

CORPORATE GOVERNANCE REPORT

Pakistan Kuwait Investment Company (Private) Limited (PKIC)

REPORT DATE:

December 29, 2015

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	Corporate Governance	Corporate Governance
Entity	CGR-9	CGR-9
Rating Date	Dec 23, '15	Dec 26, '14

COMPANY INFORMATION

Incorporated in 1979	External auditors: KPMG Taseer Hadi & Co., Chartered Accountants
Private Limited Company	Chairman of the Board: Mr. Abdullah A. Al-Ramadhan
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Mansur Khan
Kuwait Investment Authority – 50%	
State Bank of Pakistan – 50%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria: Corporate Governance Ratings <http://jcrvis.com.pk/images/cgr.pdf>

Pakistan Kuwait Investment Company (Private) Limited

OVERVIEW OF THE INSTITUTION

PKIC was incorporated as a private limited company in 1979. The respective shareholdings of the Governments of Kuwait and Pakistan in PKIC are held through the Kuwait Investment Authority and the State Bank of Pakistan.

RATING RATIONALE

The assigned rating incorporates the company's well established corporate governance framework as evident from the firm's financial stability, adequate risk management & control infrastructure, experienced executive team and effectively functioning board & management level committees. However, due to company's legal structure some of the practices that are considered favorable from a governance perspective may not be implemented.

Board members possess relevant industry experience. In line with the Joint Venture Agreement, each sponsor nominates three directors on the Board. The company has an exemption from SECP with regards to having an independent director on board. Board and its committees exercise active oversight of key areas including strategy, financial performance, control framework, credit approvals and hiring of key management personnel. The Chairman of the board is also the Chairman of the Board Risk Committee (BRC). Terms of References (ToRs) of BEC have also been elaborated by incorporating additional clauses relating to HR matters.

Management team has largely remained stable and is supported by improved reporting lines as per the revised organogram, satisfactory training program and performance evaluation criteria. Organization structure and reporting lines have been improved. Previously, research and special asset management function had a reporting line to the head of risk. These have now been made independent functions while credit administration department has been merged with operations function. The scope of the research function has also been defined more clearly to include reengineering in product procedures; new product development and market research for capital markets, corporate finance and treasury functions. While a succession policy has been developed, however, implementation of succession plan is currently in process.

The company has a bottom-up corporate planning process through which budgeted targets are submitted to the Management Committee by each department which after deliberation are presented to the board for approval. As per the corporate planning process, a 10 year business plan (2015 to 2024) has been developed; key features of the new business plan, amongst others, entails growth in corporate finance portfolio, divesture from mature investment, focus on new product launch and enhanced operational efficiency.

PKIC's risk management, control and compliance framework are satisfactory. The company has adequate systems and processes to identify, measure and control market, credit and liquidity risk, as well as to ensure compliance with all regulatory requirements and policies. As per management, strong control environment has led to no loan disbursed during the last five years becoming non-performing. Significant attention is given to policy and procedural framework with regular updates being undertaken.

Adequate information is available in the public domain through the company's website and in the financial statements. Disclosures are made in a timely manner on the company's website. Given that shareholding remains equally shared between the sponsors who have equal representation on the Board, the potential for information asymmetry remains limited; information flow to shareholders is considered at-par with industry standards. All key areas of stakeholder relations including those of employees and customers are adequately covered by the company.

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	PakistanKuwait Investment Company (Private) Limited				
Sector	Development Finance Institution (DFI)				
Type of Relationship	Solicited				
Purpose of Rating	Corporate Governance Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	12/23/2015	CGR 9	-	-	Reaffirmed
	12/26/2014	CGR 9	-	-	Reaffirmed
	8/16/2013	CGR 9	-	-	Reaffirmed
	10/18/2012	CGR 9	-	-	Reaffirmed
	3/8/2011	CGR 9	-	-	Reaffirmed
Instrument Structure	N/A				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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