members. The Board of Directors convened three times during the year as per the table below:

Members of the Board	Dates of The Board Meetings		
	13 March 2016	02 June 2016	29 November 2016
Dr. Abdulla El Kuwaiz	✓	✓	✓
Jacques Michel	X	✓	✓
Hamid Noorizadeh	✓	✓	✓
Erik Josserand	✓	X	✓
Elham Hassan	✓	✓	✓
Christophe Mariot	✓	✓	✓

Committees of the Board of Directors:

The Board has established the following committees with formally delegated objectives, authorities, responsibilities and tenure as set out in terms of reference included in the Corporate Governance Report.

Audit Committee

- The committee was held two times during 2016 in March and December. The Committee discussed some of the issues in BIC as financial statements, change of legal status, staff appointment, business update, incident report and risk assessment of BIC outsourcing.

During 2016 members of the Audit committee were:

Name of Director	Position
Elham Hassan	Independent Board Member Chairman of Audit Committee

Cecile Etienne	Head of Internal Audit Middle East
Abid Hussain	Regional Finance

Nomination & Remuneration Committee:

- The committee was held once during November 2016. The committee discussed the compensation proposals for 2016.

During 2016 members of the nomination and remuneration committee were:

Name of Director	Position
Yann Gérardin	Head of CIB (Chairman)
Jean-Luc Bordeyne	Head of CIB HR
Hervé Reynaud	Reward, Systems, Processes & Reporting
Marie-Pierre Joubert	Career Development & HR Business Partners
Jacques Michel	CEO – Head of BNP Paribas MEA
Nancy Marquez	HR Director MEA

The principal of the nomination and remuneration committee is to:

- Ensure that the remuneration and benefits awarded to the executives of the board directors and senior executives of the company are reasonable and aligned with the performance of the company.
- Consider succession planning for directors and senior executives, the skills and expertise needed on the board and within the senior executive management.

Remuneration of the Board of directors:

The remuneration of the board of directors and the executive managers including the CEO and the Finance Manager are as follows:

Details	Executive Board Members	Non-Executive Board Members	5 Executive Managers in company receiving highest compensation, including CEO and Finance Manager
Salaries & Compensations	-	440,000.00	1,632,030.00
Allowances	-	3,000.00	42,000.00
Periodical & Annual	-	-	300,038.50

Remunerations			
Incentives Plans	-	-	-
Any other compensations or benefits (in kind paid monthly or annually)	-	443,000.00	1,974,068.50

Penalties during 2016:

BNP Paribas Investment Company KSA paid a 10,000 SAR fine in 2016 for breaching CMA circular number (1/6/9/15).

Results of effectiveness of Internal Control Procedures in BIC:

An internal Audit assignment has been launched on 16 January 2014 on the internal Control Framework of BIC activities. The result of this Internal Audit review, that the management has evidenced dynamism and commitment to develop the business and build a control framework in line with the groups and CMA's expectations. Inspection General has regular checks over BIC and the next review is in 2017.