MOBILE TELECOMMUNICATIONS COMPANY (K.S.C.P.)

SUBSIDIARIES' GOVERNANCE FRAMEWORK

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1. Introduction

1.1 Overview

This document outlines the governance policy for Zain Group's subsidiaries, establishing a clear framework for oversight, accountability, and strategic alignment. The policy aims to ensure that subsidiaries operate in line with Zain Group's overall objectives while adhering to applicable legal and regulatory requirements. It defines the roles and responsibilities of various stakeholders, including board representatives, who play a key role in ensuring effective communication, governance, and alignment between the Group and its subsidiaries. Additionally, the policy addresses the interaction matrix at both the Group and subsidiary levels to enhance collaboration and accountability.

1.2 Subsidiary Governance Definition

Subsidiary governance refers to the framework of policies, procedures, and practices that guide the management and oversight of subsidiary companies within a larger corporate group. It encompasses the relationships between the parent company and its subsidiaries through the respective board representatives, ensuring that subsidiaries operate in alignment with the parent company's objectives, values, and regulatory requirements.

1.3 Purpose

The purpose of this policy is to establish the principles of sound governance that guide subsidiary activities, ensuring consistency across the Group. It facilitates the contribution of board representatives in aligning subsidiary operations with the Group's strategic objectives, while promoting effective risk management and control processes.

1.4 Scope of Applicability

This policy shall apply to all Board Representatives appointed by Zain Group in its Layer One Subsidiaries that are owned or controlled by Zain Group, regardless of their geographical location or operational focus. These subsidiaries hold substantial importance to the overall financial, operational, or strategic performance of the Group.

Zain maintains control over its subsidiaries by direct and indirect ownership with a range from 30% to 100%. Thus, Zain may have the right by law to appoint board representative in these subsidiaries whenever possible based on the legal structure of each entity.

Maintaining Board representatives in subsidiaries is vital for ensuring strong governance, strategic alignment, and policy compliance. They provide oversight, enhance communication, and support effective decision-making and risk management across the Group.

2. Definitions

#	Abbreviation	Description
1	Zain	Mobile Telecommunications Company.
2	Board	Board of Directors of Zain Group.
3	Group	Refer to Zain as the parent of the group.
3	Subsidiary	Layer one subsidiary in which Zain have a control, maintains a high operational exposure, subject to governance requirements and strategic direction of Zain.
4	Board Representative	Board member in a subsidiary company who nominated by Board of Directors of Zain Group.

The following types of interactions used to reflect involvement:

Types Of Interactions	Description
Responsible	Develops and prepares contents and submits it for review and approval.
Consult	Conducts in-depth review and contributes to the refinement of contents prior to sending to approver. Provide consultation on the content provided to be in-line with the group policies, plans, and overall objectives.
Accountable	Provides formal approval for the submitted content.
Inform	Notify the Group Board on the content, actions and decision performed.

3. Governance Structure

3.1 Subsidiary's Board of Directors

Each subsidiary must have its own Board of Directors responsible for overseeing the operations, financial performance, and compliance with applicable laws and regulations. The Board shall consist of number of members appointed by Zain Group according to ownership structure, ensuring a mix of local expertise and alignment with Zain objectives. Board committees (e.g., Audit, Risk, Nomination & Remuneration) may or may not be established, depending on applicable laws and regulations.

The Group Board of Directors shall consider the following when appointing Board Representatives in Subsidiaries as follows:

- Consider and approve fair representation from Zain on the Board of Directors of the subsidiary company. Oversees the performance of the subsidiary's Board, status of the business of the subsidiary, and its adherence to the strategic objectives of the Group.
- Verify the efficiency and experience of the directors to be appointed to represent Zain, ensure their independence and that they maintain necessary knowledge, qualification and experience to perform their duties.

3.2 Subsidiary's Management

Each subsidiary may appoint a local CEO/General Manager, with the approval from the group CEO, either by the subsidiary's Board or the Group's Board, as applicable. The CEO/General Manager is responsible for managing the business in accordance with the subsidiary's Articles of Association, this Framework, and relevant local laws and regulations. The local CEO/General Manager shall report directly to the subsidiary's Board and, to the Group CEO, subject to regulatory requirements.

3.3 Delegation of Authority

The authority of a subsidiary defined by its articles of association and the relevant local laws and regulations. It is essential that these authorities align with the Group's authority matrix and strategic objectives to maintain consistency across the organization. This alignment ensures that the subsidiary's governance structure, rights, and responsibilities are in alignment with the parent group's framework, fostering compliance with both internal policies and external regulatory standards.

This document must be read along with the group authority matrix that was approved by the group board and the approval authorization matrix payments and bank transactions.

4. Roles and Responsibilities

Below is a concise statement about the roles and responsibilities relevant to the governance of subsidiaries to ensure effective governance and reporting practices:

4.1 Main Roles and Responsibilities

- **Strategic Guidance:**

  Strategic guidance involves providing directional support and oversight by Zain Group to ensure that board representatives in subsidiaries make decisions that align with the group's overall goals. This includes offering advisory input on key initiatives, sharing best practices, and addressing challenges to ensure consistency across the organization. Strategic guidance helps subsidiaries navigate complex issues such as market expansion, technology adoption, and compliance with regulations. While Zain Saudi is a subsidiary of Zain Group, it operates as a publicly listed shareholding company on the Saudi Stock Exchange (Tadawul), governed by the Capital Markets Authority (CMA) in the Kingdom of Saudi Arabia (KSA), with its own board of directors. Although strategic alignment with the Group remains essential, decisions are made at the subsidiary level through a joint effort between Zain Group and Zain Saudi.

- **Strategic Management:**

  Strategic management is a comprehensive process through which the Group Board oversees the formulation, implementation, and monitoring of strategies aimed at achieving long-term objectives. This process ensures alignment between the subsidiaries' strategic direction and the Group's vision and mission, while optimizing resource allocation for maximum value creation. Strategic management emphasizes decision-making, goals setting, and performance tracking.

- **Organization and Compensation**

  The design and management of compensation structures across the subsidiaries to ensures consistency, alignment with the Group corporate strategy, local relevance, balancing governance with flexibility for subsidiary-specific needs.

- **Corporate Governance**

  Ensures alignment with the Group's objectives through clear accountability, compliance with local laws, and transparent reporting. It supports operational integrity and stakeholder confidence.

- **Corporate Compliance**

  Establishes and oversees Group-wide compliance policies and procedures to ensure adherence to laws, regulations, and Board-approved policies. Ensures the development of tailored compliance checklists, conducts audits, delivers awareness sessions, and supports business units through guidance and monitoring, while regularly reporting to the Board Risk Committee (BRC) to provide oversight, highlight key regulatory risks, and support informed decision-making on compliance matters.

- **Control Management (Risk Management, Internal Audit/Internal Control and Regulatory Compliance)**

  Subsidiaries are responsible for implementing the group's risk management framework while tailoring it to address their unique operational, financial, and regulatory challenges. This includes maintaining a robust internal controls, conducting effective Internal Auditing, and reporting of significant risks to the group board. Subsidiaries are also responsible for implementing appropriate controls to institutionalise regulatory compliance within the operating company based on standards and frameworks defined by the Group.

- **Corporate Sustainability**

  Each subsidiary shall establish the controls needed to incorporate sustainability compliance and reporting in line with Group-defined standards, metrics, and frameworks. Subsidiaries shall apply the Group's corporate sustainability strategy and framework, tailoring it to their specific environmental, social, governance, and regulatory requirements. This includes defining clear sustainability oversight, integrating ESG risk and opportunity management into daily operations, performing development initiatives, and submitting timely reports to the Group on material sustainability matters and performance.

5. Interaction Matrix

5.1 Strategic Guidance

Strategic Guidance	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Defining vision, mission and corporate core values.	Responsible	Consult	Accountable	Inform
Formulate strategic objectives within business plan considering group strategic plan	Responsible	Consult	Accountable	Inform
Strategic initiatives and business priorities	Responsible	Consult	Accountable	Inform
Resources allocation and succession planning	Responsible	Consult	Accountable Nomination and Remuneration Committee	Inform
Communication of strategy on subsidiary and group level	Responsible	Consult	Accountable	Inform
Idle capital structure model and changes to the structure to achieve business objectives	Responsible	Consult	Accountable	Inform
Changes to the company's activities	Responsible	Consult	Accountable	Inform
Changes to subsidiary organization structure	Responsible	Consult	Accountable	Inform
Establish business performance metrics and monitoring mechanisms including KPIs	Responsible	Consult	Accountable	Inform

5.2 Strategic Management

Strategic Management	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Setting up annual budget and forecasted cashflow[1]	Responsible	Responsible	Accountable	Inform
Liquidity management and debt restructuring1	Responsible	Responsible	Accountable	Inform
Funding strategy and selection of counter parties1	Responsible	Responsible	Accountable	Inform
Cost cutting and efficiency programs	Responsible	Consult	Accountable	Inform
Setting short and long-term goals that are driven from business plan and strategy	Responsible	Responsible	Accountable	Inform
Procurement, tendering and contracting for short and long-term agreements.	Responsible	Responsible	Accountable	Inform
Pricing strategy and Discount policies for key products and services.	Responsible	Responsible	Accountable	Inform
Exit strategies form non-performing investments, products, and services.	Responsible	Responsible	Accountable	Inform
Establishment of profit distribution policy.	Responsible	Consult	Accountable	Inform
Concluding Insurance and reinsurance polices.	Responsible	Accountable	Inform	Inform

[1] Responsibility is carried out according to the threshold specified in the authority matrix and the financial authorization matrix payments and bank transactions documents – refer to section 3.3

Strategic Management	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Establishment of partnership, joint ventures and strategic alliance.	Responsible	Responsible	Accountable	Consult
Performance evaluation and performance monitoring system reports (dashboard / scorecards)	Responsible	Consult	Accountable	Inform
Periodic reports on business performance and business units progress	Responsible	Consult	Accountable	Inform
Cash management and alternative investment solution for idle cash.	Responsible	Responsible	Accountable	Inform
Corrective action plan for non-performing initiatives and goals.	Responsible	Consult	Accountable	Inform
Corrective action plan for non-performing group-level strategic initiatives	Responsible	Responsible	Accountable	Inform
Pivoting business models to respond to market disruptions.	Responsible	Consult	Accountable	Inform
Periodic status reports on current legal cases and relevant resolutions	Responsible	Responsible	Accountable	Inform
Developing an authority matrix that is aligned with the roles and responsibilities of the company.	Responsible	Consult	Accountable	Inform

5.3 Organization and Compensation

Organization and Compensation	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Human resources policies and procedures manual	Responsible	Consult	Accountable	Inform
Developing Manpower plan that is adequate for the nature and volume of business	Responsible	Consult	Accountable	Inform
Succession planning for key management	Responsible	Consult	Accountable	Inform
Salary Scale and Grading structure	Responsible	Consult	Accountable	Inform
Remuneration and compensation for board and executive management	-	Consult	Respective Committee Responsible/ Accountable Subsidiary Board	Inform
Remuneration and compensation for Subsidiary CEO	-	Responsible	Inform	Accountable
Performance bonuses and incentives plan.	-	Consult	Respective Committee Responsible/ Accountable Subsidiary Board	Inform
Appointment / removal of executive management and c-class.	Responsible	Consult	Accountable	Inform
Appointment/removal of CEO/CFOs	Consult	Responsible	Accountable	Inform
Appraisal of executive management and c-class.	Responsible	Responsible	Respective Committee Responsible/ Accountable Subsidiary Board	Inform
Disciplinary Action Matrix	Responsible	Consult	Accountable	Inform

Organization and Compensation	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Selection of hiring agencies	Responsible	Consult	Respective Committee Accountable	Inform
Setting eligibility criteria for promotions and career advancement.	Responsible	Consult	Respective Committee Accountable	Inform
Performance evaluation of executive and key management.	Responsible	Consult	Accountable	Inform
Performance evaluation of company's personnel.	Responsible	Consult	Respective Committee Accountable	Inform
Investing in new technology and systems upgrades	Responsible	Consult	Accountable	Inform

5.4 Corporate Governance

Corporate Governance	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee/ Subsidiary Board	Group Committee /Group Board
Governance policies that are in line with the regulatory requirements and consistent with Zain group governance framework	Responsible	Consult	Accountable	Inform
Establishment of Board performance evaluation matrix	-	-	Responsible Nomination and Remuneration Committee / Accountable Subsidiary Board	Inform
Annual Board training and awareness with emerging governance, risk management, regulatory compliance	-	-	Responsible Nomination and Remuneration Committee / Accountable Subsidiary Board	Inform

Corporate Governance	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee/ Subsidiary Board	Group Committee /Group Board
and industry best practices				
Report on Related Party transactions as per accounting standards and relevant regulations.	Responsible	Consult	Accountable Risk Committee / Subsidiary Board	Inform
Mandatory policies covering ESG, Fraud, Anti-Bribery, Conflict of Interest etc.	Responsible	Consult	Accountable	Inform
Any Material information which may have an adverse effect on the Company or its financial position, legal entity or any final verdict in its regard which may have a significant impact on the Company. The threshold for disclosure of material information is specified in Zain Group's Disclosure policy. [2]	Responsible	Responsible	Accountable	Accountable

[2] Refer to disclosure policy

5.5 Corporate Compliance

Corporate Compliance	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Development of compliance policy, plan, and framework	Consult	Responsible	Inform	Accountable BRC/BoD
Obtain Board of Directors' approval on the Compliance Policies and Procedures and ensure their effective implementation.	Responsible	Consult	Accountable	Inform
Corporate compliance monitoring, periodic audits, reporting and integration of compliance checklists and tools	Responsible	Consult	Accountable	Inform BRC/BoD
Delivery of compliance awareness campaigns and training programs	Responsible	Consult	Accountable	Inform BRC/BoD
Oversight of compliance software adoption, usage, and KPI monitoring	Responsible	Consult	Accountable	Inform BRC/BoD
Reporting compliance breaches and recommending corrective actions	Responsible	Consult	Accountable	Inform BRC/BoD
Appointment / Removal of compliance Manager/ Outsourcing compliance Function	Responsible	Consult	Accountable	Inform BRC/BoD

5.6 Control Management (Risk Management, Internal Audit/Internal Control and Regulatory Compliance)

Control Management	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Appointment / Removal of the Internal Audit Manager / Outsourcing Internal Audit Function	Responsible	Consult	Accountable Audit Committee / Subsidiary Board	Inform BAC/BoD
Internal Audit Charter / Manual that cover all mandatory elements as per GIAS standards	Responsible (Internal Audit Department)	Consult	Accountable Audit Committee / Subsidiary Board	Inform BAC/BoD
Internal Audit Plan covers all core and support functions in line with the Group IA Plan	Responsible Internal Audit Department	Consult	Accountable Audit Committee / Subsidiary Board	Inform BAC/BoD
Internal Audit Quality assurance & Improvement program execution	-	Responsible	Accountable Audit Committee / Subsidiary Board	Inform BAC/BoD
Appointment, Re-appointment, or Replacement and compensation of Financial Auditors	-	Responsible	Accountable Audit Committee/ Subsidiary Board	Inform BAC/BoD
Interim Financial Statements	Responsible	Consult	Accountable Audit Committee/ Subsidiary Board	Inform BAC/BoD
Year End Financial Statements	Responsible	Consult	Accountable Audit Committee/ Subsidiary Board	Inform BAC/BoD
Appointment / Removal of Risk Management Manager/ Outsourcing Risk Management Function	Responsible	Consult	Accountable Risk Committee/ Subsidiary Board	Inform BRC/BoD
Risk Management Policies Procedures Manual/Framework	Consult	Responsible Risk Management	Accountable Risk Committee / Subsidiary Board	Inform BRC/BoD

Control Management	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Risk Strategy and Risk Appetite Statement	Consult	Responsible Risk Management	Accountable Risk Committee / Subsidiary Board	Inform BRC/BoD
Monitoring risk exposure and mitigation strategies.	Responsible Risk Management	Consult	Accountable Risk Committee / Subsidiary Board	Inform BRC/BoD
Managing Regulatory Compliance	Responsible Regulatory Affairs and Compliance	Consult	Accountable	Inform

5.7 Corporate Sustainability

Corporate Sustainability	Subsidiary Executive Management	Group Executive Management	Subsidiary Committee / Subsidiary Board	Group Committee /Group Board
Development of the Sustainability Strategy and KPIs	Consult	Responsible	Accountable	Inform
Development of Sustainability Policies and Procedures	Responsible	Responsible	Accountable	Inform
Implementation of Sustainability Policies and Procedures	Responsible	Consult	Accountable	Inform
Submitting ESG Data – Sustainability Cloud & Disclosure Requirements	Responsible	Consult	Accountable	Inform
Monitoring and collecting local demographic data, and reporting related data on ESG indicators, including compliance with the group's external auditing exercise.	Responsible	Consult	Accountable	Inform