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Corporate Governance

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Zain's Board of Directors is structured in accordance with applicable laws and regulations. The Board composition ensures members' ability to fulfil the assigned roles and responsibilities. The nine members demonstrate a healthy mix of educational, professional experience, and specialized skills to enhance Zain's competence. The composition of the Board takes into consideration the relevant laws and regulations in addition to international best standards to the extent possible. The term of membership of the Board of Directors is three years, and can be renewed, provided that all regulatory and legal requirements are met.

Eight of the nine Board members, including the Chairman, are non-executive members with 20% of the members of the Board being independent members. Currently, only one Board member that sits is independent, however, the shareholders will elect an additional member during the annual general meeting of shareholders for the year 2022, to take place in March 2023. This will reflect the local regulatory update and a step in the right direction towards compliance with international standards. Zain's independent members are assigned advisory tasks related to various company activities, which helps the Board take valid resolutions that contribute to the fulfilment of the interests of all stakeholders.

Forming different committees is part of the Board's responsibilities to successfully fulfill its role in accordance with the company's needs, purpose and business environment. The following is a summary of the three Board committees at Zain Group.

1. Board Audit Committee

The Board of Directors Audit Committee comprises three members, provided that at least one of the members is independent. The Board Chairman or executive members of the Board of Directors shall not be members in such a committee, according to Kuwait's laws and regulations.

2. Board Risk Committee

The Board of Directors' Risk Committee comprises not less than three members. The Chairman of this committee is a non-executive member of the Board. Additionally, the Chairman of the Board is not a member of this committee as per local laws.

3. Board Nominations and Remunerations Committee

The Board of Directors' Nominations and Remunerations Committee consists of three members with one being independent. The committee Chairman is a non-executive Board member.

The Board of Directors of Mobile Telecommunications Company (Zain Group) is committed to diversity and inclusion principles. These principles are embedded in the Code of Business Conduct that sets out the values by which Zain undertakes its business activities and operations. Currently Zain's Board members are all males, aged between 40 and 65. In 2022, the Board approved the Board Diversity Policy, which aims to promote diversity and inclusion at the Board level, in terms of experience, knowledge regardless of gender, race, ethnic origin, disability, age, nationality, national origin, religion/belief, marital status, and social class. Zain opposes 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.

The company encourages all shareholders to participate in the Annual General Meetings (AGM) and to vote on all resolutions adopted by the Assembly, including the selection of the members of the board of directors. Any class of shareholders are entitled to attend the meetings of the General Assembly without paying any fees for attendance. Voting in the General Assembly shall be by secret ballot.

The key role of the Board is to set strategies, goals, and objectives for the benefit of the company in the short-, medium- and long-term. It puts in place mechanisms to monitor progress in achieving these goals and clarifies the plans so that investors have a clear picture of the long-term outlook. The Board looks to take advantage of future opportunities, while identifying and managing actual and potential risks.

In accordance with effective corporate governance guidelines, the Board developed a clear written description of the roles of Board members, the Chairman, CEO, and Board committees. Furthermore, the Board created a framework of internal charters, codes of business conduct, and policies relating to environmental, social, and governance (ESG) dimensions to ensure compliance with domestic regulatory requirements under the jurisdictions where Zain operates and to keep up with international best standard. As the Board is responsible for reviewing and approving all policies and charters in the company, it continues to grow internal policy structures to expand its oversight on the internal control systems within the company.

The role of the Board also includes monitoring the implementation of strategic plans and compliance with relevant policies, rules, laws, and regulations. The Board is responsible for managing the risks to an appropriate level, according to the applicable laws and regulations and within the company's objectives to maximize shareholder value while assuming full responsibility for shareholders and stakeholders. The Board sets the company's values and standards, ensuring that they are in line with the company's overall strategic objectives and corporate culture. The Board also ensures that the company's obligations are understood by shareholders and other stakeholders, including employees, suppliers, customers, law authorities, organizations and the environment in which it operates.

The Board bears full responsibility for the management and supervision of the Group and its activities. It strives to lead the company's business within the approved regulatory framework, which is based on applicable regulations, laws, internal control systems and international standards. The Board continuously reviews the implementation of good corporate governance. Zain established a governance structure that enables the Board to focus on key areas of responsibility that affect the long-term success of the business.

The Board supervises compliance with the laws, company objectives, articles of association, and decisions of the General Assembly, while adhering to the principles of governance, standards of best practices and work ethics. This includes allocating sufficient time to adopt the company's vision, mission, directions, and strategies. Board members attend meetings and review and approve the main strategies and policies, as well as the financial objectives and operational plans of the company. Furthermore, the Board meets at least six times a year; during these meetings it discusses the operations, goals, plans and actions to be taken with executive management.

Adopting innovation and its inherent risks requires the Board and executive management to develop new ways to work together. With an increase in the pace of change in the business environment, driven by technological, social, and climate change factors, one of the main competitive advantages that a company should possess is the ability to constantly innovate. As innovation affects the company's position in creating shared value, efficiency, and effectiveness in operations, Board members play an important role in guiding and supporting innovation within the company. Responsibility for implementing the approved strategy rests with the CEO and executive management, which in turn leads to delegating the required work to appropriate business units within the company. Board members are responsible for developing a clear strategy and business model, and work closely with executive management within a set timeframe to drive business growth in a changing world. This is pivotal to the company's success. The Board approves the quarterly and annual financial statements, budgets, investments, and the company's operations and those of its subsidiaries. The Board also reviews and approves material agreements, appoints members of the executive management, and monitors the performance of its committees.

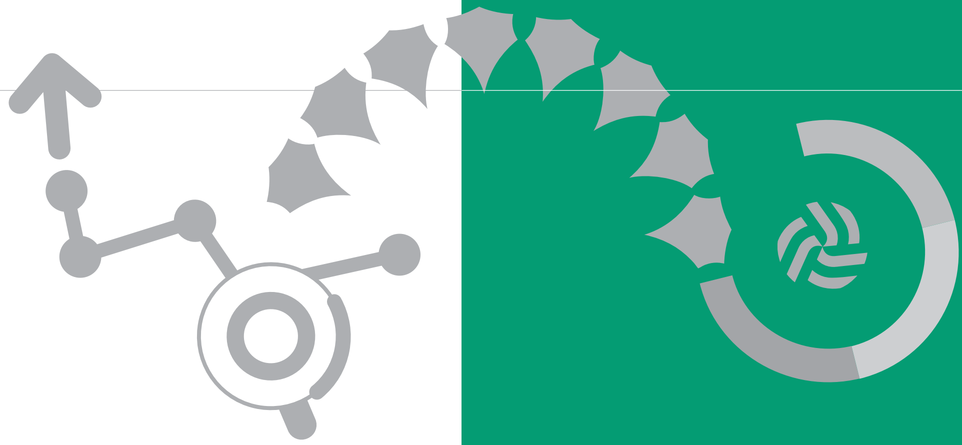
The Board is concerned with evaluating the adequacy of internal control and audit systems, reviewing the main potential risks, and developing a comprehensive risk management manual. It also ensures that executive management has effective systems and procedures to manage risks, implement adequate and effective internal controls, and search for new business opportunities either through innovative technologies and products, or different markets and sectors.

The role of the Board is crucial in ensuring the establishment of an effective control environment through a set of standards, processes and structures that supply the footing for the implementation of internal control across the organization. The Board is also responsible for overseeing a system that supports the anti-corruption policy effectively, monitoring the performance of executive management to ensure the implementation of the policy. The Board also ensures raising awareness in this regard within the corporate culture and places great emphasis on the importance of this policy. In 2022, Zain incurred no costs related to corruption fines or penalties. Moreover, the Board provides proper channels of communication with shareholders and other stakeholders and supervises the disclosure of material information to ensure the validity, consistency, transparency, and credibility of information that is disseminated to the highest standards. The Board and executive management recognize the company's role and social contract with its operating communities and aims to address their deficits and challenges in an inclusive and progressive manner.

Zain's governance framework includes a set of policies aimed at protecting the rights of shareholders and other stakeholders. This framework includes the conflict of interest policy, which aims to define employee actions when there is a potential conflict between their personal interests and those of the company. The policy also sets limits on employees where possible conflicts may arise. Members of the Board and executive management at Zain are compelled to disclose all actual or potential cases of conflict of interest, as defined within the company's policy based on relevant laws, regulations, and international standards. Zain's conflict of interest policy includes clear examples of cases of conflict of interest and the methods of addressing them. A conflict of interest occurs when an individual's personal interests influence their judgment, decisions, or actions, in a way that negatively affects their professional commitments or responsibilities and raises questions about whether their decisions can be unbiased. Zain includes conflict of interest in its policies, procedures and charters and treats every case seriously and with top priority. Board members are also bound to disclose any personal interest in the business and contracts that involve the company. This disclosure is recorded in the minutes of the meetings. The Board member with personal interests in the matter at hand must refrain from taking part in voting on the relevant resolution. In the case that a Board member has a personal interest, a special report from the auditor shall be attached to the disclosure.

Sustainability issues, including the socio-economic and environmental impacts of Zain, fall under the responsibility of the Chief Sustainability Officer (CSO). The CSO ensures that Zain's business practices are impactful on all economic, environmental, and social levels. She develops, manages, and monitors the company's sustainability strategy, in a manner that improves the organization's environmental, social, and economic impact. The CSO works with the Board, management, employees, customers, stakeholders, suppliers, and corporate shareholders to minimize the company's the company's environmental footprint in alignment with the Paris Agreement and the GSMA and ITU Mobile Industry Pathways. Impacts and other issues pertaining to these themes are reported to both Executive Management and the BOD by the Chief Sustainability Officer through a variety of tools that include periodic reports such as quarterly performance reviews and the annually published Sustainability Report. The Sustainability Report is prepared and reviewed by the Chief Sustainability Officer (CSO) and the final approval is provided by the Vice-Chairman and Group CEO. The CSO's role at Zain is to develop the Corporate Sustainability Strategy and ensure that the Zain operations are aligned to the CS strategy and are working towards achieving the targets. Her role also entails developing methodologies to assess the feasibility or success of sustainability initiatives and monitoring the effectiveness of sustainability programs.

A total of 6 Board Meetings were held in 2022. Meetings between Zain's Executive Management and the BOD take place on both a periodic basis and as required. Authority regarding economic, social, and environmental issues related to Zain are delegated by the BOD to members of the organization's Executive Management based on the pre-defined responsibilities of each Senior Executive. The Company is keen to align its business values and strategy with the corporate sustainability strategy which includes social and economic needs while embedding responsible and ethical business practices into every activity carried out by the company. The board must meet with the Internal Audit, Risk Management, and Finance teams on a quarterly basis at the minimum as per laws and regulations. The executive management provides quarterly updates to the board about the performance and the plans. The board has the authority to invite any member of the executive management to the meetings when deemed necessary.



Conflict of Interest

According to the CMA executive bylaw, the company assigns an independent expert to submit a report to the General Assembly or the Board regarding any transaction or arrangement whereby each of the parties enters any project or buys an asset or provides financing for it, when the value of the transaction or arrangement is equivalent to 10% or more of the company's total assets. Such reports are submitted before the deal or arrangement is approved. The Board collects relevant information and may question any involved parties. If the Board decides there is a conflict, steps are taken to address it. If there is no conflict, the investigation is documented. When an actual conflict of interest is found, any transaction that may have been affected is reviewed retrospectively. Affected parties inside and outside the company are notified, including shareholders, directors, employees, and regulatory bodies. An investigation is conducted by the Board to determine the extent of the dispute and the intentions of the parties involved. If the dispute in question concerns a member or members of the Board, that member is excused from the relevant discussions.

The Board has the power to find the appropriate and necessary disciplinary action, including suspension and/or termination of employment. The company's conflict of interest policy encompasses the duties and responsibilities of members of the Board, executive management, and employees in this regard. The policy is based on a number of principles such as protecting the rights of stakeholders and maximizing shareholder value. It emphasizes maintaining the confidentiality of transactions and information issued by the Board. The Board follows up on the cases of conflict of interest reported by the members of the Board, executive management, or the concerned employees, to ensure such cases are dealt with in an appropriate and timely manner following the relevant regulatory requirements.

Typically, all critical concerns that may affect the stakeholders' rights materially are reported to the Board to be reviewed and discussed. The Board investigates all cases thoroughly and ensures the right course of action is taken.

The executive management is regularly updating the Board about business operations, opportunities, and risks. One topic that can be defined as highly critical was handled by the board of directors with the assistance of internal stakeholders, and legal experts during 2022. This topic relates to a compliance diagnosis report issued by the CMA after completing an inspection visit at Zain Group. The visit concluded in December of 2021 and the final report was provided to Zain by the CMA in January of 2022. Regulator inspections play a key role as part of the regulatory governance to ensure the quality and effectiveness of laws and regulations and meeting the objectives overall. The CMA inspection team provided unique insights into the performance of the company in implementing the laws and regulations, the interpretation of articles, and areas to be improved. This feedback greatly contributed to the overall effectiveness of the company's action and performance. Correspondence and meetings between the company and the CMA was handled by all involved parties within the company including CG, legal, internal audit, risk, finance, board secretary, board committees, and ultimately the board of directors. In the said process, the board approved all final communications, actions, and plans.

Accordingly, the board created a timeline to work with the internal parties to address all the observations. All comments are cleared according to the proposed timeline. Currently, the company is expecting CMA's final report after providing all evidence and required documentations either to clarify the company's compliance strategy or to improve internal procedures according to CMA's guidelines.

Furthermore, the company developed its Whistleblowing policy, which sets out the guiding principles and procedures for reporting any misconduct to the designated authorities within the company so that corrective actions can be taken. This policy is intended to encourage and enable employees to raise serious concerns within the company by offering a reporting and investigation mechanism that is objective, confidential, and independent. The Board monitors performances according to this policy and recommendations resulting from investigations into complaints through the Board Secretary. Executive management must ensure that employees are able to raise concerns without fear of reprisals. In addition, executive management will follow up on the results of any investigation related to allegations raised against employees.

Board Evaluation

Zain's Board will run a self-assessment for the year 2022. The Board decided to conduct a self-assessment covering all areas and standards as per the criteria used by PWC in the last three years. In addition, the board included amendments to reflect recent trends and requirements by the regulators and best standards. This decision was based on the conclusion of the current tenure for the Board. Accordingly, Board elections will take place during the upcoming general shareholders' meetings (AGM) scheduled for Q1-2023. The board evaluates itself, initiated by the Chairman with practical help from the board secretary, BNRC and CG team. The evaluation is provided to all members by the board secretary as an online questionnaire.

There are many benefits to Board evaluation, including creating an opportunity for members to reflect on their performance, analyzing and assessing areas of weakness, providing Board members with a tool to measure their effectiveness and competencies, stimulating a learning culture, defining action plans to improve communication for effective decision making, and improving the working relationship between Board committees and the Board. It also helps to decide the Board's training needs to ensure it keeps pace with latest developments.

The Board designs the remuneration policy. This policy sets the basis for the remuneration of the Board and executive management, and its compatibility with the objectives and performance of the company. The policy reflects the company's objectives and considers the integrity of its operations and financial position. This policy is part of the corporate governance framework and is implemented through the Nominations and Remuneration Committee (BNRC).

The company's remuneration policy was created in accordance with the following principles:

1. Link rewards to the degree of risk entailed in the role.
2. Attract and retain the best professionals.
3. Ensure parity within the company and competitiveness outside.
4. Comparison of performance levels in the market using analyzes received from specialized consulting firms in the area.
5. Ensure transparency in awarding bonuses.
6. Link to performance indicators (KPIs) for Board members and executive management.
7. Consistency with the company's strategy and objectives both long- and short-term.
8. Match the experience and qualifications of the company's employees at distinct levels of employment.

Renumeration Policy

Zain's remuneration policy determines the reward system in line with the objectives of the company, shareholders, and stakeholders. This policy reflects standards and principles of best practices in good governance based on the relevant regulatory requirements. The BNRC is responsible for the implementation of this policy. It is also responsible for reviewing the policy on an annual basis and whenever necessary, taking into consideration the extent of compliance with the laws and guidelines issued by the relevant regulatory bodies such as the Capital Markets Authority and others. The committee submits proposed policy amendments to the Board for approval. The Board is keen to promote the principles of effective governance within the company's remuneration system. Through the BNRC, the remuneration policy is maintained in line with the company's strategy and overall risk framework. Executive management is responsible for designing the staff reward system in accordance with the approved policy, as well as the responsibility for following up the implementation of the approved system. The KPIs are based on the company's overall strategy and are approved by the Board. Executive management implements this strategy and reports thereon to the Board on a regular basis.

Board Remuneration

- Total Board remuneration shall not exceed 10% of the net profits of the company (after depreciation, reserves, and payment of dividends to shareholders not less than 5% of the company's capital or any higher percentage, as provided in the Articles of Association of the company).
- The board remuneration is approved during the Annual General Meeting of shareholders as per the recommendations of the BNRC, and by the Board itself.
- Executive Management Remuneration System takes into consideration the environment in which the company operates, the results achieved, the company's risk tolerance, and includes the following key components:

1. Fixed Remuneration

Fixed remuneration is determined by the level of responsibilities assigned and the specific career path of the executive member. The remuneration index is established for each job, reflecting the value to the company. It is reviewed by the BNRC, in coordination with the relevant departments, if necessary (i.e., human resources), on an annual basis to reassess the total remuneration package, market conditions, and performance of divisions across the company. This includes salaries, allowances, benefits, and end of service indemnity, which are awarded under the approved salary and grading structure by the Board, the applicable laws, and regulations and the manual of contractual agreements of employees issued by human resources.

2. Variable Remuneration

Variable remuneration is linked to the achievement of predefined goals. This type of remuneration is designed to motivate and reward executive management members. Variable bonuses are allocated based on the individual performance of the executive Management member and the overall performance of the company. At Zain, variable remuneration may comprise of two elements: annual variable remuneration (variable remuneration granted to employees on an annual basis) and multi-annual variable remuneration (variable remuneration granted to employees over multiple years indicating that the Board focuses on short-, medium- and long-term objectives). There are two types of annual objectives: financial indicators (financial targets to be achieved by the company and departments during the fiscal year) and non-financial indicators (non-financial operational objectives to be achieved by the company through activities and processes such as product introduction, entering a specific investment, etc.).