



National Petroleum Services Company K.S.C.C.

Board Membership Criteria Policy

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1 Preamble

It is the aim of National Petroleum Services Company K.S.C.C. (“the Company” or “NAPESCO”) to have qualified and experienced members on the Board as well as the various Board Committees in order to serve the interests of the Company and its various shareholders and stakeholders. The Board Nomination & Remuneration Committee (NRC) assists the Board in the selection / appointment of Directors for the Board and its Committees by setting the basic criteria for such memberships. The NRC’s set of criteria for membership are reviewed annually and adopted by the Board. These are aimed at creating a Board capable of challenging, stretching and motivating management to achieve sustained, outstanding performance in all respects.

2 Selection Policy

Board members should be and remain qualified, including through training, for their positions. They should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the Company. In doing so:

- a. The Board members possess appropriate experience, integrity and personal qualities, adhere to the sound professional practices and deepen their experiences and skills through trainings. They should be qualified as per the requirements as stated in the Board Competency and Integrity Policy.
- b. The following must also be taken into account with respect to the composition of the Board of Directors:
 1. The company’s Nominations Committee determines the number of members of the board of directors and it should not be less than five members.
 2. The members of the board of directors are to be elected by the shareholders by secret ballot and that is for the period stipulated in the company’s bylaw provided it does not exceed three years, members of the board of directors may be re-elected unless the company’s bylaw state otherwise.
 3. The majority of the members of the board of directors should be non-executive members and it should include independent members provided that their number is not more than half the members of the board, independent members are not required to be shareholders in the company.
 4. It is restricted to combine the position of the chairman of the board and the chief executive officer.
 5. At the expiry of the membership of any member of the board of directors in any way the membership may expire, the company should inform the authority immediately along with a statement of the reasons for this.
 6. The member should not be a member of the board of directors for more than five listed companies based in Kuwait at any time and should not be a member of the board of directors from any competitive or similar company and should not be the chairman of the board of directors for more than one listed company based in Kuwait.
 7. The general assembly of the company has the right to remove the chairman of the board of directors or any member of the board based on the proposal issued by the board by an absolute majority or based on a signed request from a number of shareholder who own more than a quarter of the subscribed capital.

8. It's not permissible for a legal person – who is entitled to according to the company's bylaw appoint representatives in the board of directors – vote on the selection of other members of the board of directors.

In addition to the above, the Board of Directors should also consist of adequate number of Independent Directors. The following are the some circumstances that negate the independence of a Board Member:

- a. The candidate to be an independent member of the board of directors or any affiliated company is an owner of five percent or more of the company's shares.
 - b. Be a senior executive over the past two years in the company or any company in its group or the group that it is part of.
 - c. To be related to any of the members of the board of directors or senior executives in the company or any company in its group or the group that it is part of, to the first or second degree.
 - d. The candidate for a membership in the board of directors to be a member or has been a member in the board of directors of the company or any company in its group or the group that it is part of.
 - e. Be an employee over the past two years for any related party to the company or any company in its group or the group that it is part of, as an auditor or major supplier or be an owner of control shares for any of these parties over the past two years.
 - f. Be an employee over the past two years for any of the legal persons that own control shares in the company.
- c. The board member must have adequate knowledge relevant to the material financial activities in finance, accounting, lending, Company operations, strategic planning, governance, risk management, internal controls, and Companying regulations. The Board collectively should also have a reasonable understanding of local, regional and global economic and market forces and of the legal and regulatory environment.
 - d. The board member must possess leadership and administrative skills which allow him/her complete independence in making decisions and grasp all technical developments.
 - e. The said principle applies to a Board member in his or her capacity as a member of the full Board and as a member of any Board Committee.
 - f. The Board members should always remain cognizant of the new developments in the Company and local and international Companying sector. The Company should provide its Board members with sufficient summary on the Company's business at the time of their appointment and throughout their membership term or whenever requested.

3 Ongoing Learning and Development

The Board members should regularly develop their skills and experience relevant, particularly, to governance and risk management in line with the most recent future visions of the risks the Company encounters in a dynamically developing 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 finance and Companying business.

4 Board Membership

The Company's aim is to ensure that any new appointee is able to contribute to the Board constituting a competitive advantage for the Company. Based on these criteria, each Director should:

- Be capable of operating as part of a team
- Contribute outstanding performance and exhibit impeccable values
- Be capable of inputting strongly to risk management, strategy and policy
- Provide an appropriate mix of skills, diversity and experience required currently and for the future strategy of the Company
- Be excellently prepared and receive all necessary education
- Provide important and significant insights, input and questions to management from their experience and skill
- Vigorously debate and challenge management

The NRC will assess the skills, experience and personal qualities of these candidates. It will also take into consideration other attributes including diversity to ensure that any appointment decisions adequately reflect the environment in which the Company operates.

5 Audit Committee Membership

The Board Audit Committee (AC) shall be formed of the Board members. The composition of this committee and its functioning will be governed by the Audit Committee Charter.

Basic Membership Criteria

All members of the AC must possess the following skills, expertise and qualifications:

- Members must have varied backgrounds and occupations as well as experience in an area important to the Company, such as financial reporting, auditing, Companying / financial services industry insight, and risk management.
- Members should be financially literate and capable of understanding the financial reporting issues and complexities arising from the Company's business activities.
- Members are preferred to have finance, accounting, auditing or legal backgrounds.
- They should have a clear understanding of the financial reporting and their responsibility to exercise oversight of the independent auditor relationship and be ready to ask probing questions of both management and the independent auditor.
- The members should preferably be retired CFOs, CAEs, Treasurers, or Finance Managers.

Audit Committee Expert

An AC Expert is defined as a person who has obtained all of the following attributes:

- An understanding of IFRS and financial statements;
- An ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and

complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

- An understanding of internal controls and procedures for financial reporting; and
- An understanding of AC functions.

To qualify, the AC Expert would have acquired the attributes listed above through any one or more of the following means:

- Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- Other relevant experience.

(Source: Sarbanes-Oxley Act of 2002)

6 Risk Committee Membership

The Board Risk Committee (RC) shall be formed of the Board members. The composition of this committee and its functioning will be governed by the Risk Committee Charter.

Basic Membership Criteria

All members of the RC must possess the following skills, expertise and qualifications:

- Members must have varied backgrounds and occupations as well as experience in an area important to the Company, such as risk management, Companying / financial services industry insight, investments and financing.
- Members must have an understanding of risk management principles and practices relevant to the Company.
- Members may also have experience in developing and applying risk management practices and procedures, measuring and identifying risks, and monitoring and testing risk controls with respect to Company's / financial institutions.
- For the "Assets" oversight responsibility, members may have experience with investments, financing and credit functions.

Risk Expert

The Risk Expert is defined as a person who has the following attributes:

- An understanding of risk management principles and practices with respect to Company's, and the ability to assess the general application of such principles and practices.

- Experience developing and applying risk management practices and procedures, measuring and identifying risks, and monitoring and testing risk controls with respect to Companying organizations.
- He/ She may have experience as a CRO, CEO or CFO who has managed a risk management function at a Company or other financial institution of comparable size, scope, operations, and complexity.
- He/she may have experience managing significant risks (e.g. credit, operational or market risk) at a similar organization.

7 Nomination and Remuneration Committee Membership

The Board Nomination & Remuneration Committee (NRC) shall be formed of the Board members. The composition of this committee and its functioning will be governed by the Nominations and Remunerations Committee Charter.

Basic Membership Criteria

All members of the NRC must possess the following skills, expertise and qualifications:

1. Members must have adequate knowledge of the Company's Articles and Memorandum of Association, the Commercial Law, the Labor Law as well as other relevant laws and regulations.
2. Members shall have a thorough understanding of current responsibilities, operation and challenges of the Board and the Companying sector, and are able to use this knowledge to effectively assess the qualifications of proposed nominees for the Board, its Committees and the Company's Senior Management.
3. Members must have an understanding of the concept of human resources management.
4. Members should have the knowledge, skills and expertise necessary to make independent and unbiased decisions with respect to remuneration policies and practices.

8 Governance Committee Membership

The Board Governance Committee (GC) shall be formed of the Board members. The composition of this committee and its functioning will be governed by the Governance Committee Charter.

Basic Membership Criteria

All members of the GC must possess the following skills, expertise and qualifications:

- Members must have adequate knowledge of the Company's Articles and Memorandum of Association, and the prevailing laws and regulations.
- Members must have good knowledge of corporate governance principles and practices, locally as well as internationally.
- Members must have a thorough understanding of the corporate governance instructions of the CMA.

9 Policy Review

The ownership of this policy is with the Board of Directors. The Board of Directors shall review this policy at least annually and shall make amendments, if deemed necessary.

10 Copyright Statement

The Company has a proprietary right over this Policy and its contents. No part of the Policy should be copied nor is to be removed from the Company premises without the express written permission of the Policy Owner.

The content of the Policy is to be treated as confidential and is not to be shown nor distributed to any non-authorized persons or customers, inside or outside the Company.

11 Policy Administration

All Policy administration requirements like access, review, update, approval authority for review, and amendments of the Policy and the register of amendments will be as per the Authority Matrix of the Company.