

CHAPTER

09



Corporate Governance



Zain’s Board of Directors operates in strict adherence to relevant laws and regulations. The structure of the Board is designed to enable members to effectively carry out their roles and responsibilities. Comprising nine individuals, the Board has a well-balanced combination of educational backgrounds, professional expertise, and specialized skills, thereby strengthening Zain’s overall capabilities. Notably, the Board’s formation is crafted to align with both local regulations and global best practices to the highest attainable degree.



Members of the Board of Directors serve a term of three years, which may be extended upon fulfillment of all requisite legal and regulatory regulations.

With a significant emphasis on non-executive participation, eight out of the nine Board members, including the Chairman, operate in a non-executive capacity. Moreover, one Board member holds an independent position. Zain’s independent members are entrusted with advisory responsibilities concerning various corporate initiatives, assisting the Board in making well-informed decisions that maximize the interests of all stakeholders.

The formation of committees aligns with governance guidelines, enhancing the overall effectiveness of the board in carrying out its duties, safeguarding the interests of stakeholders, and promoting the long-term success and sustainability of the organization. Boards establish committees to foster a more efficient and effective decision-making process, ensuring thorough oversight, and enhancing accountability within the organization. Zain’s Board of Directors formed the following committees:

1. BOARD AUDIT COMMITTEE

The Board of Directors Audit Committee comprises four 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 five 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 regulations.

3. BOARD NOMINATIONS AND REMUNERATIONS COMMITTEE

The Board of Directors’ Nomination and Remunerations Committee consists of five members with one being independent. The committee Chairman is a non-executive Board member.

The Board of Directors of Zain Group upholds a steadfast commitment to fostering diversity and promoting inclusive practices within its corporate code. These guiding principles are incorporated within the comprehensive Code of Business Conduct, which defines the fundamental values underpinning Zain’s key endeavors.

Currently, the Board of Zain comprises a skilled assembly of accomplished male professionals, each possessing significant expertise and falling within the age brackets of 30-50 years and over 50 years (for more details about the board members’ profiles including their year of birth, please refer to the Zain Group 2023 Annual Report). We remain dedicated to expanding the breadth of perspectives within our leadership, recognizing the pivotal role that diverse viewpoints play in steering our organization towards sustained excellence and innovative growth.

Zain’s board diversity policy is designed to champion a culture of inclusivity and diversity within the Board’s composition. This policy serves as a proactive measure to cultivate a Board environment that values a rich spectrum of experiences and expertise, irrespective of gender, race, ethnic background, disability, age, nationality, cultural heritage, religious beliefs, marital status, or social standing. Zain remains opposed to any form of discriminatory practices, firmly upholding principles of equity and fairness across all spheres of its operations.

This policy stands as a testament to our recognition of the inherent strength in fostering a diverse Board, one that effectively harnesses the distinct identities, proficiencies, and insights of its members to drive collective prosperity and strategic advantage for the organization.

The company extends an invitation to all shareholders, urging their active engagement in the Annual General Meetings (AGM) and participation in the voting process concerning the pivotal resolutions put forth by the Assembly, which notably encompasses the appointment of the members to the board of directors. Notably, every category of shareholders retains the privilege of attending the General Assembly gatherings, exempt from any attendance fees.

Furthermore, in adherence to the principles of transparency and integrity, voting within the General Assembly is conducted through a confidential and impartial secret ballot system, ensuring the safeguarding of each shareholder's right to privacy and impartial expression of their valuable perspectives.

THE BOARD'S ROLES AND RESPONSIBILITIES:

The Board is responsible for establishing company objectives, strategies, and policies, encompassing the overall strategy, capital structure, and profit distribution. It reviews and approves annual budgets and financial data, oversees capital charges and asset management, and ensures adherence to internal regulations. It also upholds data accuracy and transparency, fosters clear shareholder communication, and monitors the effectiveness of corporate governance. Additionally, the Board assesses the performance of members and executives, compiles annual reports on governance compliance, establishes and supervises specialized committees, and defines decision-making processes. It approves internal regulations and management policies, audits executive performance, determines employee remuneration categories, and manages the appointment and removal of executive members. Furthermore, it formulates stakeholder relationship policies, implements mechanisms to regulate related party dealings, ensures efficient internal audit systems, and integrates sustainability factors into the company's strategic and risk management plans.

The BOD and senior executives play a vital role in integrating sustainable development into the core

of the organization. They shape the organization's purpose, values, and mission, emphasizing sustainable practices alongside financial goals. They craft sustainable strategies, policies, and goals, focusing on environmental impact reduction and community welfare. Their role also involves ensuring alignment with stakeholder expectations and international standards, including ESG standards by MSCI, FTSE and S&P. They continuously review and update sustainable development initiatives to remain impactful, adapting to market trends and emerging challenges. This active involvement fosters a culture of sustainability within the organization and its operating communities.

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 standards. 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 of the internal control systems within the company. During 2023, the Board and executive management completed a full review of all policies and charters within the Corporate Governance Framework at Zain.

The Board's fundamental role covers diligent oversight of strategic plan execution and adherence to relevant policies, regulations, and statutes. It bears the responsibility of risk management within the scope of legal frameworks, aligning with the company's mission to optimize shareholder value, with accountability to

both shareholders and stakeholders. The Board sets the company's core values and benchmarks, matching them with strategic goals and corporate principles. Moreover, it ensures comprehensive knowledge of the company's obligations among stakeholders, including shareholders, employees, suppliers, customers, legal entities, institutions, the general public and the operational ecosystem.

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.

The Board of Directors is responsible for overseeing the organization's processes aimed at identifying and managing its impacts on the economy, environment, and people. This involves:

1. Engaging with stakeholders to support these processes by actively seeking input from shareholders, employees, communities, and other relevant parties to ensure comprehensive insight and alignment with diverse perspectives. This feedback is provided through surveys, whistleblowing mechanisms, open communications channels, and special events.
2. Considering the outcomes of these processes by analyzing the findings, assessing their implications for the organization's operations and objectives, and integrating them into the decision-making framework to drive responsible and sustainable practices.

Embracing innovation and its associated risks necessitates a combined effort from the Board and executive management to redefine their approach. Given the accelerating pace of change in the business landscape, emphasized by technological advancements, social shifts, and environmental concerns, the capacity for ongoing innovation stands out as a primary competitive edge for any organization. As innovation deeply impacts the company's ability to generate shared value, operational efficiency, and effectiveness, Board members assume a pivotal role in steering and fostering an innovative culture within the organization.

The responsibility of executing the approved strategy lies with the CEO and executive management, who, in turn, delegate tasks to the relevant business units. The Board holds the responsibility for crafting an articulate strategy and business model, collaborating closely with the executive management within specified time frames to steer business expansion in an evolving global context, a critical driver for the company's success and growth.





In its capacity, the Board is accountable for endorsing quarterly and annual financial statements, budgets, investments, and the operational activities of both the company and its subsidiaries. Additionally, the Board diligently examines and approves significant agreements, appoints key members of the executive management, and rigorously 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 board delegates responsibility for managing the organization's impacts on the economy, environment, and people through the following mechanisms:

1. Appointed senior executives with responsibility for the management of impacts:
 - > The board designates senior executives, within the executive leadership team, with specific mandates for overseeing and managing the organization's impacts on the economy, environment, and people. These senior executives are accountable for developing and implementing strategies, policies, and initiatives to address these impacts in alignment with the organization's overarching goals and sustainability commitments.
 - > These executive roles include Chief Sustainability Officer, Chief Diversity, Equity

and Inclusion Officer, Chief Org Purpose and HR Officer, and Chief Communications Officer who oversees Corporate Governance and Compliance.

2. Delegation of responsibility to other employees for the management of impacts:
 - > The executive team further delegates the responsibility for managing impacts to employees across various operational levels, depending on the organizational structure and scale. These designated employees, often from relevant departments such as sustainability, compliance, or operations are entrusted with executing specific tasks, implementing initiatives, and ensuring compliance with established policies and guidelines related to economic, environmental, and social impacts.
 - > Sustainability issues, including the socio-economic, environmental and human rights 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, social and human rights levels. She develops, manages, and monitors the company's Corporate Sustainability strategy with the related mission, vision and targets. The CSO works with the Board, management, employees, customers, stakeholders, suppliers, and corporate shareholders to set in place and bring forward the progression on Zain's Net-Zero ambition and drive the company's strategy for a just transition to a low-carbon economy, social, economic, environmental and human rights related 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 board. 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.

Executive Management is required to provide comprehensive reports to the board on the management of the organization's impacts on the economy, environment, and people. This reporting process often includes the following elements:

1. Regular reporting intervals, such as quarterly, semi-annually, or annually, to ensure timely updates and effective monitoring of the organization's performance.
2. Submission of detailed reports that encompass key performance indicators, progress updates on sustainability goals, initiatives undertaken, challenges faced, and future action plans.
3. Inclusion of both qualitative and quantitative data, along with relevant metrics and benchmarks, to provide a holistic understanding of the organization's sustainability performance and its impacts on the economy, environment, and people.

4. Provision of insights into emerging trends, risks, and opportunities, enabling the board to make informed decisions and provide strategic guidance for further improvement and alignment with the organization's sustainability objectives.

The Board of Directors holds the key responsibility of reviewing and approving the reported information, covering the organization's critical material topics. This involves a rigorous process that typically includes thorough assessments of the accuracy, relevance, and completeness of the disclosed data. The Board critically evaluates the alignment of the reported information with the company's strategic objectives, its commitments to stakeholders, and relevant industry standards and best practices. To ensure robust governance, this process often involves the engagement of specialized committees, independent auditors, and internal stakeholders, facilitating comprehensive discussions, analyses, and recommendations. The Board's final approval of the reported information not only reflects the company's commitment to transparency and accountability but also serves to reinforce trust and confidence among shareholders, stakeholders, and the broader business community.



ANTI-CORRUPTION

The Board plays a critical role in establishing an efficient control framework that incorporates a set of standards, processes, and structures, forming the foundation for implementing internal controls throughout the organization. Additionally, it is responsible for overseeing an anti-corruption system that effectively supports the implementation of the policy, monitoring the performance of executive management in its execution. The Board also prioritizes cultivating awareness of this policy within the corporate culture, emphasizing its significance. Notably, in 2023, Zain incurred no expenses related to corruption fines or penalties. Furthermore, the Board ensures the provision of effective communication channels with shareholders and other stakeholders, overseeing the disclosure of essential information to uphold its accuracy, coherence, transparency, and credibility, in line with the highest industry standards. Both the Board and executive management acknowledge the company's social impacts and

contractual obligations to its operational communities, striving to address their needs and challenges inclusively and progressively.

The company communicated its anti-corruption policies and procedures to all relevant stakeholders, including the Board members, employees, and business partners. This communication was shared across all operating markets under Zain's footprint. Moreover, the company proactively published the anti-corruption policy on Zain's website, ensuring transparent accessibility features for all stakeholders to familiarize themselves with the company's ethical guidelines and standards.

The Board members, employees, and other stakeholders at Zain received training on the anti-corruption policy and procedures through email communication and informative video material. These resources were made readily accessible on the company's website, enabling widespread awareness and understanding of Zain's commitment to maintaining ethical business practices and preventing corrupt activities. The company also

embedded tracking mechanisms to ensure that the information was received and viewed by the stakeholders and will be tracking this throughout 2024.

A total of 8 Board Meetings was held in 2023. Meetings between Zain's Executive Management and the Board of Directors take place on both a periodic basis and as required. Authority regarding economic, social, environmental, and human rights issues related to Zain is 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 that is centered around providing Meaningful Connectivity leading to systemic change. . 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 INTERESTS

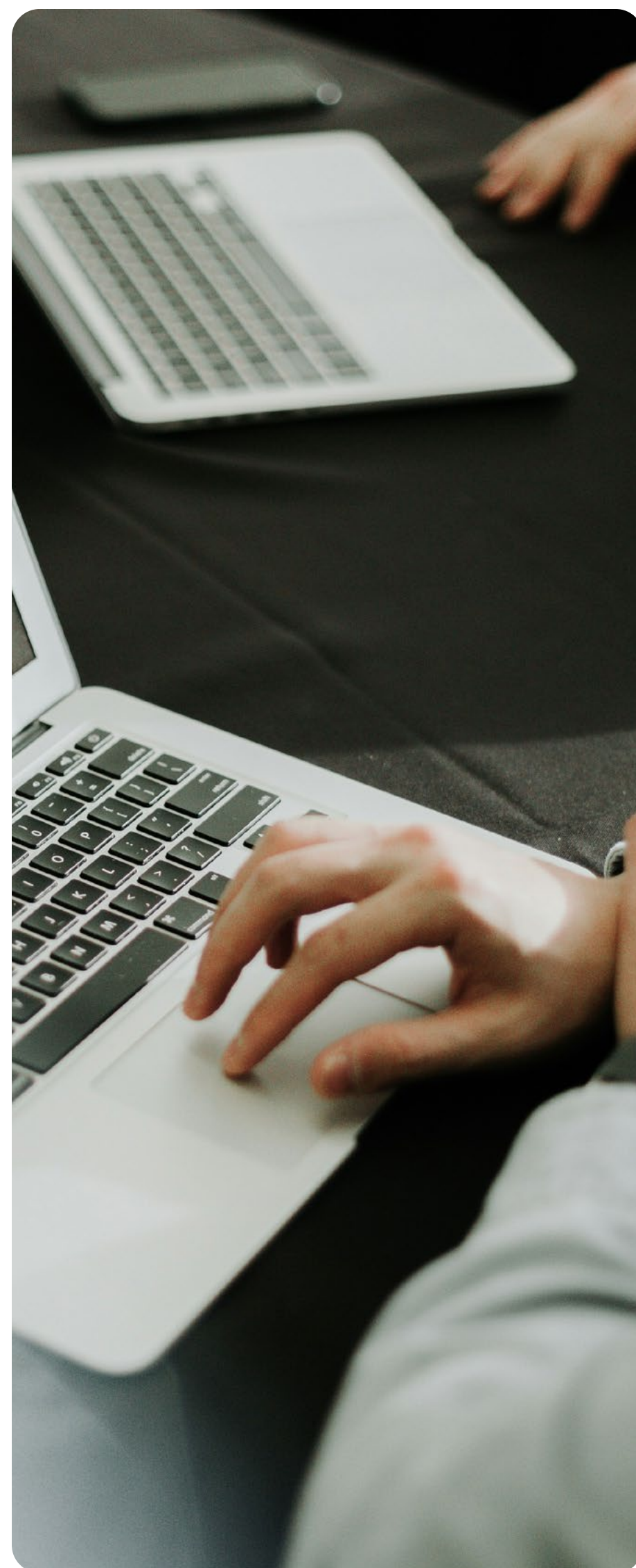
Zain implemented a comprehensive governance framework, including a group of policies dedicated to safeguarding the rights of shareholders and other stakeholders. Central to this framework is the conflict-of-interest policy, created to outline employee conduct in situations where potential conflicts between personal interests and the company's interests may arise. The policy establishes parameters within which employees must operate in scenarios involving potential conflicts. At Zain, both the Board members and executive management are mandated to disclose any actual or potential instances of conflict of interest in accordance with the company's policy, which is constructed in alignment with relevant legal regulations and global standards. Notably, Zain's conflict-of-interest policy features scenarios of conflict of interest and the corresponding procedures for their resolution. It defines a conflict of interest as a circumstance where an individual's personal concerns impact their decision-making process or actions, thereby affecting their impartiality in executing professional duties. Zain treats every case with utmost seriousness and priority. To uphold transparency, Board members are required to disclose any personal interests linked to the company's businesses or contracts, with such disclosures recorded in the meeting minutes. In instances where a Board member holds a personal interest, their participation in voting on related resolutions is prohibited. Additionally, when a Board member's personal interest is involved, a supplementary report from the auditor is added to the disclosure to ensure full transparency and accountability.

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 retains the authority to ascertain suitable disciplinary measures, including the potential suspension and/or termination of employment. In line with this, the company's conflict-of-interest policy covers the roles and obligations of Board members, executive management, and employees. Based on principles that prioritize stakeholder rights and optimize shareholder value, the policy emphasizes upholding transactional confidentiality and safeguarding sensitive information issued by the Board. The Board demonstrates a proactive approach in addressing reported instances of conflict of interest by Board members, executive management, or staff, ensuring prompt and compliant resolution in accordance with applicable regulatory stipulations. Notably, all significant concerns with the potential

to materially impact stakeholder rights are duly reported to the Board for thorough assessment and consideration. The Board conducts comprehensive investigations into all such cases, guaranteeing the adoption of appropriate measures.

The executive management consistently provides the Board with updated briefings on significant business operations, potential opportunities, and associated 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 2023. This topic relates to electing one more independent board member. According to Module 15 of the CMA executive bylaw of Law 7/2010, Chapter 2, Article 2-2: The majority of Members of a Board of Directors must be Non-Executive Members, and at least 20% of the members of the board of directors are independent members. The CMA and Zain continually aim to convey optimal standards and legal obligations to shareholders, who bear the responsibility of electing board members. This obligation was not met during the April 2023 AGM. Zain is actively engaging with all stakeholders to address and resolve this matter in the near future. An independent board member is crucial to ensure impartial decision-making, effective oversight, and unbiased governance within the organization. Their presence helps prevent conflicts of interest, enhances transparency, and fosters a culture of accountability, thereby safeguarding the interests of stakeholders and promoting sustainable long-term growth.



WHISTLEBLOWING

Zain developed its Whistleblowing policy with the aim of fostering a culture of transparency, integrity, and accountability. It encourages employees and stakeholders to report any instances of misconduct, unethical behavior, or violations of environmental or social responsibilities within the organization. By providing a safe and confidential platform for reporting, a whistleblowing policy safeguards against potential risks and misconduct, helps in the early detection of irregularities, and facilitates timely corrective action. Additionally, it reinforces trust among stakeholders, upholds ethical business practices, and contributes to the company's overall commitment to responsible and sustainable operations, thereby enhancing its ESG performance and credibility.

Zain ensured that its employees and other stakeholders were well-informed about the whistleblowing policy and procedures by delivering training through email communication. Moreover, the company made these resources easily accessible on its website, promoting further awareness on the reporting channels.

BOARD EVALUATION

The self-assessment process for evaluating the Board's performance in overseeing the management of the organization's impacts involves comprehensive evaluations of the board's effectiveness in implementing sustainable practices and addressing key ESG concerns. This process typically includes an analysis of the Board's adherence to sustainability goals, its ability to identify and manage related risks,

and the extent of integration of ESG considerations into strategic decision-making. Some key aspects to consider in board self-evaluation include:

- **Governance and Compliance:** Assessing the board's adherence to corporate governance principles, regulatory compliance, and ethical standards.
- **Strategic Direction and Decision-making:** Evaluating the board's contribution to setting strategic goals, overseeing strategic implementation, and ensuring alignment with the organization's mission and vision.
- **Risk Management:** Reviewing the board's role in identifying and mitigating risks, including its oversight of financial, operational, and reputational risks.
- **Financial Oversight:** Examining the board's oversight of financial reporting, budgeting, and financial controls, ensuring the organization's financial health and sustainability.
- **Stakeholder Engagement:** Assessing the board's communication and engagement with key stakeholders, including shareholders, employees, customers, and the community.
- **Board Composition and Dynamics:** Evaluating the board's diversity, expertise, and overall effectiveness as a team, including the performance of individual board members and board leadership.

By addressing these key aspects, the Board gains valuable insights into their strengths, weaknesses, and opportunities for enhancing their governance practices and overall performance.

The evaluations are conducted annually to ensure a regular and systematic review of the Board's performance in relation to the management of the organization's operations. Annual evaluations enable the Board to track progress, identify areas for improvement, and adapt to evolving ESG trends and best practices in a timely manner.

In response to the evaluations, the Board implements necessary actions, which may include refining the training plans for its members. This involves updating training modules to include relevant ESG principles, industry-specific guidelines, and emerging regulatory requirements. By enhancing the Board's understanding of issues and promoting best practices, these changes to the training plans facilitate the board's ability to proactively address sustainability challenges, drive responsible decision-making, and align the organization's operations with its broader objectives.

Zain's Board conducted a self-assessment for the year 2023. The Board decided to conduct a self-assessment covering all areas and standards as per the criteria used by PWC in previous years. In addition, the board included amendments to reflect recent trends and requirements by the regulators and best standards.

The Board conducts self-assessments to gain internal insights into their performance, dynamics, and areas for improvement. This process allows for tailored evaluations based on the board's unique context and challenges, fostering a culture of self-improvement and accountability.

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 incentives. (in alignment with MSCI)
6. Link to performance indicators (KPIs) for Board members and executive management.
7. Consistency with the company's strategy and objectives both short-, medium- and long-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:

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, and 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.

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.).

