

Governance Report 2017**BNP Paribas Investment Company KSA****For the financial year ended 14 November 2017.**

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 14 November 2017, total assets of BNP Paribas Investment Company KSA were SAR 75, 527,785. Cash and Cash equivalents added to SAR 71,450,482.

Income Statement:

For the year ended 14 November 2017, BNP Paribas Investment Company KSA has reported a net loss of SAR 7,391,440. Total Revenues earned during this period were SAR 2,941,284.

During the year, loss from operations was SAR 6,904,507 compared to SAR 3,902,881 in 2016.

Shareholders' Equity:

Total equity as at 14-Nov-2017 was SAR 70,179,197. Accumulated losses added to SAR 17,421,897.

Loans Payable:

As at 14 November 2017, 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.

Auditor:

PricewaterhouseCoopers were appointed as external auditor of the company until the end of 14-Nov-2017

BNP Paribas changes and Strategy for 2017:

The legal structure of BNP Paribas investment company KSA has been changed from limited liability to Joint Stock Company on November 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 Group, the aim for BIC is to get more deals towards 2018 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 2017.

BIC has not carried out any market risk in 2017; 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 2017.

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 ending on 14 November 2017.

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
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 – Till March 2017) • Board member at Solidarity Holding • Board member at Mumtalakat Holding Company • Board member at Edamah • Board member at IB Capital
Hamid Noorizadeh - Member	Nil
Eric 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>
Jean-Francois Sibille	Nil

Structure and composition of the Board of Directors:

The Board of directors of BNP Paribas Investment Company KSA is currently comprised of 7 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.

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 4 times during the year as per the table below:

Members of the Board	Dates of The Board Meetings			
	01 March 2017	31 May 2017	25 September 2017	03 December 2017
Dr. Abdulla Al Kuwaiz	✓	✓	✓	✓
Jacques Michel	✓	✓	✓	✓
Hamid Noorizadeh	X	✓	✓	✓
Erik Josserand	✓	X	✓	X
Elham Hassan	✓	✓	✓	✓
Christophe Mariot	✓	✓	✓	-
Jean-Francois Sibille	-	-	-	✓

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 three times during 2017 in March, May and November. 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 2017 members of the Audit committee were:

Name of Director	Position
Elham Hassan	Independent Board Member Chairman of Audit Committee
Thomas Ponthieux	Head of Internal Audit Middle East
Abid Hussain	CFO – Middle East & Africa

Nomination & Remuneration Committee:

- The committee (held on the level of MEA) was held once during 2017 where the committee discussed the compensation proposals for 2018.

During 2017 members of the nomination and remuneration committee were:

Name of Director	Position
Jacques Michel	CEO - Head of BNP Paribas MEA – BNP Paribas Investment Company KSA Board Member
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	1,639,565.92
Allowances	-	3,000.00	49,650.00
Periodical & Annual Remunerations	-	-	505,912.50
Incentives Plans	-	-	-
Any other compensations or benefits (in kind paid monthly or annually)	-	-	-

Penalties during 2017:

There were no penalties imposed against the company during the reported financial year.

Results of effectiveness of Internal Control Procedures in BIC:

Two internal Audit assignments have been launched on 7 May 2017 on the internal Control Framework of the company's activities and on the Financial Security related topics. These Internal Audit reviews raised that the Financial Security related topics are handled in a satisfactory manner, the quality of the governance, risk management, and control processes over the BIC activities is adequate. The assignment related to BIC activities resulted in a Globally Satisfactory rating. Inspection General has regular checks over BIC and the next review is in 2020.