



**CORPORATE
GOVERNANCE,
INTERNAL AUDIT COMMITTEE
& INTERNAL
CONTROL SYSTEM
REVIEW
REPORTS**



Dear Shareholders,

It is our pleasure to present the Corporate Governance Report for the fiscal year ended 31 December 2017, which includes the following:

1. COMPOSITION OF THE BOARD OF DIRECTORS (BOD)

The BOD of Al Kout Industrial Projects (AIP) are as follows:

Name / Designation	Member classification	Date of Election
Fahed Yacoub Al Jouan Chairman	Non-Executive	2 May 2017
Mohammed Bader Al Sayer Deputy Chairman	Non-Executive	2 May 2017
Hamad Abdel Aziz Alsaqer Board Member	Non-Executive	2 May 2017
Othman Zahim Al Zahim Board Member	Independent	2 May 2017
Bader MUSAED Al Abdullah Al Sayer & Partner for General Trading ¹ Representative of Jibla Holding Co. Board Member	Non-Executive	2 May 2017
Bashar Nasser Al Tuwaijri Representative of Afkar Holding Co. Board Member	Non-Executive	2 May 2017
Nawaf Arhamah Salem Arhamah Representative of Boubyan Petrochemical Co. ² Board Member	Non-Executive	1 October 2017
Al Kout Logistics Transport Company (ALTC) ³ Substitute Member	Non-Executive	24 October 2017
Ali Abdel Aziz Behbehani	Secretary of the Board	

¹ Mr. Bader MUSAED Al Abdullah Al Sayer, representative of Jiblah Holding Company (JHC) resigned on 14-May-2017 for health reasons. JHC decided later to sell its shares and; therefore, no appointment of representative was made.

² On 1-October-2017, Boubyan Petrochemical Co. appointed Mr. Nawaf Arhamah Salem Arhamah as a representative on the Board in lieu of Mr. Mohamed Ahmed Shams Al Dain.

³ ALTC is a substitute member of the BOD and was nominated on 24-October-2017.

2. QUALIFICATIONS AND EXPERIENCE OF AIP'S BOD:

Mr. Fahed Yacoub Al Jouan - Chairman

- Member of the BOD since 2001; assumed the Chairman role since 2006 and is also a Chairman of the Nomination and Remuneration Committee
 - Bachelor's degree in Business Administration from University Eastern Washington- USA
 - An accounting diploma from the Institute of Commercial of Business Studies
 - Vice Chairman of Al Dorra Petroleum Services Company, BOD member of the Financial Center Company, and BOD member of the National Petroleum Services Company (NAPESCO)
 - Member of the Kuwait Chamber of Commerce and Industry since 2014
-

Mr. Mohammed Bader Mused Al Sayer - Vice Chairman

- Vice Chairman of the BOD since 2015; Member of the Internal Audit & Risk Management Committee;
 - Bachelor of Science in Mechanical Engineering and Economics from Polytechnic Rensselaer University – USA
 - Worked for the world's leading banks such as Morgan Stanley and JP Morgan Chase. In addition, he worked for National Bank of Kuwait (5years)
 - Founder and Chairman of MS Holding and MS Retail since 2004
-

Mr. Hamad Abdel Aziz Al Saqer- Board Member

- Member of the BOD of AIP Company since 2003
 - Bachelor degree in Economics from Ireland
 - Member of the BOD of NBK Group (1975-1976; 1983-present) and a member of the Credit and Governance Committees of the BOD of Kuwait National Bank
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Mr. Othman Zahim Al Zahim - Board Member

- Member of the BOD of AIP since 2006, Chairman of the Internal Audit & Risk Management Committee and Member of the Nomination and Remuneration committee;
- Bachelor of Business Administration - Marketing from University of Miami, FI - USA
- Chairman of Petra Food Industries Company since 2008
- Served as General Manager of Petra Food Company from 1991 to 2012
- Member of the BOD of National Company for Pharmaceutical Industries for 3 years
- Member of the BOD of the Metal Distribution Company

Mr. Bashar Nasser Al Tuwajri - Board Member

- Member of the BOD of AIP since May 2017
 - Bachelor's degree in Finance from the University of Kuwait
 - Licensed from the Capital Markets Authority (CMA) since 2015
 - Chief of Executive of the Gulf Investment House (GIH) since 2015
 - First Vice President of the direct investment in the GIH (2004-2015)
 - Portfolio Manager NBK (1996-2003)
 - Vice Chairman of the BOD of Amar Finance and Lease Kuwait (2006 to present)
 - Vice President of the BOD of Madaen Real Estate Dubai (2006 to present)
 - Chairman of Afkar Holding Co. Since 2013.
 - Member of the BOD of Arkan Al-Kuwait Real Estate since 2016.
-

Mr. Nawaf Arhamah Arhamah

- Member of the BOD of AIP since 2017; member of the Audit Committee and Executive Committee
 - MBA from Stanford University, Ca - USA
 - Bachelor degree in Computer Engineering from Kuwait University
 - Chief Financial Officer (CFO) of Boubyan Petrochemicals Company
 - Chairman of Afaq for Educational Services
 - Vice Chairman and CEO of Iyas for Academic and Technical Education
 - Member of the BOD of the Medical Tower Laboratories in Saudi Arabia and Abu Dhabi
 - Work experience included serving at Boubyan Capital as Director of Strategy and Direct Investments and Wataniya Investment as Assistant Vice President of Investment Banking
-

Mr. Ali Abdulaziz Behbehani - Secretary of the Board

- Joined AIP in 2001 as Finance & Administration Manager and progressed to Vice President for HR & Administrative Affairs. Additionally, serving as the Secretary of the BOD and respective committees
- Bachelor's degree in Accounting from Kuwait University (1971) and was an Assistant Teacher at the University of Kuwait
- Master's degree in Accounting (1974) from the University of Arizona - USA
- Deputy General Manager of the Real Estate Investment Consortium (1975-1980) and General Manager of the Kuwaiti-Bahraini Investment Consortium (1981-1989)
- General Manager of Boubyan Aqua Culture Company (1993-1999)

3. BOARD OF DIRECTORS ATTENDANCE RECORD

The BOD of AIP held five meetings during 2017. The table below shows the number of meetings attended by each member, in addition to Five Board Resolution.

Member Name	Meeting 1 9/1/2017	Meeting 2 26/3/2017	Meeting 3 15/5/2017	Meeting 4 10/8/2017	Meeting 5 14/11/2017
Fahed Yacoub Al Jouan Chairman	✓	✓	✓	✓	✓
Mohammed Bader Al Sayer Deputy Chairman	✓	✓	✓		✓
Hamad Abdelaziz Al Saqer Board Member	✓	✓	✓	✓	
Othman Zahim Al Zahim Board Member	✓	✓	✓	✓	✓
Bashar Naser Al Tuwajjri Board Member	✓	✓	✓	✓	✓
Nawaf Arhamah Salem Arhamah Board Member	✓	✓	✓	✓	✓

4. RECORD AND DISTRIBUTION OF THE BOARD MEETING MINUTES

The Secretary of the Board of Directors prepares and maintains a register of approved minutes for BOD meetings, including the Audit and Risk Management Committees and Nomination and Remuneration Committees. Minutes include the agenda; discussion and action points and record the date, place, time and attendees. The agenda along with all relevant documents are provided to the Board ahead of the meeting. At each meeting, the BOD reviews the previous minutes and action points. The minutes, including any amendments, require approval and signature by all attendees. Resolutions passed by the BOD are minuted and subject to signature approval from all board members. The Secretary of the BOD ensures Board members and other stakeholders are provided with the approved minutes.

5. POLICIES OF THE BOARD OF DIRECTORS

The BOD directly supervise the activities of AIP, and its subsidiaries including review and approval of the Company organizational structure, strategic objectives, application of internal control systems, development of the risk strategy and the standards of governance. The BOD are responsible for directly overseeing the work of Executive Management and work is executed within the plans and objectives set by the Memorandum of Association, including the Company by-laws, regulations and policies.

6. ACHIEVEMENTS OF THE BOARD OF DIRECTORS

The BOD of AIP held five meetings during 2017 plus five resolutions with focus on Corporate Governance. The most important achievements are the appointment of the Internal Audit and Risk Management Committee, the Nominations and Remuneration Committee; and are complementary to the ongoing work of the BOD. The Board approved the appointment of an independent office of Internal Audit; separate appointment of an independent office for review and evaluation of the internal control environment and another independent office appointment to review and measure Company risks. The Board has also made important decisions regarding the Company's investments and developments, including monitoring and evaluating the performance of Executive Management.

7. BOARD OF DIRECTORS COMMITTEES:

(1) Internal Audit and Risk Management Committee

After obtaining approval from the Capital Markets Authority, the Internal Audit Committee and the Risk Management Committee were merged into one committee. The Committee's duties and responsibilities are in line with the Company's risk appetite and periodic reports are prepared on the nature of these risks to which the Company may be exposed. The Committees ensure the integrity of the Company's financial reports, verify the adequacy and effectiveness of the internal control system and review the auditor's observations and agreed management action plans. The Internal Audit and Management committee as follows:

Chairman	Mr. Othman Zahim Al Zahim Board Member of Al Kout Industrial Projects Independent Member
Committee Member	Mr. Mohammad Bader Al Sayer Deputy Chairman of Al Kout Industrial Projects Company Non-Executive
Committee Member	Mr. Nawaf Arhamah Salem Arhamah Board Member of Al Kout Industrial Projects Non-Executive
Secretary	Mr. Ali Abdul Aziz Behbehani Vice President / HR & Administration

The Internal Audit and Risk Management Committee held six meetings during 2017 and summary of key achievements:

- Approved the annual audit plan for 2017
- Recommended to the BOD to appoint the following independent offices:
 - KPMG to review and evaluate the internal control systems
 - RSM Al Bazie to evaluate and report on the risks to which the Company may be exposed
 - Grant Thornton Al-Aiban & Al-Qatami Co to evaluate the internal control and prepare the report for submission to the CMA and the shareholders
- Reviewed the Internal Auditor's Audit Report findings and management action plans
- Reviewed the quarterly and annual Financial Statements
- Prepared the Annual Report of the Internal Control Report and present it to the shareholders at the Annual General Assembly meeting

(2) Nomination and Remuneration Committee

The purpose of the Committee is to prepare a recommendation on nominations for the positions of Directors and Executive Management. In addition, review of policies and regulations governing compensation and remuneration to the Board, including bonus allocation to Executive Management. Also, the Committee evaluates the performance of the Executive Management and coordinates the periodic evaluation process of the Board.

The Board of Directors approved the formation of the Nomination and Remuneration Committee at Meeting No. 2/2016 on 12-April-2016, and defined its mission and responsibilities.

Chairman	Mr. Fahed Yacoub Al Jouan Chairman of Al-Kout Industrial Projects Non-Executive
Committee Member	Mr. Othman Zahim Al-Zahi Board Member of Al Kout Industrial Projects Independent
Committee Member	Bashar Naser Al Tuwajri Board Member Non-Executive
Secretary of the Committee	Mr. Ali Abdul Aziz Behbehani Vice President – Administration & HR

The Committee held two meeting during 2017 and summary of key achievements:

- Reviewed the Nomination Policy for Board Membership and Executive Management
- Reviewed the policy of rewards and promotions within the Company
- Reviewed the training and development procedures of the Company's employees
- Prepared the annual report with the remuneration for BOD and the Company

8. REPORT ON BONUSES AWARDED AT AL KOUT INDUSTRIAL PROJECTS

The remuneration policy adopted by the BOD reflects the desire to retain competencies within the Board of Directors, the Executive Management and the various departments of the Company as well as being an attraction for talent to join the Company. The Nomination and Remuneration Committee operates under this policy, recommending bonuses to Board members, Executive Management and the staff.

9. DISCLOSURE OF THE GRANTED REMUNERATION

The Nomination and Remuneration Committee shall prepare a detailed report of all the remunerations, benefits and allowances granted to the Chairman of the Board of Directors, the members of the Board of Directors, the members of the Committees as well as the Executive Management and the employees of the Company according to the performance reports submitted by the Company's management. The remuneration report was submitted to the General Assembly and Executive Management during April 2018.

10. UNDERTAKING THE SOUNDNESS AND INTEGRITY OF THE FINANCIAL STATEMENTS

The Executive Management provided written assurance to the Board of Directors of the integrity of the Company's Financial Statement. It covers all financial aspects of operating data and results and is prepared in accordance with the International Accounting Standards. The Board of Directors also provided the Company's shareholders with a guarantee of integrity of the financial statements. The Internal Audit Committee is entitled to review all data, information and reports from the Company's reports and submitted the reports to the BOD.

11. INDEPENDENT AND IMPARTIAL AUDITOR

On 2-May-2017, the Ordinary General Assembly of the Company approved the appointment of the External Auditor, Price Waterhouse Coopers (Al Shatti & Co.) and the External Auditor, Al Waha Audit Office, both of which are registered in the special register with the Capital Market Authority and are fully independent from the Company and its Board of Directors.

12. CODE OF CONDUCT AND ETHICAL VALUES

Integrity comes first in the values of the Company and guides its employees in their day to day activities. The Code of Conduct and ethical values of the Company guides management decisions when serving its customers.

13. DISCLOSURE AND TRANSPARENCY

The Company has committed itself to the required instructions for the disclosure of the essential information and the mechanism for advertising through the Kuwait Stock Exchange website and also to address the Capital Markets Authority. Company information is also maintained on the Company's website. The Company maintains a record of all required disclosures for the Board of Directors and Executive Management.

14. THE DISCIPLINE ON INTERNAL CONTROL REGULATIONS

Al Kout Industrial Projects guarantees a group of the monitoring and discipline rules and regulations that covers all the activities and management of the company. These rules and regulations keep the safety of the financial statements and the safety of the company financial position. The control disciplines include the sound extending of the power, responsibilities, complete separation in functions and lack of conflict of the interests. The office of KPMG has been assigned to perform the works of the internal audit where the office shall provide the regular reports of the internal audit committee. The office of Al Baziea RSM has been authorized also to perform the works of the manager of the Risks managements. In addition the office of Grant Thornton Al Qotamy and Al Ayban was authorized to review the internal control regulations on annual basis where it presents its report to the Capital Market Authority and the company's shareholders.

15. INVESTOR AFFAIRS

The Company is committed to informing current and prospective investors about investment decisions, where information and reports are available. The Company is committed to informing current and potential investors about the investment decisions, as it provides information through conventional means of disclosure.

16. INFORMATION TECHNOLOGY INFRASTRUCTURE

The Company has updated its website and includes all information about the Company and its subsidiaries and associates. It also includes up-to-date key projects, information and financial data.

17. GENERAL RIGHTS OF SHAREHOLDERS

All shareholders of the Company enjoy clear rights in terms of ownership of the shares, transfer of ownership, receipt of profits, annual reports, participation in meetings of the General Assembly of Shareholders and their right to nominate and participate in the election of the Board of Directors. A register of the Company shall be kept with the Kuwait Clearing Company, in which the names of all shareholders and the number of shares they own. Each shareholder has the right to ask about their stock ownership.

18. GENERAL ASSEMBLY MEETING

The Company organizes ordinary and extraordinary meetings of the General Assembly at the times set by the Ministry of Commerce and Industry. The Company is committed to submit its financial statements, the General Assembly's agenda and all requirements to the Ministry of Commerce and Industry, the Capital Markets Authority and the Kuwait Stock Exchange during the three months following the financial year. The Annual General Assembly meeting agenda and information are provided in sufficient time to allow shareholders to participate effectively in the meetings and exercise all rights to vote without prejudice.

19. RIGHTS OF STAKEHOLDERS

The Company provides required information to stakeholders and grants compensation, in case of any violation of their rights.

20. TRAINING PROGRAMS AND COURSES

The Company holds training courses for members of the Board of Directors, Executive Management and Company employees in order to achieve a better level of efficiency in their work.

21. EMPLOYEES VALUES

The company is committed to creating values for employees that reflect the company's reputation by adhering to the highest ethical standards. The company has prepared a manual for employees to demonstrate their rights and duties.

22. SOCIAL RESPONSIBILITY

The Company is committed to the employees through initiatives to improve the conditions of employees and their families. The Company is also committed to responsibility towards society and has participated in environmental activities and participated in exhibits and contributed to some educational and environmental institutions in Kuwait.

Chairman

Fahed Yacoub Al Jouan

A handwritten signature in blue ink, consisting of a stylized, cursive script that appears to read 'Fahed Yacoub Al Jouan'.



الكويت للمشاريع الصناعية ش.م.ك.ع. al kout industrial projects k.p.s.c.

Dear Shareholders

I am pleased and honored to present to you the report of the Internal Audit Committee for the financial report ended on 31 December 2017 which contains the following:

The Internal Audit and Risk Management Committee which was appointed at the Company's Board of Directors Meeting No. 2/2016 held on 10 April 2016, comprising:

Mohammed Bader Al Sayer	Vice Chairman	Non-Executive Chairman
Othman Zahem Al-Zahem	Member of the Board of Directors	Independent
Mohammed Ahmed Shams El Din	Board Member	Non Executive

And chose Mr. Mohammed Bader Al Sayer by the members to chair the meetings of the Risk Committee and Mr. Mohammed Ahmed Shams Al Din to chair the meetings of the Internal Audit Committee. In October 2017, Mr. Nawaf Arhamch Salem Arhamch joined the Board of Directors as a representative of Boubyan Petrochemical Company, replacing Mr. Mohammed Ahmed Shams El Din. Mr. Nawaf Arhamch became a member of the Internal Audit and Risk Management Committee and the formation of the committee was as follows:

Mr. Othman Zahem Al-Zahem - Chairman of the Internal - Audit and Risk Management Committee

Mr. Mohammed Bader Al Sayer - Member of the Internal - Audit and Risk Management Committee

Mr. Nawaf Arhamah Salem Arhamch - Member of Internal - Audit and Risk Management Committee

Mr. Ali Abdulaziz Behbehani - Secretary of the Committee

During the year 2017, the Committee conducted six meetings to discuss the reports of the Internal Audit Manager KPMG and to follow up these reports with the Company's Executive Management and implement the recommendations of the Internal Audit Manager as well as the recommendations of the Risk Manager of RSM.

In addition, the Committee reviewed the reports of the External Auditor, Pricewaterhouse Coopers Al Shatti & Co., on the quarterly financial statements, as well as the reports of the Director of Internal Audit, Grand Thornton Al Qatami and Al-Aiban for the financial year ended 31 December 2017 and also the review of the financial statements ended 31 December 2017 Shatti Coopers & Co.

The Committee and the Board of Directors are committed to making written commitments to the validity and integrity of the financial statements relating to the Company's activities which are prepared in accordance with internationally accepted accounting standards.

The Committee believes that the internal and external auditors' work indicates that the Company has good internal control systems and that the management of the Company follows and implements the laws and regulations issued by the supervisory authorities in the State of Kuwait.



Othman Zahem Al-Zahem

Chairman of the Internal Audit and Risk Management Committee

Member of the Independent Board of Directors



السجل التجاري 57360 • رأس المال المصرح به والمدفوع 10,090,080 د.ك. • تلفون: +965 2228 6668 • فاكس: +965 2228 4041 • ص.ب: 10277, الشعبة 65453 الكويت
C. R. No. 57360 • Authorised & Paid up Capital K.D. 10,090,080 • Tel: +965 2228 6668 • Fax: +965 2228 4041 • P.O. Box: 10277, Shuaiba 65453, Kuwait

www.alkoutprojects.com



Grant Thornton
AL-Qatami, Al-Aiban & Partners

An instinct for growth™

Independent Auditor's Report

On the review and evaluation of Internal Control Systems of the company

M/s. Board of Directors
Al Kout Industrial Projects Company K.P.S.C.
Kuwait

Souq Al-Kabeer Building
Block A - 9th Floor
P.O. BOX 2986 Safat 13030
State Of Kuwait
T +965-2244-3900/9
F +965-2243-8451
www.grantthornton.com.kw

In accordance with the terms of our engagement, we have examined and evaluated the internal control systems at your company which were applied during the year ended 31 December 2017 with regard to all the following major business and operational activities of your company:

- Finance & Information Technology Department.
- Operations, Maintenance & Projects Department.
- Engineering & Maintenance Section.
- Materials Section
- Information Technology Section.
- Administration & HR Department.
- Sales & Marketing Department.
- Production Section.
- Inspection & Corrosion, HSE, and Quality Control Sections
- Projects Management Section

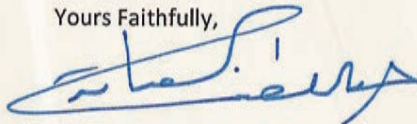
The examination was conducted in accordance with the guidelines published by the Kuwait Capital Markets Authority, Fifth Rule: Implementation of Sound Systems of Risk Management and Internal Control, of Sixth Part of Chapter Fifteen "Corporate Governances" of the Executive Regulations issued under decision number 72 for year 2015 of the law number 7 for year 2013.

As members of the Board of Directors of Al Kout Industrial Projects Company (KPSC), you are responsible for establishing and maintaining adequate internal control systems. In fulfilling that responsibility, estimates and judgments must be made to assess the expected benefits and related costs of such control elements. The objective is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, risks are evaluated and monitored, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent and efficient manner.

Because of inherent limitations in any internal control system, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

In our opinion, having regard to the nature and scale of the company's business during the year ended 31 December 2017, the internal control systems examined by us were established and maintained in accordance with the requirements of corporate governance published by Kuwait Capital Markets Authority within the Executive Regulations issued under decision number 72 for year 2015 of the law number 7 for year 2013.

Yours Faithfully,



Abdullatif M. Al-Aiban (CPA)
(License No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners
Kuwait

25 March 2018