

CORPORATE GOVERNANCE REPORT

Pakistan Kuwait Investment Company (Private) Limited (PKIC)

REPORT DATE:25th January 2019**RATING ANALYSTS:**

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Corporate Governance	Corporate Governance
Entity	CGR-9	CGR-9
Rating Date	Jan 25, 19	Dec 29, 17

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

Pakistan Kuwait Investment Company (Private) Limited (PKIC) was incorporated on 17th March 1979 as a Private Limited Company. The company was established as a Development Financial Institution under a Joint Venture Agreement (JVA) between the Government of Pakistan (GoP) and Government of Kuwait (GoK). PKIC is engaged in business of corporate finance, advisory and investment banking services to companies operating in diverse sectors in Pakistan.

Rating Drivers

- The assigned ratings incorporate sound sponsor profile and corporate governance framework of the company. As per JVA, GoP and GoK have an equal representation on the board with each shareholder possessing the right to nominate three directors. The Chairman of PKIC is nominated by GoK, while Managing Director (MD) is nominated by GoP. In line with best corporate governance practices, the Chairman and CEO positions are held by separate resources. One new nominee director of GoK was appointed on board in 2018 in place of an outgoing director. Frequency of board and committee meetings, high attendance record and comprehensive discussion on various aspects of the company during the meetings demonstrates active oversight by board members.
- Changes have been observed in the senior management during the period under review. Positions of Head of HR & GSSD and Head of Corporate Finance & Investment Banking were filled through external resources. Head of Compliance was transferred to Internal Audit Department (IAD) as Head of IAD. A suitable resource has been identified by the management for the position of Head of Compliance. Each Head of the Department has clearly defined reporting lines; no change was witnessed in the reporting lines since last review.
- PKIC's risk management, internal controls and compliance framework are considered sound. The company has adequate resources and systems to identify, measure and control market, credit and liquidity risk, as well as to ensure compliance with all regulatory requirements and policies. PKIC adheres to list of policies and manuals encompassing all the aspects of the business. Any changes in existing policies and introduction of new policies are approved by the Board. All the internal policies of the company have been duly reviewed within the company's defined internal timeframe of 2 years.
- Level of financial and qualitative disclosures in the public domain is considered satisfactory from CGR perspective. Disclosures were also made by the company in a timely manner. The company uses annual financial statements and an official website as key mediums for communication with stakeholders.
- A sizeable proportion of income of the company is derived from associates. Management may consider increasing the share of the income generated from its own portfolio by increasing quantum of advances through prudent underwriting practice.

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix IV

CGR 10 Highest level of corporate governance	CGR 4, CGR 4+, CGR 4++ Moderately low level of corporate governance
CGR 9, CGR 9+, CGR 9++ Very high level of corporate governance	CGR 3, CGR 3+, CGR 3++ Low level of corporate governance
CGR 8, CGR 8+, CGR 8++ High level of corporate governance	CGR 2, CGR 2+, CGR 2++ Very low level of corporate governance
CGR 7, CGR 7+, CGR 7++ Moderately high level corporate governance	CGR 1, CGR 1+, CGR 1++ Lowest level of corporate governance
CGR 6, CGR 6+, CGR 6++ Satisfactory level of corporate governance	
CGR 5, CGR 5+, CGR 5++ Adequate level of corporate governance	

Governance Watch: 'Governance Watch' may be assigned to highlight identifiable governance events that necessitate re-evaluation of the assigned rating. A 'Governance Watch' announcement means that the status of the assigned rating is uncertain and an event or deviation from an expected trend has occurred or is expected and additional information is necessary to take a rating action.

JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURES		Appendix V			
Name of Rated Entity	Pakistan Kuwait 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				
	01/25/2019	CGR-9	-	-	Reaffirmed
	12/29/2017	CGR-9	-	-	Reaffirmed
	12/14/2016	CGR-9	-	-	Reaffirmed
	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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