BNP Paribas Investment Company KSA

Board of Directors – Corporate Governance Report

2020
Introduction:

BNP Paribas Investment Company KSA ("BIC") is a closed joint-stock company organized and existing under the laws of the Kingdom of Saudi Arabia. BIC is located in Riyadh; Al Faisaliah Tower, 4th Floor with its postal address at: P.O Box 18771, Riyadh 11425.

BIC is regulated by the Capital Market Authority, with license number: 13173-37. BIC is authorized to conduct dealings as principal, agent and underwriting, arranging, mutual funds management and advisory services, and custody in securities.

BIC has no subsidiaries.

Annual Fiscal Results and Financial Auditors Comments

Financial Position:

As at 31st December 2020, total assets of BNP Paribas Investment Company KSA were SAR 85,053,398. Cash and Cash equivalents added to SAR 76,574,148.

Income Statement:

For the year ended 31 December 2020, BNP Paribas Investment Company KSA has reported a net loss of SAR 715,069. Total Revenues earned during this period were SAR 14,218,750.

During the year, operating income was SAR 4,284,582 compared to operating income of SAR 1,161,673 for the period ended 31st December 2019.

Shareholders’ Equity:

Total equity as at 31st December 2020 was SAR 75,665,584. Accumulated losses added to SAR 12,514,827.

Loans Payable:

As at 31 December 2020, BNP Paribas Investment Company KSA does not have any outstanding loans payable.

Auditor
PricewaterhouseCoopers were appointed as external auditor of the company until the end of 31-Dec-2020

-The Auditor's Report

There were no reservations placed by PWC on the annual financial statements BIC for the year ending 2019.

Diagram of Assets, Liabilities and Equity over five (5) years for BIC:

<table>
<thead>
<tr>
<th>Details</th>
<th>31 Dec 2016</th>
<th>14 Nov 2017</th>
<th>15 Nov 2018 to 31 Dec 2018</th>
<th>31 Dec 2019</th>
<th>31 Dec 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>83,559</td>
<td>75,528</td>
<td>77,828</td>
<td>80,490</td>
<td>85,053</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>5,988</td>
<td>5,349</td>
<td>3,863</td>
<td>3,824</td>
<td>9,388</td>
</tr>
<tr>
<td>Share Capital</td>
<td>87,500</td>
<td>87,500</td>
<td>87,500</td>
<td>87,500</td>
<td>87,500</td>
</tr>
<tr>
<td>Reserves</td>
<td>101</td>
<td>101</td>
<td>684</td>
<td>966</td>
<td>680</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(10,030)</td>
<td>(17,422)</td>
<td>(14,219)</td>
<td>(11,800)</td>
<td>(12,515)</td>
</tr>
<tr>
<td>Total Shareholder's Equity</td>
<td>77,571</td>
<td>70,179</td>
<td>73,965</td>
<td>76,666</td>
<td>75,665</td>
</tr>
<tr>
<td>Net income/(loss)</td>
<td>2,524</td>
<td>(7,391)</td>
<td>3,203</td>
<td>2,617</td>
<td>(715)</td>
</tr>
</tbody>
</table>

Explanation of material differences in operating results from the previous financial year report in relation to BIC:

The decrease in operating results in year 2020 compared to the previous year is due to tax settlements of prior years.

Deals Which Need to be Disclosed

None of BIC’s transactions or deals have a conflict of interest with any of its associates or related persons. BIC did not enter into any deals or contracts where any of the members of the Board of Directors, nor senior executives, nor any person related to them, have any personal interest in.
BIC Changes and Strategy for 2020

Throughout 2020, and despite the challenges of the COVID-19 pandemic, BIC has continued on its path of growing and strengthening the Saudi franchise by staying close to its clients, sourcing and originating deal flow as well as keeping abreast of market changes. A new operating mode, in the form of working from home (WFH), had to be adopted and the transition into virtual meetings and interactions has been seamless and smooth across the entity. Looking forward, a gradual normalization is expected with a staggered return of staff to working in the office whilst adhering to all safety and precautionary measures stipulated by local authorities as well as group directives.

Risks facing BNP Paribas/BIC

Credit Risk Mitigation Exposure:

BNP Paribas Investment Company KSA did not employ any credit risk mitigation techniques to cover its credit risk exposure as BIC does not extend credit as part of its current strategy.

Counterparty Credit Risk:

Counterparty risk is the translation of the credit risk embedded in the market, investment and/or payment transactions. Those transactions include bilateral contracts which potentially expose the Bank to the risk of default of the counterparty faced.

Counterparty risk identification is governed in BNP Paribas, including BNP Paribas Investment Company KSA, according to the principles and practices that underlie classical credit risk identification. In particular, it shall be noted that concentration risks are jointly analyzed for credit and counterparty risks when monitoring countries, industries or single names. BNP Paribas Investment Company KSA is not involved in any activity from which Counterparty credit risk may arise. This type of risk is thus not material for BNP Paribas Investment Company KSA.
Risk Management:

Details about strategies, processes and organization of risk management within BNP Paribas Group as well as its capital adequacy can be found in its Pillar III disclosure.

Operational Risks:

Operational risk is defined as the risk due to inadequate or failed internal processes or due to external events, whether deliberate, accidental or natural occurrences.

Internal processes giving rise to operational risk may, for instance, involve employees and/or IT systems. External events include, but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses fraud, human resources risks, legal risks, non-compliance risks, tax risks, information system risks, the risk of providing inappropriate financial services, the risks of failed operational processes as well as the possible financial implications resulting from the management of reputation risks.

Under BIC’s SLA with the regional HQ in Bahrain, operational risk has been strictly covered under full compliance of the group and in line with local regulation in the Kingdom. There were no operational risk incidents reported in 2020.

Market Risks:

Market risk is the risk of incurring a loss of value due to adverse trends in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.
Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

BNP Paribas Investment Company KSA is currently not involved in any activity from which Market risk may arise. This type of risk is thus not material for BNP Paribas Investment Company KSA. BIC has maintained its cash capital base on deposit with BNP Paribes rolled on a monthly basis.

Liquidity Risks:

Liquidity risk is the risk of the Group being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements, across all time horizons, from the short to the long term. This risk may stem from the reduction in funding sources, draw down of funding commitments, a reduction in the liquidity of certain assets, or an increase in cash or collateral margin calls. It may be related to the bank itself (reputation risk) or to external factors (risks in some markets).

There are currently no further identified risks to the license due to the strict and structured processes, controls as well as ongoing oversight by BNP Paribas Group.

Penalties during 2020

There were no penalties imposed against the company during the reported financial year ending 31st December 2020

Results and effectiveness of Internal Control Procedures in BIC

BIC underwent an IG (Inspection Generale) Mission for financial security in 2020 and the report resulted in a ‘Satisfactory’ (highest) rating with no adverse findings or recommendations. Ongoing and regular checks by IG and internal audit further confirm that there are no findings nor pending recommendations requiring remediation.
Conflicts of Interest

There were no interests, contractual securities or subscription rights belonging to the members of the Board of Directors, nor for any senior executive nor their relatives, in the shares or instruments of the authorized person during the previous financial year ending 31 December 2020.

Additionally, no loans were provided to BIC for the financial year ending 31 December 2020. None of BIC’s transactions have a conflict of interest with any of its associated or related persons for the financial year ending 31 December 2020.

No declarations were made in the financial year ending 31 December 2020, with information relating to any business or contract to which the authorized person is a party, in which there is an interest of a member of the Board of Directors, senior executives or any person related thereto.

Structure and Composition of the Board of Directors of BIC:

The Board of Directors of BIC ("Board") is currently comprised of six (6) members; two (2) of which are independent members.

Members of the Board:

1. Dr. Abdullah El-Kuwaiz (Chairman) – Independent Member
2. Jacques Michel (Vice Chairman) – Non-Executive Member
3. Hamit Noorizadeh – Non-Executive Member
4. Jean-Francois Sibille – Non-Executive Member
5. Ammar Pharaon - Executive Member
6. Elham Hassan – Independent Member

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

<table>
<thead>
<tr>
<th>Member</th>
<th>Other Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Vice Chairman of Oxford Institute for Energy</td>
</tr>
<tr>
<td></td>
<td>Studies – Oxford, United Kingdom</td>
</tr>
</tbody>
</table>

7 | Page
Dr. Abdulla El-Kuwaiz  
- Board member of the Assembly Board of Good Neighborhood Charity  
- Board member of the Gulf Development Forum

Jacques Michel  
Nil

Hamid Noorizadeh  
Nil

Jean-Francois Sibille  
Nil

Ammar Pharaon  
Nil

Elham Hassaa  
- Chairman of Alanzoor Physiotherapy Complex  
- Board member of Ithmaar Bank  
- Board member of Ithmaar Holdings  
- Board member of Solidarity Holding  
- Board member of Mumtalakat Holding Company  
- Board member of IB Capital

Interests and Rights:

Four (4) members of the Board are executive employees within the BNP Paribas group. These executive employees did not receive any compensation for their roles as members of the Board.

There are no contractual interests, securities or subscription rights for any of BIC’s shares and/or debt instruments and that belong to any of: (1) the members of the Board or any of their relatives, and (2) senior executives of BIC or any of their relatives.

Remuneration:

The remuneration of the members of the Board and the executive managers of BIC; including the managing director ("MD") and the finance manager ("FM"), is provided as per the table below (amounts provided are in Saudi Riyals):

<table>
<thead>
<tr>
<th>Type</th>
<th>Board Members* (*excluding Independent members)</th>
<th>Independent Members</th>
<th>5 Senior Executives (who received the highest compensation, plus the MD and the FM, if not included)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; wages</td>
<td>-</td>
<td>440,000</td>
<td>3,442,000</td>
</tr>
<tr>
<td>Allowances</td>
<td>-</td>
<td>4,000</td>
<td>38,500</td>
</tr>
<tr>
<td>Periodic &amp; Annual bonuses</td>
<td>-</td>
<td>-</td>
<td>337,939</td>
</tr>
<tr>
<td>Motivation plans</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commissions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Any compensation or other in-kind benefits in kind paid monthly or annually: - - -

Note: no bonuses were paid to the members of the Board for the year of 2020.

Board meetings:

The Board convened two (2) meetings in 2020, details of which is as per the table below:

<table>
<thead>
<tr>
<th>Board members</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24 March 06 December</td>
</tr>
<tr>
<td>Dr. Abdulla Al Kuwaiz</td>
<td>✓</td>
</tr>
<tr>
<td>Jacques Michel</td>
<td>✓</td>
</tr>
<tr>
<td>Hamid Noorizadeh</td>
<td>×</td>
</tr>
<tr>
<td>Jean-Francois Sibille</td>
<td>✓</td>
</tr>
<tr>
<td>Ammar Pharaon</td>
<td>✓</td>
</tr>
<tr>
<td>Elham Hassan</td>
<td>✓</td>
</tr>
</tbody>
</table>

Committees of the Board

The Board has established the following committees:

Audit Committee

The Audit Committee’s duties and specialty is to supervise BIC’s business, it is entitled to review BIC’s books and records and may request any clarification or report from the Board and from the executive management. The Audit Committee also reviews BIC’s financial statements, reports and the auditor’s comments, provide feedback on them, if any, and prepare a report on its opinion on the adequacy of the BIC’s internal control system on its other activities that fall within its jurisdiction.

Members of the Audit Committee:
1. Elham Hassan (Chairman) – Independent Member
2. Benoit Dalaise – Head of Internal Audit Middle East & Africa
3. Abid Hussain – Chief Financial Officer Middle East and Africa

Audit Committee Meetings

The Audit Committee convened four (4) meetings in 2020, details of which is as per the table below:

<table>
<thead>
<tr>
<th>Member</th>
<th>08 March</th>
<th>26 July</th>
<th>08 October</th>
<th>02 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elham Hassan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Benoit Dalaise</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Abid Hussain</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Nomination and Remuneration Committee

The principal of the nomination and remuneration committee is to ensure that the remuneration and benefits awarded to the executives of the Board of Directors and senior management of the company are reasonable and aligned with the performance of the company. In addition to the above, to consider succession planning for the directors and senior executives, the skills and expertise needed on the board and within the senior executive management.

The Nomination and Remuneration Committee (Held on the level of MEA) was held as part of the CRP process once during 2020 where the committee discussed the compensation proposals for 2020.

Nomination and Remuneration Committee Meeting

During 2020, one meeting was held and both members (details of which are provided below) attended. The members of the nomination and remuneration committee were:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Position</th>
<th>Attended Annual Meeting in 2020</th>
</tr>
</thead>
</table>

10 | Page
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacques Michel</td>
<td>Chairman</td>
<td></td>
</tr>
<tr>
<td>Deidre Abrahams</td>
<td>HR Director MEA</td>
<td></td>
</tr>
</tbody>
</table>