



BNP Paribas Investment Company KSA

Board of Directors – Corporate Governance Report 2023



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Section 1:

Overview:

BNP Paribas Investment Company KSA (“**BIC**” or the “**Company**”) is a closed joint-stock company registered and existing under the laws of the Kingdom of Saudi Arabia under Commercial Registration number 1010270533. BIC is located in Riyadh at Al Faisaliah Tower, 4th Floor with its postal address at: P.O Box 18771, Riyadh 11425, Kingdom of Saudi Arabia.

BIC is regulated by the Capital Market Authority (CMA), with license number 13173-37 with commencement of operations in August 2010.

BIC is authorized and licensed to conduct:

- 1) Dealing in Securities as principal, agent and underwriter
- 2) Arranging
- 3) Advisory Services
- 4) Custody in securities

BIC is a subsidiary of BNP Paribas Group S.A.

BIC has no further subsidiaries.



Section 2:

Annual Fiscal Results and Financial Auditors Comments:

Financial Position:

As at 31st December 2023, total assets of BNP Paribas Investment Company KSA were SAR 128,813,653. Cash and Cash equivalents added to SAR 94,198,975.

Income Statement:

For the year ended 31 December 2023, BNP Paribas Investment Company KSA has reported a net income of SAR 17,467,884. Total Revenues earned during this period were SAR 34,092,405.

During the year, there were operating income amounting to SAR 16,627,150 compared to operating loss of SAR 1,137,582 for the period ended 31 December 2022.

Shareholders' Equity:

Total equity as at 31st December 2023 was SAR 106,812,156. During the year the shareholder approved dividend distribution of SAR 2,172,599. SAR 1,746,788 was transferred from retained earnings to statutory reserve and retained earnings added to SAR 15,721,096.

Loans Payable:

As at 31 December 2023, 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 December 2023

The Auditor's Report:

There were no reservations placed by PWC on the annual financial statements of BIC for the year ending 2023.

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

Details	SAR'000				
	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023
Total Assets	80,490	85,053	94,903	96,272	128,814
Total Liabilities	3,824	9,388	10,830	4,898	22,001
Share Capital	87,500	87,500	87,500	87,500	87,500
Reserves	966	680	612	1,702	3,591
Retained earnings/(Accumulated losses)	(11,800)	(12,515)	(4,039)	2,173	15,721
Total Shareholder's Equity	76,666	75,665	84,073	91,375	106,812
Net income/(loss)	2,617	(715)	8,476	6,902	17,468

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

The increase in operating results for 2023 is largely due to an increase in the business activity of the entity, specifically on the financial advisory mandates won throughout the year as well as an increase on interest income earned on the deposit of the firm's capital.

**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.

Section 3:**BIC Strategy and Updates for 2023:**

For the Corporate and Institutional Banking (CIB) business, BIC continued to emphasize its focus on its strategic clients, namely those falling under FIC as official institutions and financial institutions as well as the strategic corporate client segment, in the Kingdom in 2023. Of particular note is the debt capital markets (DCM) franchise, which has been recognized by our clients and has resulted in the bank being awarded key mandates throughout the year. In regards to the advisory business, the corporate finance activity has been exceptionally strong in 2023 with major landmark deals won and executed. On the ESG and sustainability front, increased dialogue, engagement and traction with our clients has resulted in greater awareness and expectation of increased deal activity into 2024.

BIC also continues to work on developing its Wealth Management platform in Saudi Arabia to complement its offshore offering and bring the best in class services, products and expertise to its clients. Full launch of operations for the onshore KSA wealth management is expected to commence in due course as the platform has now been fully validated and all necessary agreements executed.

The overall strategy for BIC remains consistent going into 2024 with a strong focus on local content and bringing value-added services, expertise and know-how to develop the local market as well as developing human capital in the Kingdom. BIC's strategy



is very much in line with the ambitions of Vision 2030 which constitutes the cornerstone of the strategy for the market.

Section 4:

Risk Disclosures for BIC:

Strategies and processes for risk management:

Risk management is central to the banking business and is one of the cornerstones of operations for the BNP Paribas Group including BIC. BNP Paribas has an internal control system covering all types of RISKS to which the Group may be exposed, organized around three lines of defense.

- as the first line of defense, internal control is the business of every employee, and the heads of the operational activities are responsible for establishing and running a system for identifying, assessing and managing risks according to the standards defined by the functions exercising an independent control in respect of the second line of defense;
- The main control functions within BNP Paribas ensuring the second line of defense are the Compliance, Risk and Legal functions. Their Heads report directly to Chief Executive Officer and account for the performance of their missions to the Board of Directors via its specialized committees;
- General Inspection provides a third level of defense. It is responsible for the periodic control.

Responsibility for managing risks primarily lies with the divisions and business lines that are at the origin of the underlying transactions. RISK continuously performs a second-line control over the Group's credit, market, banking book interest rate, liquidity, operational risks, including technological and cybersecurity risks, over data protection, social and environmental responsibility risks and insurance risks. As part of this role, it must ascertain the soundness and sustainability of the business developments and their overall alignment with the risk appetite target set by the Group.



RISK's remit includes formulating recommendations on risk policies, analyzing the risk portfolio on a forward-looking basis and trading limits, guaranteeing the quality and effectiveness of monitoring procedures and defining or validating risk measurement methods. RISK is also responsible for ensuring that all the risk implications of new businesses or products have been adequately assessed.

Compliance has identical responsibilities as regards compliance and reputation risks. It plays an important oversight and reporting role in the process of validating new products, new business activities and exceptional transactions.

Credit Risk:

BIC does not extend credit as part of its current strategy and so did not need to employ any credit risk mitigation techniques to cover any credit risk exposure.

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 BIC, 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.

BIC places its excess cash position on short term deposits with the BNP Paribas branch in Riyadh and is not involved in any activity from which external Counterparty credit risk may arise. This type of risk is thus not material for BIC.

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 with the BNP Paribas Group policies and in line with local regulation of the Kingdom. There were no operational risk incidents reported in 2023.

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.

BIC is currently not involved in any trading activity from which Market Risk may arise; this type of risk is thus not material for the entity. BIC maintains its cash capital base



on short-term deposits with BNP Paribas branch Riyadh and the deposits are rolled on a monthly basis earning the current market rate.

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).

BIC currently faces no liquidity risk and maintains a high capital adequacy ratio at all times.

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, Fines and/or Violations:

There were no penalties, fines or violations imposed by the CMA or any other regulatory, supervisory or judicial authority against BIC during the reported financial year ending 31 December 2023.

Results and effectiveness of Internal Control Procedures in BIC:

BNP Paribas undergoes regular reviews of BIC's internal controls and procedures to assure compliance with group policies as well adherence to local laws and regulations. There are currently no findings, pending recommendations or outstanding points of attention for BIC. The Audit Committee of BIC was satisfied with the overall adequacy, effectiveness and robustness of its internal controls and did not raise any concerns.



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 capital markets institution (CMI) during the financial year ending 31 December 2023.

Additionally, no loans were provided to BIC for the financial year ending 31 December 2023. 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 2023.

No declarations were made in the financial year ending 31 December 2023, with information relating to any business or contract to which the CMI is a party, in which there is an interest of a member of the Board of Directors, senior executives or any person related thereto.



Section 5:

Structure and Composition of the Board of Directors:

The Board of Directors of BIC (“**Board**”) is currently comprised of six (6) members; two (2) of which are independent members. Of note, there has been a change in the memberships of the board in 2023 due to one board member resigning due to career retirement and being replaced with his successor.

Members of the Board:

1. Dr. Abdullah El-Kuwaiz (Chairman) – Independent Non- Executive Member
2. Elham Hassan – Independent Non-Executive Member
3. Amine Bel Hadj Soulami (Vice Chairman) – Non-Executive Member
4. Jean-Francois Sibille – non-executive Member (resigned from the board 31 March 2023)
5. Maan AlSamahij – Non-Executive Member (appointed to the board during AGM 29 June and approved by the CMA 26 October 2023)
6. Reema Alasmari – Non-Executive Member
7. Ammar Pharaon - Executive Member



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

Member	Other Companies
Dr. Abdulla El-Kuwaiz	<ul style="list-style-type: none"> • Vice Chairman of Oxford Institute for Energy Studies – Oxford, United Kingdom • Board member of the Gulf Development Forum • Member of the General Assembly of Good Neighborhood Society • Member of the General Assembly of The Saudi Olympic Committee • Chairman of The Saudi Society of Hiking Trails and Trekking
Elham Hassan	<ul style="list-style-type: none"> • Board member of Ithmaar Bank – Chairperson of Audit & Risk Committee • Board member of Ithmaar – Dilmunia General Partner Company • Board member of Ithmaar Holding • Board member of Mumtalakat Holding Company – Chairperson of Audit & Risk Committee • Board member of IB Capital • Chairperson – Taaheel Healthcare
Maan AlSamahiji	Nil
Reema Alasmari	Nil
Amine Bel Hadj Soulami	<ul style="list-style-type: none"> • Board member of ICMA (International capital Markets Association)
Ammar Pharaon	Nil
Jean-Francois Sibille	Nil

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 of BIC.

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):

Statement	Executive Board Members	Non-Executive Board Members	Independent Board Members
Allowance for attendance of the board of directors' sessions	-	-	-
Allowance for attendance of the committees' sessions	-	-	2,000
Periodic and annual remunerations	-	-	440,000
Incentive plans	-	-	-
Any compensations or other in-kind benefits paid monthly or annually	-	-	-
Total:	-	-	442,000

Note: no bonuses were paid to the members of the Board for the year of 2023.



Statement	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them
Salaries and wages	4,024,093
Allowances	188,190
Periodic and annual remunerations	491,154
Incentive plans	-
Commissions	-
Any compensations or other in-kind benefits paid monthly or annually	-
Total	4,703,437

**Board meetings:**

The Board convened two (4) meetings in 2023, details of which is as per the table below:

Board members	Dates in 2023			
	08 March	20 June	20 September	12 December
Dr. Abdulla El Kuwaiz	√	√	√	√
Jean-Francois Sibille*	√	N/A	N/A	N/A
Reema Alasmari	√	√	√	√
Amine Bel Hadj Soulami	√	√	√	√
Ammar Pharaon	√	√	√	√
Elham Hassan	√	√	√	√
Maan AlSamahiji**	N/A	N/A	√	√
Attendance Rate (%)	100%	100%	100%	100%

- *Jean-Francois Sibille resigned from the board effective 31 March 2023
- **Maan AlSamahiji was appointed to the board at the annual shareholder meeting held on 29 June and confirmed by the CMA 26 October 2023

**Committees of the Board:**

The Board has established the following committees:

V 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, BNP Paribas Middle East & Africa
3. Abid Hussain – Chief Financial Officer, BNP Paribas Middle East and Africa

Audit Committee Meetings:

The Audit Committee convened two (2) meetings in 2023. The Audit Committee is satisfied that the internal controls at BIC are adequate and satisfactory. Details of the meetings held in 2023 are shown as per the table below:

Member	Dates in 2023	
	20 March	20 June
Elham Hassan	√	√
Benoit Dalaise	√	√
Abid Hussain	√	√
Attendance Rate (%)	100%	100%



Note: due to the changes in the Saudi company law no longer requiring an audit committee for SCJC, the BIC audit committee as such has been terminated

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.

BNP Paribas MEA apply a local governance framework for CRP (nomination and remuneration) which consists of Heads of Territory and regional senior management as contributors. At least one annual meeting was held for the 2023 CRP process to discuss compensation proposals for the MEA region that consists of Amine Bel Hadj Soulami (CEO and Head of BNP Paribas MEA) and Deidre Abrahams (Head of BNP Paribas MEA HR). A complete and detailed succession plan is in place for the entity, which included inputs from business lines, function heads as well as Heads of Territory across the MEA region.