



National Petroleum Services Company K.S.C

## Remuneration Policy

Document Number	Revision/Date	Number of Pages	Approved By
109001-QSP-011	0 / 01 JUL 16	5	

## 1. Introduction

The remuneration policy for members of the Board of Directors and Executive Management of National Petroleum Services Company K.S.C. (“NAPESCO” or “the Company”) reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps promote long term goals for safeguarding the company’s interests. With respect to incentive pay, reference is made to the overall guidelines for incentive pay, which have been approved at the company’s Annual General Meeting.

## 2. Board remuneration

Efforts are made to ensure that the remuneration of the Board of Directors matches the level in comparable companies, whilst also taking into consideration board members’ required competencies, effort and the scope of the board work, including the number of meetings. In any case, the remuneration to be given to the Board of Directors shall not violate any provisions of the Commercial Companies Law in the State of Kuwait.

**(The below are just suggested policies, each Company will have to customize the same as per their needs)**

### Fixed remuneration

Members of the Board of Directors receive a fixed cash amount (basic remuneration), which is approved by the General Assembly Meeting for the current financial year. The basic remuneration is stated in the annual report. The chairman receives a triple basic remuneration and the deputy chairman receives a double basic remuneration for their extended board duties. In addition to the basic remuneration, annual committee remuneration is paid to board members who are also members of one of the board committees. The committee remuneration is stated in the annual report, and the remuneration is determined using the same principles as for the basic remuneration, and the committee chairman receives double committee remuneration.

The total of the remunerations should not exceed 10% of the net profit (after deducting depreciation, provisions, distribution of profit for at least 5% of the capital to shareholders or any greater percentage that is stipulated in the company’s contract). Moreover, annual remunerations not exceeding **Pre defined amount** may be distributed to the chairman of the board of directors and board members from the date of establishment of the company until it achieves profits that allow it to distribute remunerations in accordance with the aforementioned ratios. The normal general assembly of the company may decide on excluding the independent member of the board of directors from the maximum limit of remunerations mentioned.

**Incentive programme, bonus pay, etc.**

The Board of Directors is not included in incentive programmes (share option programmes, bonus pay or similar plans).

#### **Compensation on takeover of the company**

On any takeover, retiring board members will not receive any compensation for their lost board remuneration and similar benefits.

#### **Reimbursement of expenses**

Expenses in connection with board and committee meetings are reimbursed as per account rendered.

#### **Pension scheme**

The Board of Directors is not covered by any of the Company's pension scheme or a defined benefit pension scheme.

The remuneration to be paid to the Board of Directors shall be linked to the Company's as well as the Board's performance in line with the Key Performance Indicators as stipulated by the Company.

### **3. Remuneration of the Executive Management**

The Board of Directors believes that a combination of fixed and performance-based pay to the Executive Management helps ensure that the company can attract and retain key employees. At the same time, the Executive Management is given an incentive to create shareholder value through partly incentive-based pay.

Members of the Executive Management are employed under executive service contracts, and the Board of Directors sets the terms within the frames of the contracts.

**(The below are just suggested policies, each Company will have to customize the same as per their needs)**

The Nominations and Remuneration Committee submits proposals concerning the remuneration of the Executive Management and ensures that the remuneration is in line with the conditions in comparable companies. The proposals are submitted for approval in a board meeting.

Members of the Executive Management receive a competitive remuneration package consisting of the following components:

- ❖ Fixed salary
- ❖ Bonus
- ❖ Share options
- ❖ End of Service Remuneration categories
- ❖ Personal benefits, e.g. company car, free telephony, broadband, newspapers, etc.

If it is proved after the grant of variable components to members of the Executive Management that these were paid erroneously, the company may in exceptional cases reclaim in full or in part variable components.

The total remuneration for the Executive Management is stated in the annual report.

#### **Fixed salary**

The fixed salary shall be based on the market level. The total remuneration of the Executive Management is stated in the annual report. Members of the Executive Management do not receive any remuneration for directorships held in the company subsidiaries.

### **The variable components**

The variable components shall always be within the limits of the overall guidelines for incentive pay adopted by the General Assembly Meeting.

### **Bonus**

Members of the Executive Management participate in a bonus scheme based on the results for the year. The bonus is paid out annually after adoption of the annual report for the relevant financial year; ref. the overall guidelines for incentive pay. The bonus may not exceed 95 per cent of the fixed salary, which level can only be achieved at a weighted target achievement of 130 per cent. Furthermore, the bonus will be cancelled at a weighted target achievement of less than 80 per cent.

The bonus scheme is based on target achievement of a number of parameters, including EBIT, net working capital, revenue, and customer loyalty.

### **Share options**

Share option programmes are in place for members of the Executive Management. The focus of the share option programmes is to retain and create long-term shareholder value. The intention of such grants is to ensure value creation and fulfilment of the company's long-term goals. The option scheme is share-based. The options are granted annually in connection with the Board's consideration of the annual report and will be conditional upon sustained employment.

For any single financial year, the Executive Management may be granted options with a maximum net present value at the time of grant equivalent to **(Per cent number)** per cent of the individual member's gross salary on the date of grant.

### **Personal benefits**

Members of the Executive Management have access to a number of work-related benefits, including company car, free telephony, broadband at home, and work-related newspapers and magazines. The extent of individual benefits is negotiated with each individual member of the Executive Management.

Members of the Executive Management are covered by the company insurance policies:

- ❖ Accident insurance
- ❖ Health insurance
- ❖ Directors and Officers Liability Insurance

**(Any additional benefits)**

### **Notice of termination**

The company can terminate the employment relationship giving **(Number of months')** notice. A member of the Executive Management can terminate the employment relationship with the company by giving **(Number of months')** notice.

However, the company's notice of termination towards a member of the Executive Management will be extended for the following two years to a total of **(Number of months')** to the end of a month.

### **Redundancy pay**

There is no agreed redundancy pay/compensation for voluntary or non-voluntary termination.

**Pension scheme**

Members of the Executive Management are not covered by the company's employer administered pension plan or a defined benefit pension scheme.

The remuneration terms agreed with each member of the Executive Management shall be documented within a contract signed between the Company and the member.

**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.

**Copyright Statement**

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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.

**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.