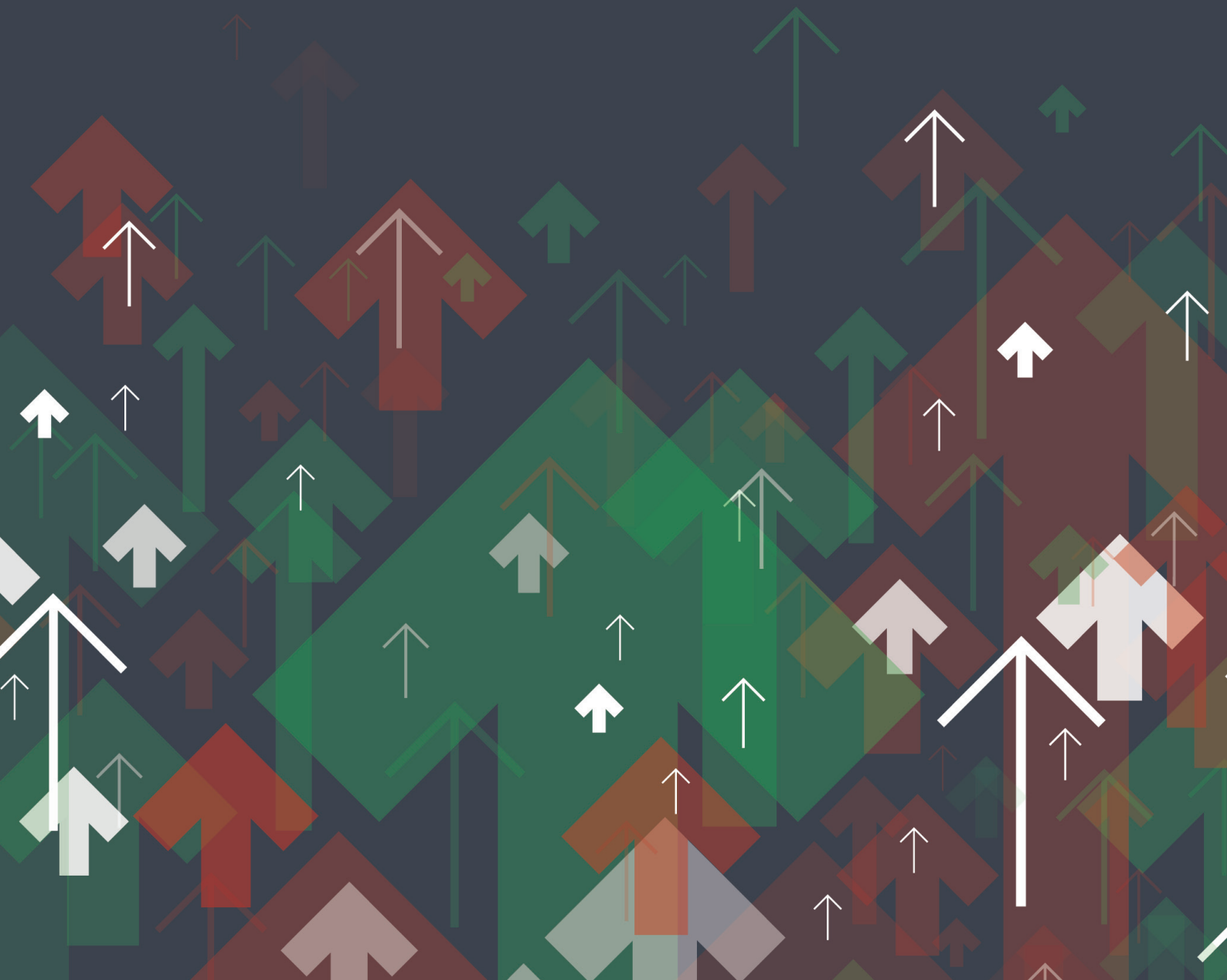




Boubyan Petrochemical Company (K.S.C)

ANNUAL REPORT

For The Year Ended 30 April 2017





BPC ANNUAL CORPORATE GOVERNANCE REPORT

Preface

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 30/4/2017, which was adopted by the Board meeting held on 11/5/2017 .

This report will explain in a brief how BPC have implemented 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, as well as, other interested parties in relation to it .

Therefore, 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.

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, all of them hold the relevant educational qualifications and professional experience to carry out their responsibilities professionally and to form the required 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. Bahar was assigned as a Board secretary based on Board resolution No. (6/2014) alongside his position as the General Manager .	

(B) Organizing Board Meetings

The Board held (7) meetings during the fiscal year ended on 30/4/2017 , with an attendance rate of 89 %,

In addition, the BoD successfully passed several resolutions by circulation

It is worth noting that BPC held an EGM on 14/6/2016 to modify its Articles of Association , by adding an article 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 discussions and voting processes and signed from the board secretary and all attendees as per the commercial Law No.(1/2016) and Corporate Governance rules .



Rule (2)

Establish Appropriate Roles & Responsibilities

(A) Board's Achievements relevant to the Corporate Governance rules.

Besides the usual role of the Board in achieving the company's main objective to Increase of net profit and achievement of the targeted growth rates, The board has taken basic steps to developing an integrated Corporate Governance framework in general ,and this rule in particular by forming the specialized independent committees and adopting their charters as follows:

(B) Audit & Risk Committee (ARC)

The Audit & Risk committee was formed pursuant to a Board Resolution No. (2/2015) issued in the meeting held on 11 /5/2016 , and the Board had adopted the committee's Charter in the same meeting based on the CMA previous approval to merge those committees.			The Date of formation
Non-Executive	Chairperson	Mr. Khaled Ali Al-Ghanim	Committee's Members
Independent	Member	Mr. Saud Abdulaziz Al-Babtain	
Independent	Member	Mr. Khaled Abdulaziz Al-Muraikhi	
The (ARC) held (4) meetings during the fiscal year ended on 30/4/2017 with the attendance of all Committee members .			Committee's Meetings

(C) Nomination & Remuneration Committee(NRC)

The Nomination & Remuneration Committee was formed pursuant to a Board Resolution No. (2/2015) issued in the meeting held on 11 /5/2016 , and the BoD approved the committee's Charter in the same meeting which outline its roles .			The Date of formation
Non-Executive	Chairperson	Mr. Khaled Ali Al-Ghanim	Committee's Members
Independent	Member	Mr. Saud Abdulaziz Al-Babtain	
Independent	Member	Mr. Khaled Abdulaziz Al-Muraikhi	
The (NRC) held (2) meetings during the fiscal year ended 30/4/2017 with the attendance of all Committee members .			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)

After the formation, (NRC) held (2) meetings with many achievements such as :

- 1- Elect Mr. Khaled Ali Al-Ghanim as the chairman of the Committee & appoint Mr. Mohamad al Bahar as a secretary of the Committee.
- 2- Create a record containing the profile of the Board of Directors & Executive Management members, which is assist the committee to carry out its duties relevant to the annual nomination and re-nomination.
- 3- Prepare the Independency Terms Form to ensure the validity of those terms on annually basis.
- 4- Setting out the Maximum Memberships of the Board in line with provision of the Commercial law No (1/2016).
- 5- Prepare 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 approve their remunerations as below :

The total Remuneration for the Board members is (75,000 KD) for the fiscal year ended 30/4/2017.

The total Remuneration for the Board members was (75,000 KD) for the fiscal year ended 30/4/2016.

(5-b) The Executive Management's Remunerations

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

The total remunerations for the Executive Management including salaries and benefits was (372,254 KD) for the fiscal year ended 30/4/2016.



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 to the preparation of fair and sound financial statements and they 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 Committee (ARC)

After the formation the Risk and Audit Committee(ARC) based on the CMA previous approval to merge those committees, (ARC) had carried out its task and responsibilities as per its adopted charter & held (4) meetings with many achievements such as :

- 1- Elect Mr. Khaled Ali Al-Ghanim as the chairman of the Committee & appoint Mr. Mohamad al Bahar as a secretary of the Committee.
- 2-Prepare the annual undertaking form of the Integrity of Financial Reports to be presented by the Board and the Executive management.
- 3- Review the annual / interim Financial Statements and provide a recommendation to the Board for final approval.
- 4- Recommend to assign the qualified Audit firms to perform the audit & risk function based on the CMA's approval.
- 5- Recommend to appoint (Grant Thornton) as an independent Audit firm to prepare the annual Internal Control Report(ICR) for the fiscal year ended 30/4/2017.

(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 or re- appoint the External Auditor.

Therefore, the committee recommended to appoint Mr. /Bader Al AbdullJader from EY- as an External auditor listed in the CMA auditors register, for the fiscal year ended 30/4/2018.





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 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 Audit & risk function according to 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 during 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 believes in the importance of complying with professional & ethical behavior as it's the most important factor in the company's success , which is enhance the shareholder & investors' trust .Therefore ,everyone in BPC is keen to follow this charter as stipulated in the law & 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 & solving the conflict of interest 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 have an impact on the share price and the shareholders' right . As well as disclosing the quarterly and annual financial statements immediately & without any delay to ensure that shareholders and potential investors are satisfied with the company's position & 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 shareholders & potential investors to provide them with all necessary information, reports & updating the content of the website. (IR) unit is pleased to perform its roles 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.





Rule (8)

Respect the Rights of Shareholders

(A) Protecting shareholders' Rights

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

(1) Keeping a Shareholders Register at the Clearing Agency

The company formed a special shareholders' register to be maintained and updated with the Kuwait clearing agency (KCC).

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

(2) Participating in the BPC's General Assemblies Meetings

BPC is committed to direct a public invitation to all shareholders without any partiality to encourage them to participate and vote in the company's annual meetings, and this invitation is enclosed with the AGM Agenda prepared in line with Commercial Law, CMA, Corporate Governance rules.

BPC is very keen to publishes the invitation and the Agenda in daily newspapers and on the Kuwait Boursa website in order to encourage all shareholders to know about AGM and to practice their voting rights.

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 with the principle of transparency, and to maintain a good relation 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 developments subjects in that regard.

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

BPC has appropriate key performance indicators (KPIs) related to the company's strategic objectives and the roles of the Board Members & the Executive Management and the results of this evaluation will be used to develop continuous training plans in order to treat the identified 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 their 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 to take a sound 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 national labour.





Internal Audit Committee Report

For the fiscal year ended 30/4/2017





The Committee Purpose

This Committee is responsible for assisting the Board in fulfilling its responsibilities relating to oversee 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.

The Committee Formation

The committee was formed based on the Board resolution No.(2/2015) issued in the meeting held on 11 /5/2016 .

As per the CG requirements ; the Committee consist of (3) members, all of them are non- executive members and (2) of them are independents, and members have a relevant experience and academic qualification in accounting and the financial fields.

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

The Committee Meetings

The Committee held (4) meetings during the fiscal year ended 30/4/2017 as follows :

with attendance of all Committee members	held on 7 Sep.2016	First Meeting
	held on 20 Nov.2016	Second Meeting
	held on 12 March.2016	Third Meeting
	held on 11 May 2016	Fourth Meeting

The Committee's Achievements & Recommendations

Reviewed all periodic financial statements before being submitted to the Board for final approval. Prepared the undertaking form of the Integrity of Financial Reporting to be presented in the annual report.	Financial Statements
Recommend to appoint an independent Audit firm to prepare the annual Internal Control Report(ICR) for the fiscal year ended 30/4/2017.	Internal Control
Recommend to appoint Grant Thornton to perform the Risk & Internal audit functions .	Internal Audit
prepared the criteria of independence & Neutrality of the external auditor from the company and its BoD. Recommend to appoint Mr. Bader Al Abdaljader from EY – as an external auditor listed in the CMA auditors register for the fiscal year ended 30/4/2018 .	External Audit

