



National Petroleum Services Company K.S.C

## Board Committee Charter

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## **A. Role**

The Board's principal role is to govern, rather than manage, National Petroleum Services Company K.S.C ("NAPESCO"/ the "Company"), by ensuring that there is a proper governance framework in place to promote and protect the Company's interests for the benefit of its stakeholders. The role of Board is not restricted only to profitability but should take into account risk impacts on the interests of stakeholders and the Company's financial stability.

The Directors represent and serve the interests of the shareholders and collectively oversee and appraise the strategies, policies and performance of the Company having due regard to its role in the community.

The obligations of the Directors are also set out in the Company's Articles and Memorandum of Association, the Companies Law and Capital Market Authority's (CMA) regulations on corporate governance.

The Board of Directors must:

- Assume ultimate responsibility for the Company's operations and its financial soundness, fulfilment of CMA requirements, protecting the interests of shareholders, safeguarding minority interests, creditors, investors, customer/client, staff and other stakeholders and ensuring that the Company is managed in a prudent manner and within the applicable laws and regulations and internal policies and procedures.
- Play an active role in the development and approval of the Company's long term strategy and business plans, supervise the Senior Management who are responsible for the day-to-day operations of the Company, approve the internal control systems and ensure its effectiveness, ensure adherence of the Company to the approved strategy, approved policies and procedures as per issued laws and regulations, and ensure that all risks are properly managed.
- Guarantee that transactions with related parties are reviewed and ensure this process is sound.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Company rests with the Board. This includes:

- Strategic issues and planning
- Performance reviews
- Material acquisition and disposal of assets
- Capital expenditure
- Authority levels
- Business policies
- Corporate governance and standards
- Internal control
- Risk management policies and strategies
- Appointment of auditors and review of the financial statements and financing activities including annual operating plan and budget
- Ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls
- Overseeing Senior Management

This should be read in conjunction with the Delegation of Authority Matrix established for the Company.

The Nomination and Remuneration Committee will provide each new Board member, upon election thereof, with the guide that sets out the member's rights, responsibilities and duties.

## **B. Responsibility**

The duties and responsibilities of the Board will be, as follows:

## 1 General

The Board is responsible for oversight of the Company, and specifically:

- Approving important objectives, strategies, plans and policies of the Company, and that includes, at a minimum:
  - a. The comprehensive strategy of the Company, major action plans and reviewing and guiding it.
  - b. The optimal capital structure of the Company and its financial objectives.
  - c. Clear policy for the distribution of profits regardless of its nature (cash / non-cash), which is in line with the interests of the shareholders and the Company.
  - d. Performance objectives, monitoring execution and the overall performance of the Company.
  - e. The organizational and functional structures of the Company and reviewing them periodically.
- Endorsing annual estimated budgets and approving interim and annual financial statements.
- Overseeing major capital expenditures for the Company and the ownership and disposal of assets.
- Ensuring the degree of compliance of the Company to the policies and procedures that ensure respecting the Company's applicable bylaws and internal regulations.
- Ensuring the accuracy and soundness of the data and information that should be disclosed and that is according to the applicable policies and laws of disclosure and transparency.
- Approval of the Company's quarterly and full year financial reports and the Company's annual report.
- Laying down effective channels of communication that enables the Company's shareholders to continuously and periodically be informed of the various activities of the Company and any substantial development.
- Implementing a corporate governance system for the Company – which does not conflict with these rules – and perform general supervision and monitoring over the degree of its effectiveness and amending it when needed.
- Monitoring the performance of each Board member and the Executive Management according to the per-stetted KPIs.
- Preparing an annual report to be recited in the AGM that shows the Company's progress towards implementing the Corporate Governance rules and the extent of adherence to the same. This report should be included in the Company's annual report that summarizes the activities of the Company and it should detail the extent of adherence to the rules through illustrating the rules not complied with and the justifications for the non-compliance.
- Forming specialized committees arising from it according to the charter and defining the duration of the committee, authorities, responsibilities and how the board monitors it. The decision to form a committee also includes the members and defining their roles, rights and duties, as well as evaluating the performance and actions of these committees and its primary members.

- Ensuring that the approved manuals and the policies of the company are transparent and clear, which allows for a process of decision making and achieving the principles of sound corporate governance and the segregation of powers and authorities between both the board of directors and the Executive Management, and in this light the board should perform the following.
  - a. Approving the manuals and the internal control systems relating to the Company and developing it and what follows that from defining roles, specialties, duties and responsibilities among the different organizational levels.
  - b. Approving a delegation and execution policy for the tasks entrusted to the Executive Management.
- Defining the authorities that have been delegated to the Executive Management and the procedures of decision making and the duration of the delegation. The board also defines the topics that it retains the authority to decide upon. The Executive Management reports the authorities delegated to it on a periodical basis.
- Monitoring and supervising the performance of Executive Management members and ensuring that they perform the roles entrusted to them and the Board of Directors is required to perform the following:
  - a. Ensuring that the Executive Management is operating according to the policies and regulations approved by the Board of Directors.
  - b. Holding periodical meetings with Executive Management to discuss the course of action and any obstacles or issues and reviewing and discussing the important information related to the company's activity.
  - c. Implementing performance standards for the Executive Management which is in-line with the objectives and strategies of the Company.
- Identifying the remunerations that will be provided to the employees, such as fixed remunerations, performance remunerations and long term risks, and remunerations in the form of shares.
- Appointment or dismissal of any member of the Executive Management, including the Deputy Chairman & Chief Executive Officer or anyone under him.
- Implementing a policy organizing the relationship with stakeholders in order to protect their rights.
- Implementing a mechanism to organize dealing with related parties, in order to limit conflict of interest.
- Approval of significant corporate initiatives including major acquisitions, projects, investments and financing divestments as per delegation of authority and those which cannot be delegated or are escalated to Board due to its exceptional nature.
- Setting the Company's risk appetite and strategy. The Company's Senior Management should propose Risk Management structure, role, responsibilities and models, tools and techniques, provided to be reviewed by the Risk Management Committee prior to the Board's approval.
- Ensuring on a periodical basis the effectiveness and adequacy of internal control systems applicable in the Company and the subsidiaries, and that includes:
  - a. Ensuring the soundness of the financial and accounting systems, including the systems related to preparing financial statements.

- b. Ensuring the implementation of proper internal control systems to measure and manage risks and also through identifying the scope of risks the company may face, establishing a convenient cultural environment to limit risks companywide and raising it transparently with stakeholders and the company's related parties.

## **2 Appointment of the Deputy Chairman &CEO**

The Board has delegated responsibility for the overall management and performance of the Company, including all the day-to-day operations and administration of the Company, to the Chief Executive Officer (CEO). The principle responsibilities of the CEO include, but are not limited to, the following:

- Developing, with the Board, implementing and monitoring the strategic and financial plans of the Company.
- Fostering a culture that rewards transparency, honesty, teamwork and social responsibility.
- Ensuring the ongoing development, implementation and monitoring of the Company's risk management and internal controls frameworks.
- Ensuring the Board is provided with relevant accurate and clear information in a timely manner to promote effective decision-making by the Board.
- Ensuring all material matters affecting the Company are brought to the Board's attention.
- Managing the Company in accordance with the policies, budget, corporate plan, and a strategy approved by the Board, and take decisions, subject to the limits set out in the Delegation of Authority Matrix.

The Board should formally evaluate the CEO's performance at the end of each fiscal year in the light of financial and non-financial targets set at the beginning of the year by the Board.

The Board must ensure that the positions of the Company's Chairman and the CEO are segregated and takes into account independency and degree of kinship.

## **3 Oversight of Senior Management**

The Board is responsible for the oversight of the Company's Senior Management. Such responsibilities include:

- Appointing, and if required, replacing, Senior Management including, Deputy Chairman &Chief Executive Officer (CEO), Chief Investment Officer (CIO),Chief Financial Officer (CFO), Chief Risk Officer (CRO), Compliance Officer, Chief Internal Auditor and etc.
- Establishing performance criteria and based on that regularly evaluating Senior Management and ensuring an effective Senior Management succession strategy.
- Overseeing Senior Management to ensure they carry out their assigned roles in line with the Company's objectives and targets and the policies approved by the Board.
- Monitoring that Senior Management's actions is consistent with the strategy and policies approved by the Board and in line with the approved risk tolerance/appetite.
- Meeting regularly with Senior Management to discuss the Company's various affairs.

- Reviewing and discussing information and reports presented by Senior Management.
- Setting performance standards for Senior Management that is consistent with the long-term objectives, strategy and financial soundness of the Company, and monitoring their performance against these standards.
- Ensuring that Senior Management qualification and expertise remain in line with the nature of the business and the Company's risk profile.

#### **4 Corporate Governance**

The Board has the overall responsibility for corporate governance and corporate values. Such responsibilities include:

- Approving an organizational structure to provide the regulatory controls required to implement the Company's business strategy, and ensure having highly effective and adequate control systems that protect the Company's properties and assets and ensure the integrity of its financial data, efficiency of administrative, financial and accounting operations.
- Defining clearly and approving the key responsibilities and authorities (financial and operational) of the Board, Senior Management and supervisors.
- Laying down the appropriate rules and procedures to be followed by the Company to comply with the disclosure the transparency requirements of the CMA.
- Implementing the proper Corporate Governance system which will not conflict with the CMA regulations.
- The Board will regularly supervise and monitor the implemented corporate governance system and ensure its effectiveness, and apply the necessary improvements.
- Ensuring that all legal and commercial requirements are met in terms of proper reporting and disclosure.
- Ensuring on an annual basis the adequacy and effectiveness of the internal control systems implemented at the Company and ensure that such controls safeguard the Company against any illegal internal or external intervention.
- Defining appropriate governance practices for its own work and have in place the means to ensure that such practices are followed and periodically reviewed for ongoing improvement.
- Ensuring the independency and competency of the Company's Internal Audit function and that the audit scope and periodicity are consistent with the risk profile to which the Company's different activities are exposed.
- Providing the Risk Management function of the Company with adequate support.
- Reviewing the Internal and External Audit reports and benefiting from the internal and external control reports being an independent review of the information submitted by Senior Management to the Board.
- Exemplifying through its own practices sound governance principles which help the Board carry out its duties more effectively as well as send important signals internally and externally about the kind of entity the Company aims to be.

- Taking the lead in establishing the “tone at the top” and in setting professional standards and corporate values that promote integrity for itself, Senior Management and other employees.
- Laying down appropriate policies, with the assistance of the Board Audit Committee, concerning the rotation of external audit firms.
- Being responsible for adequate corporate governance across the Company and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its individual entities.

## **5 Remuneration Governance:**

The Board is responsible for the overall design and operation of the Remuneration Policy for the Company. The main responsibilities include:

- Reviewing and approving the Remuneration Policy of the Company drafted by the Nomination and Remuneration Committee (NRC) and monitoring its implementation thereof.
- Being fully accountable for promoting effective governance and sound practices of the financial remuneration system.
- Reviewing and approving prior to its application any recommendations made by the NRC in terms of any amendment or update of Remuneration Policy.
- Reviewing and approving the NRC’s recommendation on the proposed Senior Management remuneration.
- Carrying out, through the NRC, an independent annual revision of the remuneration system whether by the Internal Auditors or external consultants with an aim at evaluating the Company’s commitment with the financial remuneration practices.

## **6 Formation of Board Committees**

- The Company intends to delegate certain responsibilities to Board standing and sub committees. This is to ensure sound decision making and facilitate the conduct of business without unnecessary impediment, as the speed of decision-making in the Company is crucial.
- The Board will ensure the appointment of sufficient number of non-executive members of the Board of Directors in the various formed Committees.
- The Board may delegate its functions without abdicating its responsibility.
- Where a Committee is formed, specific Charters of the committee would be established to cover matters such as the purpose, composition and functions of the committee. These will be approved by the Board.
- The Nomination and Remuneration Committee may, if requested, assist the Board in making recommendations with respect to assignments of Board members to various committees.
- The Board should:
  - Adopt transparency in appointing the members of Board committees by disclosing the names of such members and a brief of the Committee’s duties and responsibilities in the Company’s Annual Report.

- Appoint an adequate number of non-executive Board members in the committees that are entrusted with tasks that may result in conflict of interest events.
- The Chairman should follow up the committees' work on a continuous basis to ensure performance of their assigned duties, and get at least a quarterly follow-up report.
- A number of standing committees with written terms of reference is envisaged namely the following:
  - Audit Committee;
  - Nomination and Remuneration Committee; and
  - Risk Management Committee.
- The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

## **7 Other Responsibilities**

- Perform any other activities consistent with this charter, the Company's Articles of Association and governing laws, as the Board deems necessary or appropriate.
- The Board members must always remain aware of the new developments in the Company and local and international initiatives in the industry. The Company's Senior Management must provide its Board members with sufficient summary on the Company's business.
- The Board members should regularly develop their skills and experience with respect to governance and risk management and the future risks faced by the Company in a dynamic environment.
- The international sound standards of governance require the Board members to deepen their knowledge and skills through the tailored programs and participation in conferences and seminars on industry related matters.
- The Board should incorporate in the Company's Annual Report, a report on the adequacy of the internal control systems stating the Senior Management's responsibility for setting these systems, and the framework used by Senior Management to assess the effectiveness of the internal control systems, and disclosing any material weaknesses in the internal control systems.
- The Board will ensure that the Company involves itself in Corporate Social Responsibility activities to serve the economy, community and environment. The Company's performance must be linked to the Company's social responsibilities.
- The Board should constantly compare their social responsibility activities to that of other competitor companies and ensure they are, at least, at an equal level.
- In case of any contradictions between the recommendations of the Audit Committee and the decisions of the Board, including cases when the Board refuses to follow the recommendations of the Audit Committee in respect of the External Auditors and/or Internal Auditors, then the Board should include in the Corporate Governance report, a statement that clearly details these recommendations, reason (reasons) that justify the decision of the Board not comply with them.
- The date, time and venue of holding the general assembly meeting of the shareholders shall be announced twice in the modern mass media as specified by the executive by-laws of the Company's act.

## **C. Membership**



- 1 The Board should have adequate number of members that allow formulating the required committees as required by the corporate governance rules.
- 2 The levels of diversified skills and expertise should be taken into consideration when forming the Board.
- 3 The majority of the members of the board of directors should be non-executive members and it should include one independent member at least provided that the number of independent member is not more than half the members of the board.
- 4 There must be Independent members on the Board, such that:
  - a. The number of Independent members does not exceed half of the total size of the Board.
  - b. The independence of these members will be bound by rules and regulations established by the Board.
  - c. The independent board member shall be allowed to review any resolutions on which the Board members intend voting. The opinion of the independent Board member shall be stated if it is different from the opinion of the Board in making resolution.
- 5 The Board members, including the independent members, must possess appropriate experience, integrity and personal qualities, and adhere to the sound professional practices and deepen their experiences. The Board, collectively, should have adequate knowledge and experience relevant to financial activities.
- 6 The Board of Directors have the right to form and delegate oversight responsibility to Board Sub-Committees including the Audit Committee, Risk Management Committee, Nomination and Remuneration Committee at least and any other committee without abdicating their responsibility.
- 7 The Board of Directors shall appoint, and if required, replace, the Board Secretary. The Board Secretary shall be appointed from among the Board members or the Executive Management or from outside the Company, based upon a resolution made by the Board. The Board Secretary, who shall be responsible for the following, but not limited to:
  - Recording, coordinating and safe keeping all minutes of meetings for the Board and its registers, agendas and reports that are presented by or to the Board and to sign the minutes of meetings of the Board from all the present members.
  - Ensuring that the members are abiding by the procedures set out by the Board and reporting the dates of the board meetings before three working days, emergency meetings are exempted from the mentioned.
  - Ensuring that members of the Board of Directors have full and timely access to all the minutes of meeting of the board meeting, information, documentation and registers relating to the Company.
  - Ensuring proper delivery and distribution of information and coordination between members of the Board and other stakeholders in the Company, including shareholders, different departments in the Company and the employees.
  - Assisting the Chairman in arranging training of the Board of Directors.
  - Assisting the Board of Directors and the Chairman in efficient conduct of the business by the Board and Board committees, and compliance with applicable laws and regulations.
  - Coordinating the holding of general meetings in accordance with applicable laws and regulations.
- 8 The Board shall ensure that the Board Secretary has appropriate qualifications and experience necessary to perform his/her duties.

#### **D. Workings of the Board**

- 1 The Board shall meet as often as it determines, but not less than six (6) times a year provided that at least one meeting should be convened every three months.
- 2 A quorum will be the attendance of the majority / half of the Board members.
- 3 The Board Chairman will chair all regular sessions of the Board and set the agenda for meetings in consultation with the Senior Management. Except in urgent cases, the Secretary of the Board shall provide the members with an agenda and necessary documentation as early as possible and in general, at least three days before a meeting takes place.
- 4 The Chairman of the board is to convene an emergency meeting based on a written request presented by two members when he is asked to do so.
- 5 In the absence of the Board Chairman at a meeting, the Deputy Chairman & CEO will chair the meetings.
- 6 Board members must not be absent for three successive meetings to remain on the Board. Non-compliance with attendance requirements can only be approved under special request to and approved by the Board.
- 7 Members of Management and/or parties external to the Company may be invited by the Board Chairman to attend any meeting of the Board or part thereof.
- 8 Any member of the Board may request, through the Chairman, any officer or employee of the Company or the Company's outside counsel or independent public accounting firm to attend a meeting of the Board.
- 9 It will be the objective of the Chairman of the Board to obtain a consensus view on all matters before the Board. In the absence of a consensus, decisions will be taken by a simple majority. In the event there is a tie the Chairman will have the casting vote. Members of the Board disagreeing with decision may have their views noted in the Minutes.
- 10 The Secretary shall minute all resolutions, obtain signatures of the attending Board members on the meeting minutes and keep the same on record. Board decisions shall be advised in writing by the Secretary of the Board to the Deputy Chairman & CEO.
- 11 The Company shall have a special register to record the minutes of meetings of the board with serial numbers during the year in which the meeting was held. The record shall indicate the place, date and the timing of beginning and end of the meeting.
- 12 The Board of Directors should adopt an agenda when meeting is convened and in the event of any objection from any member on the agenda, the same should be documented in detail in the minutes of meetings.
- 13 Decisions of the Board that require follow up shall be done by the Secretary of the Board.
- 14 In the absence of a regular Committee meeting, urgent matters will be submitted by circulation to the Committee members for approval. Decisions by circulation shall necessarily require approval of all Committee members.
- 15 Board members will be provided with the Board's agenda which includes the specified subjects along with the supporting documents and information needed prior to the board meetings by at least three working days, emergency meetings are exempted from the mentioned, so that the members of the board have the sufficient time to study the subjects at hand and take the proper decisions. The board of directors will adopt the agenda when the meeting is convened and in the event of any objection from any member on the agenda, the same is documented in details in the minutes of meeting.