



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

Disclosure and Transparency Policy

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1 Preamble

The Capital Markets Authority issued Instruction Number C.M.A/S.T./A.M./2/2012 regarding the disclosure of material information and the mechanism of releasing it. Accordingly, this policy aims to realize equity and transparency, avoid conflicts of interest and exploitation of insider information. This policy aims to organize the procedures for disclosure by the Company of the significant information and provide a mechanism for the announcement thereof in line with Resolution Number 25 for the year 2013 with respect to Corporate Governance Regulations.

2 Definitions

The following terms and expressions stated herein shall have the meanings set forth below unless otherwise stated herein:

CMA or Authority	Capital Markets Authority
Stock Exchange	Stock Exchange Market
Law and Executive Regulations	Law No. 7/2010 regarding Establishment of Capital Markets Authority and Organization of Security Activity, and its Executive Regulations
Company	A corporate body whose securities are listed in Stock Exchange Market
Material Information	Any information that is held by the Company with respect to its activity, identity, financial position or management, not available on the public domain or to the traders, having impact on its assets, liabilities, financial standing or the general course of its business and may lead to a change in the price or volume of security trading or attraction of, or abstention by, the traders on the security or affect the Company's ability to fulfill its obligations.

3 Policy Statement

National Petroleum Services Company K.S.C.C. ("the Company" or "NAPESCO") shall disclose, on a timely basis as Defined in Point 4 below, the material information that belongs to it, which include, but not limited to:

- 1 Initiation to enter into a joint venture, merger or acquisitions deals.

- 2 Execution or termination of a significant contract♣.
- 3 Sale of purchase of a significant asset♣.
- 4 Listing the Company's securities in another stock exchange or foreign market.
- 5 Launch of a new product (commodity, service) or another innovation that lead to a noticeably improved turnover.
- 6 Any significant change♣ in the Company's production environment or activity (e.g. plenty of resources and possibility to acquire the same) that leads to noticeable improved/declined turnover.
- 7 Any significant laws or orders♣ issued/amended by local or foreign government body, international organization, etc.
- 8 Any change in the applicable accounting policies along with a clarification of the reasons for changes and impact thereof on the financial statements.
- 9 Any change in the composition of Company's Board of Directors, top and executive management, Shari'a Supervisory Board or external auditors along with the reasons for such change.
- 10 The significant changes to the Company's short or long term obligations including any significant finance♣ or any mode of credit facilities or issuance by the Company of debt instruments a long with the issuance details and the intended purpose.
- 11 Any significant change♣ in the capital investment plan that leads to noticeably improved or declined turnover such as plant construction, equipment increase, production lines increase and target markets.
- 12 Any significant change♣ in equity including capital structure.

* to assess the potential effect and significance of the information and evaluate its materiality, the Company should take into account the correlation of the subject information with the investment decision of the prudent investor, who seeks to maximize his interest. In other words, if the prudent investor becomes aware of this information, he may use it as one of the bases for his investment decisions. Accordingly, this information may lead to a significant change in the security price. Therefore, and in determining what to be considered as important and significant information, it should be taken into account that this matter differs from Company to another depending on various factors including, but not limited to, size of the Company, its recent developments and overall conditions of the market and sectors in which it operates.

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- 13 Delay in fulfillment of debts, obligations or interest.
- 14 Any lawsuit that may affect the general course of the Company's business and activity, financial position, legal form or any developments thereto, or any lawsuit or court verdict relating to a board member or top and executive management member that has a significant effect on the Company.
- 15 A dispute or a disagreement with other parties such as clients, suppliers, sub-contractors, laborers and employees that may affect the general course of the Company's business.
- 16 Any evaluation results of an asset held by the Company that affect the business results.
- 17 Any deal between the Company and the parent, associate or subsidiary company, or any arrangement under which each party enters into any project or asset or provides finance therefore.
- 18 Any credit rating of the Company and any change thereof.
- 19 Any change or amendment to the Company's objectives and activities.
- 20 Announcement of issue liquidations or any of its subsidiaries or affiliates.
- 21 Operations of no-recurring nature that the Company may be involved including, but not limited to, property valuation, compensation receipt, payment of compensations to others, giving donations to others, in a way that may affect the Company's profits and its financial position.
- 22 Any significant loss♣ that affects the Company's financial position.
- 23 Change in the ownership of the Company's shares giving a result to changes in control over it by entry of major shareholders holding 5% or more of the capital.
- 24 Availability of material information relating to the Company's subsidiaries and associates that has significant effect♣ on its financial position.
- 25 Suspension of operations of the Company or any of its branches, plants, subsidiaries or associate, along with the reasons therefore whether due to disaster and fire or voluntary outage for other reasons.

In general, any significant changes♣ either by increase or decrease in the Company's assets, liabilities, income and expenses should be disclosed of. Moreover, any material information not mentioned but to which "Material Information" definition applies should also be disclosed of.

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In all cases, the Company's Board of Directors should disclose of its evaluation of the expected impact of such material information on the Company's financial position.

4 Timing of disclosing the information

- 1) The Company should promptly disclose of the material information relating to him, as follows:
 - a. If the information was made available during business hours of the Authority or Stock Exchange, disclosure should be promptly made and not be delayed beyond the time the material information was made available to it.
 - b. If the information was made available outside of business hours of the Authority or Stock Exchange, disclosure should be made before the trading session subsequent to the information being available to it.
- 2) The Company, should pursue the due care to ensure disclosure of the material information on a synchronously basis, locally and externally. In case the rules regulating the foreign market require the Company to disclose material information during the official holidays in the State of Kuwait, the Company should take the following procedures:
 - a. Announce the same information disclosed in the foreign stock exchange/market in two local daily newspapers.
 - b. Disseminate the same disclosed information through the Company's website, if any.
 - c. Promptly initiate upon resuming business in the Authority and stock exchange to inform both of the announcement, which includes the information disclosed in the foreign stock exchange/market before start of the trading session along with the related details of the disclosed information.
- 3) Should the Company encounter unexpected material events, it would be acceptable that the Company postpone the disclosure of the material information for a short period, if necessary to explain the situation and ensure the information and effect thereof. In such case, the Company must request the stock exchange to suspend trading on its securities, and promulgate and announcement to this effect that includes the following:
 - a. As more details as possible with respect to the matter and reasons for not disclosing thereof, reasons for suspension of trading in stock exchange and the expect period of trading suspension.
 - b. Undertaking to announce more details at the earliest.

Stock exchange, in such latter case, should verify whether the trading suspension request is for the interest of the traders.
- 4) The Authority may prescribe to suspend trading, even if the issue did not so requests, on the Company's securities in stock exchange if the Authority becomes a aware of information or circumstances that affect the Company's activities and believes that such circumstances may affect the market and investors.

5 Delay in the disclosure of information

- 1) The Company may delay disclosure of material information if it considers that disclosure thereof may lead to harm its legitimate interests on the following conditions:
 - a. Disclosure delay shall not involve the possibility of misleading the public interested in the facts and circumstances which are necessary to assess the securities of the Company.
 - b. The Company shall confidentially submit an application to CMA through Continuing Disclosure Department to defer the disclosure of material information pointing out the reasons behind deferral of disclosure along with explanation for all details related to that information;
 - c. The Company shall undertake to maintain strict confidentiality in of the material information.
- 2) Maintaining strict confidentiality in relation to material information referred to in this policy means that the Company will take all measures to ensure that access to such information is limited to the least possible number of people, access is available to the highest management levels at the Company, and that such information will not be disclosed to employees and others unless under assessment of the need to be informed with such information for carrying on their roles and duties. Dealing on documents related to material information must be strictly restricted.
- 3) Any unusual and unjustified activity on the Company securities on which CMA approval had been previously obtained to postpone disclosure of material information will be considered an indication that the material information is no longer confidential. In such case the Company shall immediately disclose the respective material information as stated in Point 9 of this policy document.

6 Policy regarding rumors and news

In case of speculation, news or information in public domain about the Company by way of any various media or rumors, or information prevailing among investors which is likely to have an impact on the price of Company securities or in connection with decisions of investment dealers, the Company must comment upon, clarify, confirm or deny immediately in the designated period in Point 4 herein regardless of whether these are true or untrue.

Note: In the case the Company fails to comment on speculations, news, information, or rumors, as defined above, CMA will address the Company requesting feedback in this regard to consider the Company justifications for not providing comment. In case CMA notices unusual trading activity on the Company securities with regard to the price of the securities or trading volume which may be attributable to the speculations, news, information, or rumors for which the Company has not provided his comments, CMA may impose temporary suspension on trading of the Company securities and take the measures it deems appropriate in accordance to the law and the executive Regulations.

In case the Company has received CMA approval to postpone disclosure of the material information, as stated in Point 5 herein, and this coincides with speculations, news, rumors, or information in circulation about the Company related to the essence of the material information for which disclosure

has been delayed, the Company must immediately disclose the material information in accordance with Point 9 herein regardless whether disclosure is appropriate to the interests of the Company or not.

7 Policy regarding Selective Disclosure

- 1) Selective disclosure is that the Company discloses material information related to individuals (natural persons, legal persons) in particular before disclosing such material information to the public. Dealing with persons including but not limited to the following persons, can be considered selective disclosure:
 - a. Company advisors;
 - b. persons with whom the Company negotiates or intends to negotiate on any commercial, financial or investment dealings and their advisers;
 - c. Company major shareholders;
 - d. Company's lenders
 - e. Credit rating agencies.
 - f. Government and regulatory authorities;
- 2) The Company may not under any circumstances disclose material information on a selective basis to any person except the case mentioned in paragraph (3) below.
- 3) When the Company obtains CMA approval to postpone the disclosure of material information as stated in Point 5 herein, the Company may selectively disclose that information taking into account that such selective disclosure must be made on the basis of the need to know and is subject to appropriate confidentiality restrictions. The recipient of selective disclosure undertakes to maintain the confidentiality of information, not to misuse it and not trade in the Company securities unless disclosure of material information is made to the Public. In case the Company makes selective disclosure, it shall notify CMA immediately after this action indicating the recipient of selective disclosure of the Company and reasons behind this.
- 4) Selective disclosure referred to in the preceding paragraph should not be made to another person unless this action comes within the normal course of exercising his function, job or duties and as long as the recipient of that information is under the obligation of maintaining confidentiality. Generally, the Company may – on case by case basis – make selective disclosure to certain recipient categories after making an assessment of the need to inform them of the relevant material information.
- 5) The Company must on take into consideration that selective disclosure to a big group of recipients means more probability that the information may be leaked in which case the Company shall have to immediately disclose the material information in accordance with Point 9 herein regardless whether disclosure is appropriate to the interests of the Company or not.

8 Policy regarding Unusual Trading Activity

- 1) In the event of unusual activity in trading of the Company securities in terms of price or volume of securities trading, the following must be done:
 - a. If the Company determines that the unusual activity in trading was attributed to material information that had previously been disclosed in accordance with the applicable methodology, it requires re-disclosure including clarification of any developments that might occurred to the material information that has previously been disclosed. However, if trading activity in the market demonstrates abuse in interpreting such information or the information has been misunderstood, it may be appropriate to hold consultation with CMA in this regard immediately.
 - b. In case the unusual activity is attributable to that fact that the Company is subject to speculations, news, rumors or information in public domain, the Company must comment upon, clarify, confirm or deny it immediately in the designated period in paragraph VI herein;
 - c. If the unusual activity is due to diversion of material information that has not been previously disclosed by the Company, the Company must immediately disclose the material information regardless the disclosure is appropriateness for the Company interests or not.
 - d. In case the Company fails to determine the reasons for the unusual trading activity, it shall have to make a public announcement in the meaning that there have been no recent developments that may impact the Company or its affairs in the manner leading to such unusual trading activity.
- 2) In case the Company does not comply and take the actions stated in paragraph 1 of this Section, CMA may impose suspension on trading of the Company securities and take the actions it deems appropriate in accordance with the Law and Regulations.

9 Policy regarding the mechanism for disclosure of the material information

- 1) Material information is disclosed by the Company addressing KSE and CMA through a declaration of the information required for disclosure. Continuing Disclosure Department at CMA shall be provided with receipt acknowledgment that KSE has been provided with the declaration subject.
- 2) The Company declaration of material information through media will not be considered an official disclosure satisfying the specified requirements in accordance with these instructions save the case stated in paragraph 2 of Section IV herein.
- 3) In preparing the Declaration, the Company shall consider the following:
 - a. The declaration shall be true, clear and fair;
 - b. The declaration shall contain sufficient information and data to allow interested parties to decide on the impacts of this material information;

- c. the declaration shall avoid deletion or negligence of useless facts but rather mention them at the end of the declaration;
 - d. .The declaration shall not display potential positive situations as certain, or give the impression of being more potential to take place than actual. the declaration shall not also provide forecasts or estimates without being supported with sufficient true foundations;
 - e. The declaration shall avoid use of promotional terms which are usually designed to promote, rather than declare.
 - f. The declaration shall avoid excessive use of technical terms but instead use as much as possible, easy language understandable to common people.
- 4) The Company shall take into account that the declaration preparation and review should be carried on by specific staff who have knowledge and are familiar with the topics that will be disclosed as well as the requirements of the Law, Regulations and these instructions.
 - 5) If CMA believes that the declaration lacks any of the criteria in paragraph 3 of this Section, or that there is a need for more clarifications and additional information on the disclosed material information, CMA shall direct the Company to make the declaration once again in the manner CMA deems appropriate to satisfy its observations on the content of the declaration.

10 Policy regarding the dissemination of information on the Company's Website

The Company shall provide the declarations that it has already made for disclosure of its material information on its website by the end of the same business day of making the declaration. The Company shall retain an archive on its website for all the declarations made in this regard during previous periods so that the declarations are easy to reach at any time for public;

The Company shall ensure that no declaration of material information through its website prior to being disclosed on KSE and CMA websites save as the case in paragraph 2 of Point 4 herein.

The company should establish a separate section for corporate governance on the company's website and publish all updated information and data that helps the shareholders and the current and potential investors to carry out their rights and evaluate the company's performance.

11 Policy regarding the disclosure of financial information

The Company should prepare an annual report including the financial position of the company, operational results, company activities, and any changes in the capital structure. The following information shall be disclosed at a minimum:

1. Financial reports prepared according to international accounting standards approved by the capital markets authority, and it should include the following at least:
 - a. Balance sheet statement
 - b. Income statement
 - c. Cash flow statement
 - d. Change in equity statement

- e. External auditors reports
 - f. Board of directors' report about the financial statement prepared for the period.
2. Business plan and strategy.
 3. Operational results and related indicators and financial ratios.
 4. The date taken as a base for granting the shareholders registered in the shareholders register of the company the cash dividends.
 5. The structure of the issued capital and paid capital, and the amendments that may happen on the structure of the capital (in case of issuing shares or securities).
 6. Financial securities owned in the company, or in its subsidiaries or associate by the board members and executive management.
 7. Market value of the company's share for all years in which the company was listed in the Kuwait stock exchange or any stock market outside the state of Kuwait, according to appropriate historical periods.
 8. Any amendments on the articles of association or on the memorandum of association or on the company's activities.
 9. Any substantial sale transactions for the company's assets that happened through unusual financial transactions.
 10. Financial analysis reports prepared through independent expertise, and rating agencies reports if available.
 11. Notes and analysis of the management on financial and non financial information.
 12. Report on potential risks that the company could be exposed to.
 13. Names of the board of directors' members, executive management, and sharia committee.
 14. Name of the external auditor/auditors, and name of the authority that license and organize the activities of the company either inside or outside Kuwait.
 15. Formation of board of directors and classification of its members as executive member, non executive member, or independent member.
 16. Qualifications and experiences of board members and executive management according to the authority instructions regarding competency and transparency standards for board members and executive management nomination, in addition to the degree of commitment for attending the company board meetings and other companies board meetings.
 17. Key performance indicators and the established evaluation technique for each board member and executive management.

18. Brief summary of the purpose for the main board committees and its duties, by mentioning the names of committees, the chairman of each committee, committee members, and the number of meetings.
19. Approved corporate governance system by the board that explains the authorities and duties distribution between the board of directors and the executive management, and the reports prepared by the corporate governance committee regarding corporate governance requirements.
20. Transactions and mutual interests with the company and with related parties.

12 Establishment of a register for disclosures of the Board and the Executive Management

The company should establish a special register related to the disclosures of board members and executive management which should be available for shareholders, the shareholders have the right to see the mentioned register without any fees or anything in return, the company should commit for updating the mentioned register on periodical basis in a way that reflects the factual situation of the related parties.

The company should disclose (in this register) in a detailed and accurate manner all remunerations granted to board members and executive management either in cash or benefits or compensations through the report prepared by the remunerations committee.

The following are the most important information that should be disclosed at a minimum:

1. Remuneration and incentive system followed by the company especially what is related to board members and executive management.
2. Details of remunerations granted to board members and executive management like cash, benefits, and compensation, and analysis of remuneration scales that consist of the following:
 - a. Fixed remunerations e.g. wages and basic salaries.
 - b. Variable remunerations that is connected with performance e.g. incentives, stock options, or any other types.
 - c. Indemnity remunerations.
3. The value of remunerations granted to the board members either in cash, benefits, or compensation (Total).
4. The value of remunerations granted to the chief executive officer and main executives whom received high amounts from the company, in addition to the finance manager or who is in his place if not one of them.
5. Any other remuneration granted directly or indirectly by the company or by subsidiaries.
6. Any substantial deviations from the remuneration policy approved by the board of directors.

13 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.

14 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's 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.

15 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.