

CORPORATE GOVERNANCE REPORT

Pakistan Kuwait Investment Company (Private) Limited (PKIC)

REPORT DATE:

December 14, 2016

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 14, 16	Dec 23, '15

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

As a Development Finance Institution, Pakistan Kuwait Investment Company (Private) Limited (PKIC) is engaged in provision of corporate finance, advisory and investment banking services to companies in prominent sectors of the economy. The company was established under a Joint Venture Agreement (JVA) between the Government of Pakistan (GoP) and Government of Kuwait (GoK) in March 1979.

Rating Drivers:

- Under the JVA, each shareholder nominates 3 directors on the Board with Chairman being a GoK nominee while MD is nominated by GoP. Position of Chairman and Managing Director is held by different individuals, in line with best corporate governance practices. Chairman of the Board is also Chairman of Board Risk Management Committee (BRMC). The Board oversees matters of strategic nature and also monitors performance of the company.
- There have been several changes in senior management during period under review. The position of Deputy General Manager was abolished while positions of Chief Financial Officer and Head of Risk Management were filled in by hiring new resources. In line with regulations, Head of Internal Audit and Head of Compliance were rotated. Senior management comprises experienced professionals; presently, there are no senior level vacant positions in the company.
- The company has a well-defined organizational structure with each functional area overseen by a separate qualified and experienced senior resource. In line with best practices, the Head of Risk Management and the Head of Internal Audit have separate reporting lines to BRMC and Board Audit Committee (BAC), respectively. The company has a defined succession plan in place; implementation of the same is in process.
- PKIC's risk management, control and compliance framework are satisfactory. In few instances, consistency needs to be addressed in review of policies and procedures.
- The company acquired a new Human Resources Management System; implementation of the same was completed in 2015. All policies are available on this system, for easy access by employees.
- PKIC ensures adequate level of financial transparency and disclosures for the public. All information related to the company is disseminated in electronic form either through email or the official website. Stakeholder relations have been maintained by way of a steady stream of dividend payout annually and donations to non-profit organizations.

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix III

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 IV			
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				
	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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