MOBILE TELECOMMUNICATIONS COMPANY (ZAIN)

CORPORATE GOVERNANCE FRAMEWORK

1. Introduction

The Board of Directors (the “Board”) of Mobile Telecommunications Company (hereinafter referred to as “Zain” or “the Company”) is keen to adopt a sound Corporate Governance Framework that would enhance the overall governance environment within the Company in line with applicable leading practices, laws and regulations.

The Board remains determined in its endeavor to at least meet, if not exceed, the requirements of the Corporate Governance Regulations issued by the Capital Markets Authority in terms of its disclosures to legal authorities and its stakeholders. Corporate Governance Framework adopted by the Company is governed by the following:

- CMA’s Corporate Governance related regulations issued as part of its Executive Bylaw.
- The provisions of the Companies’ Law.
- The Company’s Memorandum of Association.
- The Company’s Articles of Association.
- Any applicable laws, rules or regulations issued in Kuwait and related to corporate governance.
- Global standards and best practices for environmental, social and corporate governance in a manner that does not contradict the laws and regulations of the State.

2. Document Revisions

To ensure that the company operates in a manner consistent with its status, the Corporate Governance Department shall conduct a periodic review of this document or/and when needed. The Corporate Compliance Department shall review and provide recommendations based on laws and regulations.

The review shall consider the level of compliance with the laws and regulations, the continuing suitability of the document and the need for modifications to be compatible with the laws and regulatory requirements. The Department shall submit the revised document to the Board which will in turn review the revised document and provide the approval.

After the changes are incorporated in the document, the relevant page (or pages) will be updated by the version and the date.

3. Zain’s Corporate Governance Framework

3.1. What is Corporate Governance

Corporate Governance is a system of controls designed to find a careful balance between the interests of the different stakeholders of the Company (shareholders, the board, executive management, employees, customers, vendors, and society at large). As such, corporate governance is not only limited to legal matters, respect of regulations or risk management. Rather, corporate governance is pervasive throughout the Company.

Using the phrase “Corporate Governance” means applying the concept in its broadest sense to the direction and management of the Company and the creation of value for its shareholders. Corporate Governance may also be seen as the implementation of control systems to prevent conflicts of interest and other improper conduct.

Corporate Governance in the legal context is about the system(s) by which the Company is controlled and, consequently, by which the role of the Board, its members and their relationships are defined. This document covers these areas in detail.

3.2. Pillars and Principles of Corporate Governance

The CMA related Corporate Governance Regulations have clearly defined pillars for Corporate Governance as part of CMA’s Executive Bylaw. The pillars focused on the following:

- Construct a balanced board composition and enhancing the process of forming the board of directors by selecting highly qualified individuals.
- Establish appropriate roles and responsibilities for the board of directors and executive management.
- Establishing committees to ensure that qualified board members provide high-quality guidance to the management and monitor the effectiveness of management policies and decisions, including the implementation of its strategies.
- Apply sound systems of risk management and internal audit.
- Ensuring timely and high quality disclosure and transparency in accordance with legal requirements and best practices.
- Safeguarding the integrity of financial reports by confirming the independence and integrity of external auditors and the presence of internal audit capable of preparing and presenting reports to the board through the audit committee.
- Recognizing and protecting the legitimate interests of stakeholders.
- Enhancing and improving the performance of the board of directors and executive management.

- Reinforcing and promoting code of conduct, ethical standards and professional behavior to mitigate and address conflicts of interest.
- Emphasizing the importance of social responsibility and achieving a balance between the company's goals and those of the community, incorporating sustainability factors into the company's comprehensive strategy, key business plans and risk management.
- Respecting the rights of shareholders to ensure fairness and equality among all shareholders, regardless of their levels.
- Commitment to comply or explain of laws and regulations and disclosing the extent of compliance. In case of non-compliance with any rule or provision, an explanation must be provided in the governance report.
- Adhering to the rules set by Boursa and approved by the CMA regarding stock entitlements.

3.3. Advantages of Implementing the Corporate Governance Framework

Companies with established Corporate Governance Frameworks can gain many benefits, such as:

- **Mitigating risks**
  - Effective board oversight to reduce risk of mismanagement and fraud.
  - Strong internal controls to improve integrity of financials.
  - Establishing a culture of corporate governance and compliance.
- **Winning confidence of the market**
  - Good corporate governance attracts prominent global investors.
- **Improving competitiveness**
  - A highly qualified and well-informed board can make contributions to strategy and provide effective directions to management.
  - Rigorous board oversight of Executive Management ensures that the right people will be in the right place.
  - Accurate information derived from strong internal controls to ensure better management decisions are taken.

3.4. Key Policies Required in the Corporate Governance Framework

The following are the key policies required by the CMA rules and regulations as part of the Corporate Governance Framework:

- Code of Conduct for Board of Directors
- Shareholders' Rights Protection
- Stakeholders' Rights Protection
- Insider Trading
- Disclosure
- Conflict of Interest
- Whistle-blowing
- Related Party Transactions
- Corporate Sustainability
- Remuneration
- Board Committees Charters
- Board Assessment
- Investor Relations
- Anti-Corruption
- Anti-Money Laundering
- Board Diversity
- Sanctions
- Authority Matrix

The Company has developed the policies listed above; each policy complies with applicable corporate governance rules and other applicable laws and regulations. The following is a brief description of the mentioned policies:

Code of Conduct for Board of Directors

The Company has adopted a Code of Conduct and other internal policies and guidelines designed to comply with the laws, rules and regulations that govern the company's business operations. The Directors are expected to exercise good judgment, to ensure the interests, safety and welfare of customers, employees and other stakeholders and to maintain an efficient and positive, work environment.

Shareholders’ Rights Protection

The Company is committed to protecting the rights of its shareholders in a way that guarantees the best interest of both shareholders and the Company. The Shareholders’ Rights Protection Policy assures that the rights of shareholders as established by relevant laws and regulations are respected and protected by the Company.

Stakeholders’ Rights Protection

The Company is committed to protecting the rights of all stakeholders and creating wealth and job security and sustainability through a financially stability. The Stakeholders’ Rights Protection Policy is designed to outline parties considered as stakeholders of the Company and to set guidelines on how to protect rights.

Disclosure

In its new instructions on Corporate Governance to listed companies, CMA has emphasized on the need to provide accurate, comprehensive, detailed, sufficient, and timely disclosure to the Company’s shareholders, stakeholders as well as relevant regulatory authorities. The disclosure policy outlines various disclosure channels and defines material information that requires disclosure by the Company and its Board, Executive Management or Informed Persons. The Company shall keep a record of disclosures of members of the board of directors, executive management and managers with corresponding data.

Conflict of Interest

The Company has developed its Conflict of Interest Policy which sets out the guidelines for the identification, reporting, disclosure, prevention, or strict limitation of potential conflicts of interest.

Whistleblowing

This Policy is intended to encourage and enable employees to raise any concern or misconduct noted within the Company by offering a reporting and investigation mechanism that is objective and confidential so that appropriate corrective action can be taken.

Related Party Transactions

The Company has developed a written policy for related party transactions in compliance with related CMA’s regulations, which details the rules and procedures regulating related parties transactions, whether between the Company and its employees, the Company and its board members, their companies or their related parties.

Corporate Sustainability

The Company is keen to align its business values and strategy with social and economic needs while embedding responsible and ethical business practices into every activity carried out by the Company. This policy aims at guiding the Company in managing its Corporate Social Responsibility while providing the community with support required to achieve long-term business and social benefits and ensure that the Company consistently operates in a manner that minimizes detrimental impacts to society and environment.

The Company has published a briefing about its Corporate Governance Framework and Code of Conduct on the Company's website.

Remuneration

This policy aims at determining the general policy of the remuneration system which will be designed and applied by the company in a manner that achieves the mutual value of the executive management, the board of directors and the company in accordance with the interests of the shareholders. This policy reflects standards and principles of best practices in good governance, which are adapted to the structure and circumstances of the company, as well as relevant regulatory requirements.

Board Committees Charters

These documents include: The Board of Directors Charter, the Board of Directors' Handbook, the Risk Committee Charter, the Nominations and Remuneration Committee Charter, and the Audit Committee Charter.

Board Assessment

The Board of Directors, under the supervision of the Chairman of the Board of Directors and through the Nomination and Remuneration Committee, evaluates the performance of the Board, in addition to evaluating the performance of each Board member and the committees of the Board.

Investor Relations

This policy affirms the Company's commitment to provide information and reports to potential shareholders and investors through the Investor Relations Department. And shows the role of the investor relations department in the company and its main objectives. It has been prepared taking into account the instructions of the Capital Markets Authority and the Companies Law in Kuwait, the Company's Articles of Association, the leading practices and the regulatory laws and regulations issued in Kuwait and applicable thereto.

Insider Trading

This policy aims to establish effective contractual arrangements that bind any third party with knowledge of Inside Information related to the company or its customers to maintain the confidentiality of that Inside Information and not to misuse it or transfer it or cause it to be transferred directly or indirectly to other persons or urge others to deal in securities based on that Inside Information. Moreover, the company shall keep at all times an updated record for insider dealings in the securities.

Anti-Corruption

This policy outlines the principles followed by Zain and its subsidiaries to prevent bribery and corruption. The goal is to ensure appropriate measures are in place to combat corruption and bribery in all operational activities, avoiding any violations of relevant laws and regulations.

Board Diversity

This Policy aims to promote diversity on the Board in terms of experience, knowledge regardless of their gender, race, ethnic origin, disability, age, nationality, national origin, religion / belief, marital status, and social class. At Zain Group, we oppose all forms of unlawful and unfair discrimination. This policy is largely set up to address the importance of a diverse Board in employing the unique identities, skills and experiences of the members in a way that collectively benefits the company.

Anti-Money Laundering

The Anti-Money Laundering (AML) Policy is intended to ensure that Zain is committed to complying with all requirements of relevant Anti-Money Laundering and Counter-Terrorist Funding Laws, Regulations and Standards. It aims to protect Zain, its employees, and stakeholders from involuntarily committing money laundering and terrorist financing violations.

Sanctions

This policy summarizes the preventive measures enforced by the U.S., EU, and UN. The Economic Sanctions Policy controls the company's ability to engage in any activity in specific areas or with designated individuals targeted by global sanctions laws. It also outlines restrictions and preventive measures that must be consistently followed by all company employees. The company commits to compliance with sanctions laws in all jurisdictions of its operations. The purpose is to define sanctions and provide guidance on compliance with applicable sanctions laws, ensuring organizational compliance and establishing an internal framework to minimize the risks of sanctions violations and the misuse of the company's products and services for money laundering and terrorism financing.

Authority Matrix

The authority matrix is a crucial aspect of the financial management of any company. It specifies responsibilities and the required approval levels for financial and non-financial transactions.

3.5. Policy Management

The Corporate Governance Department is responsible for managing company policies, ensuring they follow established procedures, and maintaining control over their accuracy and versioning, while also ensuring that all policies are aligned with applicable laws and regulations. The Corporate Compliance Department is responsible for verifying effective implementation of policies while also ensuring adherence to compliance standards.

All company policies are approved by the board of directors as per laws and regulations.

The standardization of company policy's structure and specific criteria enhances the overall quality and effectiveness.

Procedures for the creation, revision, and amendments of any policy within the company are as follows:

Creation and Amendments of Department's Policies:

- The policy is sent to the **Corporate Governance Department** for review, feedback, and guidance.
- The policy owner must consult the relevant departments for policy review.
- Amendments are thoroughly reflected in the policy and incorporated accordingly.
- The policy undergoes a thorough final review by the **Corporate Governance Department** to ensure alignment with laws, regulations, and other compliance requirements, while also consulting with the **Corporate Compliance Department** however deemed necessary.
- After the final review, the policy is submitted to the Board of Directors for approval through the **Corporate Governance Department**.
- After obtaining approval, the board secretary informs **Corporate Governance Department** and the relevant internal parties and provides the approved version which was signed by the board.

Note: The policy owner is responsible for reviewing and amending department policies as needed.

Policy Amendments:

- Any proposed policy amendments are to follow the same procedures as mentioned above.

Creation and Amendments to Governance and Compliance Policies:

- **Corporate Compliance** conducts an ongoing comprehensive exercise, incorporating all updated resolutions of laws, executive bylaws, and regulations.
- Existing policies are amended based on regulatory updates, if it has not been created, **Corporate Governance** is responsible for creating the policy and working with **Corporate Compliance** and the concerned departments to create the necessary policies to comply with laws and regulations and align with best practices.
- **Corporate Governance** implements the necessary changes to the policy based on feedback.
- **Corporate Governance** sends the policy for board approval.

This structured framework guarantees a thorough approach to policy development and amendment and ensures consistency and compliance, sustaining the overall integrity and quality of our company policies.

3.6. Parent Company – Subsidiary Governance Relationship

In light of the obligations of subsidiary directors and the potential liability of the parent company (Zain), subsidiary governance frameworks are an important tool in facilitating risk management and ensuring compliance with applicable legal obligations.

To gain the benefits of the subsidiary governance framework, the framework shall take into account the following:

- The operational independence of the subsidiary without adversely affecting the interests of the parent company.
- Aligning Corporate Governance practices within the group taking into consideration any local differences in the laws and regulation, corporate culture and the reasons for the establishment of the subsidiaries.
- Establishing a clear line of reporting between the subsidiary and the parent company.
- Clarifying the responsibilities of the subsidiary's Board and Management.

For more information, please refer to the ***Subsidiary Corporate Governance Framework***.

3.7. Consequences of Non-Compliance

The Corporate Governance Regulations issued by the Capital Markets Authority, require all listed companies to comply with the optimal governance practices contained in the regulations.

The Board is ultimately responsible in conjunction with BAC, and Executive Management to take appropriate procedures in case of any non-compliance within the scope of this document.

In addition, failure to comply with these regulations may result in severe consequences ranging from internal disciplinary action to termination of an employee's services or board membership. It can also cause non-compliance penalties that may be imposed by regulatory authorities on the company.

Violating these laws may result in a violation of regulatory or legislative requirements. If this happens, Zain may refer the matter to the relevant authorities, which may result in penalties, fines or other legal actions.

4. Board of Directors

4.1. Board Structure

Currently, the Board of Directors at Zain is composed of 9 members. At least 20% of the members of the board of directors much be independent. Members of the board are elected by the Ordinary AGM through a secret ballot. The Board has also established three committees as explained in section 4.3 of this document.

The areas that should be considered in forming the BOD are explained in details in the **BOD Charter.**

4.2. Board Roles and Responsibilities

The primary responsibility of the Board is to provide effective governance over the Company's affairs for the benefit of its shareholders, and to balance the interests of its clients, employees, suppliers and local communities. The Board is responsible for reviewing the development and execution of strategies. Additionally, to achieve the objectives of shareholders and monitor the executive management of the company. The board of directors seeks to achieve the company's strategic objectives by ensuring that the executive management is carrying out its assigned responsibilities effectively. It aims to enhance the company's competitiveness, achieve high growth rates, work towards maximizing profits and consider sustainability factors related to environmental, social and governance issues in its operations when necessary. The board ensures that the decisions and actions of the executive management always serve the interest of shareholders. The board also has the ability to understand and analyze the nature and extent of the risks the company faces in its activities, including sustainable risks related to the environment, social aspects and corporate governance.

Reviewing the selection, performance and compensation of the Chief Executive Officer and Executive Management and ensuring transparency and disclosure of material financial and non-financial information, including establishing an effective audit process. The Board may delegate oversight of key areas of responsibility to specific committees who report to the Board with their recommendations. Each committee will have specific charters that define its scope and powers and the directors assigned to these committees will have the necessary understanding of the issues dealt with by the committee.

In discharging its oversight role, the Board is empowered to investigate any matter, brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or consultants, or incur other expenses for this purpose, which the Company shall pay.

The **BOD Charter** details areas such as the role, responsibilities, functioning, compensation as well as expectations of the Board members in greater depth.

4.3. Board Committees

The standing committees of the Board are:

- Board Risk Committee (BRC)
- Board Audit committee (BAC)
- Board Nomination and Remuneration Committee (BNRC)

Other committees may be established by an affirmative vote of the majority of the Board.

Each committee has its own written charter, which complies with the corporate governance rules and other applicable laws and regulations. The charters set forth the mission and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and reporting to the Board.

The names of Committee's' members, their Chairs and the number of meetings held will be disclosed in the annual Report. The Chairs must report the highlights of their meetings to the Board following each meeting of the respective committees.

Below is a brief about each Committee:

- **Board Risk Committee (BRC)**

  This committee aims at promoting effective board supervision on significant transactions within the Company. The Committee is responsible for all aspects of enterprise risk management including, but not restricted to strategic, market, compliance and operational risk.

- **Board Audit Committee (BAC)**

This committee is responsible for assisting the Board in fulfilling its responsibilities related to the oversight over the quality and integrity of accounting, auditing, internal controls, risk management framework and financial reporting practices of the Company as well as the Company's relationship with its external auditors.

- **Board Nomination and Remuneration Committee (BNRC)**

  This committee is responsible for recommending Board Members and Executive Members appointment, facilitating the annual assessment of Board performance as well as overseeing the training and development process of the Board and Executive Management, the committee is also responsible for evaluating the compensation and remuneration of the members of the Board and Executive Management with regard to the long-term objectives of the Company.

5. Executive Management's Role

The Executive Management leads the Company's business and operations by managing the day-to-day activities and operations. they have been appointed by the Board of Directors.

5.1. Relationship between the BOD and Executive Management

The Board, in approving the charters for the various committees, recognizes the important role management has to play and has given the various committees sufficient authority to involve management in their meetings and discussions to the extent the committee members feel this will prove beneficial to the quality of recommendations and the decision making process to ensure an effective oversight role of the Board over the Executive Management of the Company. The Board shall also be responsible for appointing Executive Management and monitoring their performance in coordination with the Board Nomination and Remuneration Committee.

The charters for the various committees as listed in Section 4 of this document provide more details on the scope, responsibility and functioning of the individual committees.

To facilitate the Board's oversight role, the Executive Management shall provide the Board and concerned committees with periodic performance roles which illustrate performance of the management during a given period against Key Performance Indicators set by the Board.

5.2. Key Responsibilities of the Executive Management

The Executive Management shall carry out the following responsibilities as delegated by the Board of Directors and in accordance with laws and regulations issued by the CMA and related regulatory authorities:

5.2.1. Execute strategic plans as well as related policies and bylaws and ensure its adequacy and effectiveness.

5.2.2. Ensure the proper implementation of the Company's approved Corporate Governance Framework as part of various company's activities and that its key principles are reflected in respective departments' policies and procedures.

5.2.3. Ensure that an integrated accounting system is in place for proper bookkeeping and recording that reflects financial and income statements precisely and in details to enable a proper maintenance of Company's assets.

5.2.4. Review prepared financial statements in accordance with the International Accounting Standards adopted by the CMA.

5.2.5. Review and approve periodic reports (financial and non-financial) in regards to achieved progress in business activities in line with the Company's strategic plans and objectives and present the same to the Board of Directors.

5.2.6. Manage the day-to-day operations as well as managing the Company's resources to ensure profit optimization and cost reduction in accordance with the Company's strategy and objectives.

5.2.7. Ensure that internal control and risk management systems are in place, monitor the adequacy and effectiveness of such systems and ensure compliance with the Company's risk appetite approved by the Board of Directors.

5.2.8. Effectively participate in creating a work environment based on ethics and values.

5.2.9. Incorporate sustainable factors related to environmental, social and governance issues (ESG) in operations.

6. Risk Management Function Role in Corporate Governance

The Risk Management Function will encompass all areas of Zain where risks exist or may arise. The Risk Management Function will ensure that the overall risks of Zain are effectively managed. All employees of the Company have a role to play in the management of risks. Risks will be proactively managed within the Company and the Risk Management Function will be flexible enough to incorporate any new businesses the Company undertakes. The Board shall ensure that sufficient management resources are allocated to the identification, assessment and appropriate treatment of business risks.

7. Internal and External Auditors roles in Corporate Governance

7.1. Internal Audit

One of the fundamental components of the Corporate Governance Framework is the audit function within the Company. The Board will ensure that an adequately resourced and suitably qualified Internal Audit Function is in place which will play a critical role in helping the organization achieve its objectives by providing independent and objective assurance and consulting services to provide the Board and Executive Management with an objective view of the business governance, risk management, and internal control.

The Internal Auditor is responsible for evaluating and improving the effectiveness of risk management, control, and governance processes. The Internal Audit Function will also confirm adherence to policies and code of conduct.

7.2. External Audit

The External Auditors will express an opinion on the fairness with which Zain presents its financial position, its results of operations and its cash flow. The Board will ensure that the External Auditors devote sufficient time, resources and skill to understand the business processes and transactions as part of the procedures for the audit of the financial statements. The Board will also ensure that all points reported in the independent auditor's management letter or equivalent, are properly addressed by Management.

7.3. Internal Control Systems Evaluation and Review Report

According to the executive bylaws issued by the CMA Module 15 Corporate Governance, Chapter 6, Rule 5, Article 6-9: The company shall assign an independent audit firm to evaluate and review the internal audit systems and prepare a report in this regard (Internal Control Report) which shall be submitted to the CMA annually.

8. Corporate Governance Department's Role in Corporate Governance

The Corporate Governance Department is responsible for monitoring the implementation of the set Corporate Governance Framework to ensure the quality of such implementation.

The Department will also facilitate the review assessment of the Company's corporate governance framework to verify full compliance with the set framework and related laws and regulations.

The results of the assessment will be highlighted and reported to the BOD on a periodic basis for monitoring purposes.

The Board of Zain shall ensure that it operates an effective management system where the roles and responsibilities are clearly established. The Board will set out its expectations and will measure and reward successful attainment of the goals, whilst also holding individuals responsible for the non-attainment of the set goals.

The Corporate Governance Department shall also be responsible for ensuring that the Company's disclosures are conducted in a timely manner and in line with regulatory requirements. It will also coordinate with the Company's Subsidiaries to ensure that disclosures related to subsidiaries are also conducted in a timely manner without delays. the Department also handles correspondences between the Company and concerned regulatory authorities (i.e. CMA).

The corporate governance department shall provide the CMA on a semi-annual basis with evidence of the implementation of the requirements contained in the corporate governance rules issued by the CMA.

The corporate governance department is also committed to communicating with international bodies, institutions, and agencies regarding the evaluation of the company in terms of compliance with ESG standards and best practices. providing results and ESG ratings to the board of directors on an annual basis or when needed.