Policy on Implementation Performance of Audit Recommendations (IPAR)

March 2024
Version 1.2

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Version Details

Version	Date	Remarks
Version 1.0	June 2015	Initial Policy
Version 1.1	November 2018	Included Medium Risk Audit conclusions in the computation of annual bonus
Version 1.2	March 2024	Updated to reflect the new rating methodology of critical, high, medium, and low risks, including minimum threshold per risk category, KRA renamed to IPAR , Included the MAR Approval Process.

1. Background

The objective of this policy is helping to improve the internal control environment at each legal entity pertaining to Zain Group, considering the implementation of internal audit recommendations as an important factor to achieve such objective. Consequently, BoD and BAC introduced in 2015 a ratio (KRA) to ensure the timely implementation of internal audit recommendations, linking to such indicator a 10% of the annual bonus for Senior Executive Management at both OpCo and Group levels. Previous editions of this policy related to the calculated ratio as KRA, now renamed to **IPAR** (**I**mplementation **P**erformance of **A**udit **R**ecommendations).

This policy has since gradually evolved to include all risk categories, assigning appropriate weightage to each risk category. Currently, such weights are shown below:

Color code	Risk Rating	Weightage
	Critical	40%
	High	30%
	Medium	20%
	Low	10%

Further, BAC recognizes the importance of every risk category and has considered a minimum threshold of 70% implementation rate to achieve for each risk category stated above. For more information relating to risk categories please visit Section 6. Risk categories definitions.

Finally, for more details relating internal audit processes (audit plan, audit phases, draft reports, final reports, follow up & reporting processes, etc) please check with GIA as they are described in the GIA policy.

2. Process

Computation period for each calendar year is from 1st October to 30th September. The final calculation & performance would be based on timely implementation of all Internal Audit action plans due in such period, provided that:

a. Internal audit recommendations overdue for more than one year would be automatically considered as risks assumed by management (MAR).

b. If the management considered the Internal audit recommendation as risks assumed by management(MAR) it will not be considered MAR until completing the approval process.(Appendix 1).

Contributing to a better oversight of this process Group Internal Audit should, through its follow up and subsequent quarterly reporting process, inform to all appropriate levels, both at OpCo and Group level about the results of follow up every quarter, providing the basis for prompt management action.

Further, Group Internal Audit would report to BAC every quarter all risks assumed by Management regardless its origin for its consideration and ratification as such. The outcome of BAC deliberation should be communicated promptly to management.

Group Internal Audit would report draft IPAR results as per below table:

Senior management OpCo level	October 15th - October 22nd
Senior management Group level	October 22nd - October 29th
BAC	First meeting to be had after October 30th

BAC will consider this IPAR draft results as final once duly reviewed and deliberated over.

3. Calculation methodology

All internal audit recommendations will be aggregated by a bottom-up approach and will be the basis to evaluate the allocated bonus portion as described in Section 1. The same is described below:

- OpCo CXO's score will be measured on the number of audit recommendations implemented in comparison with total audit recommendations within his/her control and due for implementation.
- OpCo CEO's score will be computed on the aggregated performance of the OpCo CXO's.
- Group CXO's score will be computed on a) aggregated performance of each functional OpCo CXO score and b) on the number of audit recommendations implemented in comparison with total audit recommendations within his/her control and due for implementation at Group level.
- Group CEO's score will be computed on aggregated performance of Group CXOs.

Examples

Below table gives an example of the scenario for calculation of implementation performance of audit recommendations:

A. Action plans implemented by OpCo:

OpCo CXOs	Critical Risk			High Risk			Medium Risk			Low Risk		
	Action Plans	Implemented	%	Action Plans	Implemented	%	Action Plans	Implemented	%	Action Plans	Implemented	%
OpCo CXO 1	1	1	100%	11	4	36%	63	36	57%	43	32	74%
OpCo CXO 2	1	1	100%	14	7	50%	53	28	53%	32	25	78%
OpCo CXO 3	-	-	-	4	4	100%	28	21	75%	27	25	93%
OpCo CXO 4	2	1	50%	3	3	100%	10	4	40%	9	3	33%
OpCo CEO - Consolidated	4	3	75%	32	18	56%	154	89	58%	111	85	77%

B. Implementation achievement by OpCos:

OpCo CXOs	Critical Risk (40%)		High Risk (30%)		Medium Risk (20%)		Low Risk (10%)		% of Implementation
	Implemented	%	Implemented	%	Implemented	%	Implemented	%	
OpCo CXO 1	100%	40%	36%	11%	57%	11%	74%	7%	69%
OpCo CXO 2	100%	40%	50%	15%	53%	11%	78%	8%	74%
OpCo CXO 3	-	-	100%	30%	75%	15%	93%	9%	54%
OpCo CXO 4	50%	20%	100%	30%	40%	8%	33%	3%	61%
OpCo CEO - Consolidated	75%	30%	56%	17%	58%	12%	77%	8%	67%

C. Action plans implemented by Function:

Function	Critical Risk			High Risk			Medium Risk			Low Risk		
	Action Plans	Implemented	%	Action Plans	Implemented	%	Action Plans	Implemented	%	Action Plans	Implemented	%
G.CXO 1	6	6	100%	21	14	67%	78	51	65%	68	57	84%
G.CXO 2	6	6	100%	24	17	71%	68	43	63%	57	50	88%
G.CXO 3	3	2	67%	14	14	100%	43	36	84%	52	50	96%
G.CXO 4	7	6	86%	13	13	100%	25	19	76%	34	28	82%
G. CEO - Consolidated	22	20	91%	72	58	81%	214	149	70%	211	185	88%

D. Implementation achievement by Function:

Functions	Critical Risk (40%)		High Risk (30%)		Medium Risk (20%)		Low Risk (10%)		% of Implementation
	Implemented	%	Implemented	%	Implemented	%	Implemented	%	
G.CXO 1	100%	40%	67%	20%	65%	13%	84%	8%	81%
G.CXO 2	100%	40%	71%	21%	63%	13%	88%	9%	83%
G.CXO 3	67%	27%	100%	30%	84%	17%	96%	10%	84%
G.CXO 4	86%	34%	100%	30%	76%	15%	82%	8%	87%
G. CEO - Consolidated	91%	36%	81%	24%	70%	14%	88%	9%	83%

4. Owner, review and disclosure

Owner of this policy is Group Internal Audit, who should review and propose any update to be made to the BAC, who will initially approve any update.The Policy then should be reviewed by the Board Nomination and Remuneration Committee and approved by the Board of Directors . This policy will be communicated to executive management as soon as feasible once approved by BAC and BoD. and at least once a year after finalization of each IPAR exercise.

5. Definitions and acronyms

Acronym	Definition
BAC	Group Board Audit Committee.
BoD	For Zain Kuwait and Zain South Sudan, BoD refers to the Zain Group Board of Directors. For the others BoD refers to the respective local OpCo Board of Directors.
Follow Up	Group Internal Audit's continuous process of verifying the status of conclusions / action plans to be implemented by the management.
GCEO	Group Chief Executive Officer
GCXO	Group Chief X (can be 'T' for Technical, 'F' for Financial, 'I' for Information, 'C' for Commercial and 'O' for Operational) Officer
GIA	Group Internal Audit
IPAR	Implementation Performance of Audit Recommendations
MAR	Management Accepts Risk
OpCo	Operating Company
OpCo CEO	OpCo Chief Executive Officer
OpCo CXO	OpCo Chief X (can be 'T' for Technical, 'F' for Financial, 'I' for Information, 'C' for Commercial and 'O' for Operational) Officer

6. Risk categories definitions

Risk rating		Definition
	Critical	Significant weakness identified, impairing the overall effectiveness of organization / divisional operations. Internal and procedural controls tested need immediate Management attention to mitigate design deficiencies.
	High	Major weakness identified, with adverse impact on the overall effectiveness of organization/divisional risk Management, control, and governance process. Normally it requires the immediate attention of the line Management and Senior Management.
	Medium	Moderate weakness identified, with an impact on the overall effectiveness of organization/divisional risk Management, control, and governance process. Normally requiring the immediate attention of the line management
	Low	Minor weakness identified, with an indirect impact on the overall effectiveness of organization/divisional risk Management, control, and governance process. Normally requires the attention of the line Management.

Appendix 1: Management Accepts risk (MAR):

Purpose/Objective	Activities
MAR refers to risks identified by GIA that are deemed acceptable by management within an organization. MAR signifies instances where management consciously decides to tolerate certain risks rather than implementing further mitigating actions.	1. MARs are approved by Department Heads and CXOs during the draft & final report stages, ensuring early identification and assessment of accepted risks. 2. CEO Communication: GIA communicates MARs to OpCo CEOs post-final report issuance, seeking his/her approval before presenting to the Group CEO. 3. Group CEO Communication: GIA communicates MARs to Group CEO who evaluates justifications provided by OpCo management, seeking his/her approval before presenting to OpCo Board. 4. All MAR are presented in OpCo Boards for approval. 5. Quarterly Consolidation: GIA consolidates MARs quarterly, presenting them to Zain Group Audit Committee for review, promoting transparency and alignment with organizational risk tolerance. 6. In case approval is denied by any party in the process, the conclusion will not be treated as MAR and the Management will have to give an alternative mitigating action plan.