



Boubyan Petrochemical Company (K.S.C.)

Annual REPORT

FOR THE YEAR

2020

ENDED 30 APRIL



BPC ANNUAL CORPORATE GOVERNANCE REPORT

Preface

(BPC) represented by its Board of Directors (BOD) and the Executive Management is committed to implementing the Corporate Governance requirements stipulated in CMA Executive bylaws -Book No.15 - and 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.

(BPC) is pleased to present to the shareholders the annual Corporate Governance report for the fiscal year ended 30/4/2020, which was approved by the Board meeting held on 17 June 2020.

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 – according to the Company's Articles of Association and its activities. The board members hold the required educational qualifications and professional experience to conduct their responsibilities professionally and to form the required Board committees. All members have been elected to the Board due to the AGM was held on 18/6/2017 as follows:

Name	Position Type of Membership	Qualifications & Experiences	Election date Appointing BOD Secretary
Mr. Dabbous Mubarak Al-Dabbous	Chairman Non – Executive	B.of Mathematic & Science More than 30 Years' experience	18/6/2017
Mr. Khaled Ali Al-Ghanim	Vice – Chairman Non – Executive	B. of Business Administration More than 20 Years' experience	18/6/2017
Mr. Saud Abdulaziz Al-Babtain	Board Member Independent	B. of Business Administration More than 30 Years' experience	18/6/2017
Mr. Khaled Abdulaziz Al-Muraikhi	Board Member Independent	M.B.A B. of Business Administration More than 30 Years' experience	18/6/2017
Mr. Khaled Mohammed Al-Amir Rep. of Sons Mubarak Al-Dabbous Company for General Trading and Contracting (L.L.P)	Board Member Non – Executive	B. of Law More than 30 Years' experience	18/6/2017
Mr. Mohammad Abdulaziz Al Bahar	Board secretary	M. of Operations Research B. of Industrial Engineering More than 30 Years' experience	20/6/2017



Rule (1)

(B) A brief on the Board of Directors' meetings:

The Board held (6) meetings and (6) circulated resolutions during the fiscal year ended on 30/4/2020, as below :

(1)	(2)	(3)	(4)	(5)	(6)	Meeting No.	Board of Directors Meetings as on 30/4/2020
8/5	9/5	20/5	12/9	12/12	8/3	Meeting Date Position	Name of Board Member
✓	✓	✓	✓	✓	✓	Chairman	Mr. Dabbous M. Al-Dabbous
✓	✓	✓	*	✓	✓	Vice – Chairman	Mr. Khaled A. Al-Ghanim
✓	✓	✓	✓	*	*	Board Member	Mr. Saud A. Al-Babtain
✓	✓	✓	✓	✓	✓	Board Member	Mr. Khaled A. Al-Muraikhi
✓	✓	✓	✓	✓	*	Board Member	Mr. Khaled M. Al-Amir
Absence due to an acceptable excuse .(*)							

(C) A brief on registering, coordinating and archiving Board minutes of meetings:

The board secretary holds a private register where the minutes of meetings are organized and recorded with applicable serial numbers according to the Company's fiscal year which ended on 30 April. The register shows the meeting's attendees, discussions and voting processes which were signed by the board secretary and all attendees members as per the commercial Law No. 1/2016 and Corporate Governance rules.

The board secretary is responsible to ensure that the Board Members are provided with the agenda – at least 3 working days before the meeting (unless there is an emergency meeting)- enclosed with the required documents and information, where the Board Members have enough time to study the suggested items to take the appropriate decisions.

Rule (2)

Establish Appropriate Roles & Responsibilities

(A) A brief of Defining the roles, responsibilities and duties of Board Members and the Executive Management, as well as the delegation of authority provided to Executive Management:

BPC has the Organization and Functional Chart approved by the BOD which outlined the duties and authorities of the Board of Directors and the Executive Management which is updated according to any changes in the positions or to meet the new regulatory requirements.

The Board Members are performing their duties in an effective manner according the approved BOD's Charter and in line with the roles stipulated in the Article of Association and Kuwait Companies Law No 1/2016 and its amendments.

The Board through the specialist committees (Risk, Audit and Remuneration & Nomination Committee) had delegated some of its authorities to these committees in order to carry out their roles according to corporate governance requirements.

The Board is delegating the Executive Management with specific authorities according to the required tasks and roles outlined in the policies and procedures.

(B) Board's Achievements during the fiscal year ended 30/4/2020:

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 as per the company's annual report, the Board held (6) meetings during the financial year ended 30/4/2020 in addition to (6) circulated resolutions. Below are the outcomes of the Board meetings, as follows:

- 1- Approving the annual & interim Financial Statements for the fiscal year ended 30/4/2020.
- 2- Taking the investment resolutions.
- 3- Following up the performance of the committees and their achievements during the fiscal year ended 30/4/2020 .
- 4-Following up the performance of the Executive Management and its achievements during the fiscal year ended 30/4/2020.
- 5- Approving the annual BOD's report and the annual corporate governance report for the fiscal year ended 30/4/2020.



Rule (2)

(C) Formation of Board Committees:

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:

(1) Audit Committee :

The Date of formation & duration:	AFTER ELECTING A NEW BOARD OF DIRECTORS BY THE AGM WHICH WAS HELD ON 18/6/2017, THE AUDIT & RISK COMMITTEE WAS FORMED PURSUANT TO A BOARD RESOLUTION ISSUED IN A MEETING HELD ON 20/6/2017; THE COMMITTEE WILL LAST FOR 3 YEARS AND ITS MEMBERS ARE AS FOLLOWS :		
Committee's Members	MR. KHALED ALI AL-GHANIM MR. SAUD ABDULAZIZ AL-BABTAIN MR. KHALED ABDULAZIZ AL-MURAIKHI	Chairperson Member Member	Non-Executive Independent Independent
Committee's Meetings	The (ARC) held (5) meetings during the fiscal year ended on 30/4/2020 with an attendance percentage 93% .		
Committee's Achievements	1.Reviewing & modifying the Organization Chart due to CMA 's request dated 17/7/2019 to sperate the Audit and Risk Committee , which was adopted from the BOD. 2.Reviewing the annual / interim Financial Statements with recommendation to the Board for final approval. 3.Reviewing the annual Audit committee report & corporate governance report with recommendation to the Board for final approval. 4.Reviewing the Annual Risk Assessment Report. 5.Reviewing the internal Audit reports for the operational departments with recommendation to set a remedial plan for the observations. 6.Reviewing the annual (ICR) report which was prepared by the independent audit firm to be sent to CMA. 7.Recommending to re-assign the qualified Audit firms to perform Audit, Risk functions & to preparing ICR. 8.Renew the undertaking the Integrity of Financial Reports and recommended to include it within the annual report. 9. Recommending to re-appoint Mr.Bader Al Abduljader from EY - as an External auditor for the next fiscal year ending on 30/4/2021 .		

(2) Risk Committee:

The Date of formation	AFTER ELECTING A NEW BOARD OF DIRECTORS BY THE AGM WHICH WAS HELD ON 18/6/2017, THE NOMINATION & REMUNERATION COMMITTEE WAS FORMED PURSUANT TO A BOARD RESOLUTION ISSUED IN A MEETING HELD ON 20/6/2017; THE COMMITTEE WILL LAST FOR 3 YEARS AND ITS MEMBERS ARE AS FOLLOWS :		
Committee's Members	Mr. KHALED ALI AL-GHANIM Mr. SAUD ABDULAZIZ AL-BABTAIN Mr. KHALED ABDULAZIZ AL-MURAIKHI	Chairperson Member Member	Non-Executive Independent Independent
Committee's Meetings	The Risk committee held (4) meetings during the fiscal year ended 30/4/2020 with an attendance percentage of 100 % .		
Committee's Achievements	1.Reviewing & modifying the Organization Chart due to CMA 's request dated 17/7/2019 to sperate the Audit and Risk Committee, which was adopted from the BOD. 2.Reviewing the annual Risk report for the fiscal year ended 30/4/2020 .		

(3) Nomination & Remuneration Committee(NRC)

The Date of formation	AFTER ELECTING A NEW BOARD OF DIRECTORS BY THE AGM WHICH WAS HELD ON 18/6/2017, THE NOMINATION & REMUNERATION COMMITTEE WAS FORMED PURSUANT TO A BOARD RESOLUTION ISSUED IN A MEETING HELD ON 20/6/2017 ; THE COMMITTEE WILL LAST FOR 3 YEARS AND ITS MEMBERS ARE AS FOLLOWS:		
Committee's Members	Mr. KHALED ALI AL-GHANIM Mr. SAUD ABDULAZIZ AL-BABTAIN Mr. KHALED ABDULAZIZ AL-MURAIKHI	Chairperson Member Member	Non-Executive Independent Independent
Committee's Meetings	The Risk committee held (4) meetings during the fiscal year ended 30/4/2020 with an attendance percentage of 100%.		
Committee's Achievements	The (NRC) held (2) meetings during the fiscal year ended 30/4/2019 with an attendance percentage of 95%.		
Committee's Achievements	1- Reviewing the Independency Terms to ensure the validity on annual basis. 2- Reviewing & preparing the annual KPIs report for the Board of directors and Executive management . 3- Prepared the annual remunerations report of the Board and Executive Managements to be approved by the next AGM .		



Rule (2)

(D) A brief of sharing the information and data with the Board Members in an accurate & timely manner :

The Board of Directors and its committees are provided with the proper information, reports and the required documents that allow them to take decisions in an appropriate and timely manner.

The board secretary provides the Board of Directors and its committees with all the required agenda documents and information in an appropriate and timely manner.

Rule (3)

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

(A) A brief of the formation of the Nomination & Remunerations Committee (NRC):

After electing a new board of directors by the AGM which was held on 18/6/2017, the Nomination & Remuneration Committee was formed pursuant to a Board Resolution issued in a meeting held on 20/6/2017 ; The committee will last for 3 years and its members are as follows :

Mr. Khaled Ali Al-Ghanim Mr. Saud Abdulaziz Al-Babtain Mr. Khaled Abdulaziz Al-Muraikhi	CHAIRPERSON MEMBER MEMBER	Non-Executive Independent Independent
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(B) The Annual Remunerations report for Board Members and Executive Management :

(1) The Board 's Remunerations :

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

- The total Remuneration (approved by AGM) for the Board members was (90,000 KD) for the fiscal year ended 30/4/2019.
- The total Remuneration (proposed for AGM) for the Board members is (90,000 KD) for the fiscal year ended 30/4/2020.

(2) The Executive Management's Remunerations.

- The total remunerations for the Executive Management including salaries and benefits was KD 476200 for the fiscal year ended 30/4/2019.
- The total remunerations for the Executive Management including salaries and benefits is KD 627,412 for the fiscal year ended 30/4/2020.

Rule (4)

Ensure the Integrity of Financial Reports

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

The Board and the Executive Management are keen on submitting a fair and sound financial statement, and on an annual basis, they present an undertaking confirming the Integrity of financial reports which proved sound and fair, with all financial aspects of the company considered, and prepared in accordance with the International Accounting Standards approved by the CMA.

(B) A brief of the formation of Audit Committee:

After electing new a board of directors by the AGM which was held on 18/6/2017, the Audit committee was formed pursuant to a Board Resolution issued in a meeting held on 20/6/2017; The committee will last for 3 years and its members are as follows:

Mr. Khaled Ali Al-Ghanim Mr. Saud Abdulaziz Al-Babtain Mr. Khaled Abdulaziz Al-Muraikhi	CHAIRPERSON MEMBER MEMBER	Non-Executive Independent Independent
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(C) Statement of the conflict between the Audit Committee recommendations and the BOD:

There was no conflict between the Audit Committee recommendations and the BOD for this year ended 30/4/2020.

(D) 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 provides to the board its recommendation to appoint the External Auditor.

Therefore, the committee recommended to re- appoint Mr.Bader Al Abdaljader from EY - as an External auditor for the next fiscal year ending on 30/4/2021, according to the CMA auditors register.



Rule (5)

Apply sound system of Risk Management & Internal Audit

(A) Risk Management 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 the company's activity.

Therefore, the Risk Committee recommended to assign (Grant Thornton) to perform the risk assessment 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) A brief of the formation of Risk Committee:

After electing a new board of directors by the AGM which was held on 18/6/2017, the Risk committee was formed pursuant to a Board Resolution issued in a meeting held on 20/6/2017; The committee will last for 3 years and its members are as follows:

Mr. Khaled Ali Al-Ghanim Mr. Saud Abdulaziz Al-Babtain Mr. Khaled Abdulaziz Al-Muraikhi	CHAIRPERSON MEMBER MEMBER	Non-Executive Independent Independent
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(C) Verifying the Sufficiency of Control Systems

The Risk & Audit Committee recommended to assign 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.

(D) Internal Audit Function :

The Audit Committee recommended to assign (Grant Thornton) to perform the Internal Audit function in accordance with the CMA approval in this regard.

Rule (6)

Promote Code of Conduct & Ethical standards

(A) A brief on the Charter of 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) A brief on the Charter of 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 on a quarterly basis the unit sends the conference invitations and its reports for all analysts and interested investors, via direct communication on the unit's e-mail: 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 updated its new website, which contains 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:

(B) Keeping a Shareholders Register at the Clearing Agency

The company hold a private 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.

(C) 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.

(B) Encouraging stakeholders to keep track of the company's various activities:

The Company is very keen to maintain a good relationship with the stakeholders and encouraging them to track the company's activity as a result of implementing relevant policies and procedures.

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, where 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 their own 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.

(B) A brief about the programs that help highlight the company's social responsibility:

BPC is keen to invest in its employees by training them continuously & attracting nationals.



Internal Audit Committee Report

For the fiscal year ended 30/4/2020

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 a 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:

Committee Members	MR. KHALED ALI AL-GHANIM	CHAIR PERSON	Non-Executive Independent Independent
	MR. SAUD ABDULAZIZ AL-BABTAIN	MEMBER	
	MR. KHALED ABDULAZIZ AL-MURAIKH	MEMBER	

Committee Meetings

The Committee held (5) meetings during the fiscal year ended 30/4/2020 as follows:

First Meeting	HELD ON 8 MAY 2019	with attendance percentage 93%
Second Meeting	HELD ON 24 JULY.2019	
Third Meeting	HELD ON 12 SEP.2019	
Fourth Meeting	HELD ON 12 DEC.2019	
Fifth Meeting	HELD ON 8 MARCH. 2020	

Committee's Achievements & Recommendations

Financial Statements	REVIEWED ALL PERIODIC FINANCIAL STATEMENTS BEFORE SUBMITTAL TO THE BOARD FOR FINAL APPROVAL. RENEWED THE UNDERTAKING OF INTEGRITY OF FINANCIAL REPORTING TO BE PRESENTED IN THE ANNUAL REPORT.
Internal Control	RECOMMEND TO RE- APPOINT AN INDEPENDENT AUDIT FIRM TO PREPARE THE ANNUAL (ICR).
Internal Audit	REVIEWING & MODIFYING THE ORGANIZATION CHART DUE TO CMA REQUEST DATED 17/7/2019. REVIEWING THE INTERNAL AUDIT REPORTS FOR THE OPERATIONAL DEPARTMENTS WITH RECOMMENDATION TO SET A REMEDIAL PLAN FOR THE OBSERVATIONS CITED. RECOMMENDED TO RE- APPOINT GRANT THORNTON TO PERFORM THE RISK & INTERNAL AUDIT FUNCTIONS.
External Audit	RECOMMENDED TO RE-APPOINT MR. BADER AL ABDULJADER FROM EY – AS AN EXTERNAL AUDITOR SINCE HE IS LISTED IN THE CMA AUDITORS REGISTER FOR THE NEXT FISCAL YEAR ENDING ON 30/4/ 2021 .