



ZAIN KSA CORPORATE GOVERNANCE FRAMEWORK

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The Board of Directors ("Board" or the "Directors") may recommend changes to this policy (hereinafter referred to as the "Policy"), provided that any such modification or waiver does not violate any applicable laws, rules, regulations, the Company's Delegation of Authority ("") Matrix and Bylaws and further provided that any such modification or waiver is appropriately disclosed to the concerned parties.

- The changes to this document shall be consecutively numbered and dated.
- The following log shall be used and signed off for all updates.

Review & Approvals

Name	Role	Signature	Date
Zain KSA Chiefs	Review		
Chief Executive Officer	Recommend		
Executive Committee	Chairman of the Committee (Recommend)		
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-	1	Board Secretary	First published version
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1. Introduction

- 1.1 The Board of the Mobile Telecommunications Company Saudi Arabia ("Zain KSA" or "the Company") in its attempt to adopt a Corporate Governance Framework in line with the Corporate Governance Regulations dated 13 February 2017 issued by the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia, and in order to ensure that it remains aligned with the requirements of Companies Law 2015 issued by Ministry of Commerce ("MOCI") and leading practices in terms of Corporate Governance, has established Zain KSA Corporate Governance Framework by approving this Framework policy document and other underlying policies and charters in compliance with **Article 94 of Corporate Governance Regulations.**
- 1.2 Zain KSA Corporate Governance Framework has been established with a view to providing its Board, management and stakeholders with a structure along with clear policies and guidelines to ensure that Zain KSA's objectives are realized, its stakeholder expectations are managed and the requirements of Companies Law 2015 and Corporate Governance Regulations are met.
- 1.3 Board of Zain KSA is responsible for overseeing the Company's management and business affairs and makes all major policy decisions of Zain KSA. This Framework, together with the Company's Bylaws, Charters of the Board Committees as listed in this document provide the authority and practices for governance of Zain. **In order to effectively oversee the implementation of the Corporate Governance in KSA, Board has also nominated an independent Board member to work with management**
- 1.4 The Board shall review this Zain KSA Corporate Governance Framework and all underlying policies from time to time and shall make such changes as it deems necessary at its sole discretion and to the extent required under any laws and regulations. The Board shall ensure through such reviews that its Corporate Governance Framework remains in line with regulations in Saudi Arabia and any leading practices.
- 1.5 Expressions and words in this Policy shall have the meaning set forth in the Companies Law 2015, Listing Rules and Corporate Governance Regulations issued by CMA.

2. Corporate Governance

- 2.1 As defined by CMA in the **Corporate Governance Regulations, Corporate Governance are rules to lead and guide the Company that includes mechanisms to regulate the various relationships between the Board, Executive Directors, shareholders and Stakeholders, by establishing rules and procedures to facilitate the decision making process and add transparency and credibility to it with the objective of protecting the rights of shareholders and Stakeholders and achieving fairness, competitiveness and transparency on the Tadawul Exchange and the business environment.**
- 2.2 Corporate Governance is about developing, maintaining, monitoring and controlling corporate structures and procedures to ensure that accountability, transparency, fairness and responsibility are embedded in the corporate decision making process by which the organization is controlled and, consequently, by which the role of the Board, its members and their relationships are defined.
- 2.3 Corporate Governance is not simply about avoidance of financial shocks; nor should the emphasis be on the negative impacts of poor governance. Rather, the positive benefits of good governance should be the primary concern of the Company.

2.4 Benefits of Corporate Governance

2.4.1 Zain KSA’s established Corporate Governance Framework helps in many area, such as:

2.4.1.1 Mitigating Risks

- Effective Board oversight reduces risk of mismanagement and fraud.
- Effective risk management to manage and mitigate all types of risks associated with the Company’s operations.
- Strong internal controls improve integrity of financials.
- Enhance culture of corporate governance & compliance.

2.4.1.2 Winning Confidence of the Market

- Enhanced market trust from corporate governance leads to higher share price/lower cost of capital and access to wider pool of capital.
- Improved corporate governance attracts prominent global investors.

2.4.1.3 Improving Competitiveness

- A highly qualified and well informed Board can go beyond oversight and make value added contributions to strategy and provide effective directions to management.
- Board oversight of Chief Executive Officer (“CEO”) succession/talent management processes ensures that the right people will be available to fill the right places at the right time.
- Accurate information derived from strong internal controls can also contribute to better management decisions.

3. Zain KSA Corporate Governance Structure

3.1 As a promise of value creation to Zain KSA’s shareholders in a transparent way and for effective implementation of corporate governance, Zain KSA Board has appointed an independent Board member to oversee and monitor the implementation of Corporate Governance and have established the following governance structure:



▲ Mandatory Requirement for corporate Governance

3.2 Further to ensure the implementation, Zain KSA Board has also approved various charters, policies and procedures governing different aspects of Zain KSA Corporate Governance, such documents are mentioned throughout this document.

3.3 Principles and pillars

3.3.1 The basic principles of Corporate Governance at Zain KSA includes:

- 3.3.1.1 Well informed shareholders provided with an accurate and timely information to exercise their full rights.
- 3.3.1.2 An effective, independent Board clearly committed to representing the interests of shareholders.
- 3.3.1.3 Establishment of Board's committees to ensure that adequately skilled and qualified members of the Board provide high quality advice, and guidance, if applicable, to management.
- 3.3.1.4 Guidance to management from the Board and monitoring of the effectiveness of management's policies and decisions, including the execution of its strategies
- 3.3.1.5 An effective leadership role played by the CEO so as to ensure that the organization as a whole works together.
- 3.3.1.6 Enforcement of clearly communicated policies and procedures.
- 3.3.1.7 Clear delegation of authority and responsibilities.
- 3.3.1.8 Accountability and control so as to minimize the risk of fraud and mismanagement.
- 3.3.1.9 Transparency and communication of information and adequate disclosures in line with legal requirements and leading practices.
- 3.3.1.10 An objective and well-resourced Internal Audit function reporting to the Audit Committee.
- 3.3.1.11 An independent annual audit performed by External Auditors.
- 3.3.1.12 An established risk management function and underlying risk management process.
- 3.3.1.13 Adequate number and structure of Management to manage and monitor various functions and operations of the Company and advise the CEO to ensure effective management of the Company.

4. Shareholders and Stakeholders rights

4.1 An effective Corporate Governance Framework examines the many factors that influence and are, in turn, influenced by effective governance. The stakeholders, ranging from shareholders, employees, government and regulatory authorities, financial community and the community at large, all have their own interests and increasingly companies are being challenged to find a balance in the way they interact with and satisfy the divergent interests of the various stakeholders. The Company shall ensure that the rights of all shareholders are respected.

4.2 Zain KSA's Corporate Governance Framework recognizes the rights of the shareholders as established by regulations and therefore encourages active cooperation between the Company and its shareholders in creating wealth and sustainability of a financially sound

organization. The shareholder's rights are discussed in the Bylaws of Zain KSA as required by Corporate Governance Regulations and Companies Law 2015.

- 4.3 Zain KSA Board has approved an internal policy document which explains and guarantees the rights of the shareholders (**Article 4(c) of Corporate Governance Regulations**). This policy sets out clear policies for the rights of shareholders as conferred upon them by laws and regulations as well as the Company's commitment to adhere to these.
- 4.4 The Company acknowledges the importance of effective communications in underpinning the relationship of trust among the Shareholders, Board and management.
- 4.5 Further, in compliance with **Article 22 of Corporate Governance Regulations**, Zain KSA Board has issued an internal policy that regulates the relationship with stakeholders pursuant to the provisions of Corporate Governance Regulations.
- 4.6 Zain KSA Investor Relations has been established as an effective communication channel allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments (**Article 22 (12) of Corporate Governance**).

5. Zain KSA Board of Directors

- 5.1.1 Zain KSA shall be managed by a Board composed of nine (9) members appointed by the General Assembly for a term not exceeding three (3) years, and may always be re-elected (**Article 16 of Zain KSA Bylaws**). In compliance with **Article 16 of Corporate Governance Regulations**, the majority of the Board members are Non-Executive Directors and the number of Independent Directors shall not be less than two members or one-third of the Board members, whichever is greater.
- 5.2 Zain KSA is responsible for all the works and acts performed by Zain KSA Board even they are not within the limits of their powers, unless the interested party has a bad faith or being aware that such acts are outside the limits of the board's competence (**Article 77 of Companies Law**).
- 5.3 Zain KSA Board shall exercise its competencies and duties to lead Zain KSA within a framework of effective and prudent controls that allow assessing and managing risks and limiting and mitigating their effects. Without prejudice to Paragraph (b) of Article 21 of Corporate Governance Regulations, the Board may, within the scope of its competencies, delegate to one or more of its members or committees or a third party the performance of a specific function or functions. Zain KSA Board shall organize its activities and allocate sufficient time to perform the duties and responsibilities assigned to it, including preparing for Board and committees meetings and ensuring the coordination, recording and retaining of the minutes of its meetings (**Article 36 of Corporate Governance Regulations**).
- 5.4 The authorities and responsibilities of Board, including roles and responsibilities of the Chairman, are discussed in the Bylaws of Zain KSA as required by Corporate Governance Regulations and Companies Law 2015. Also, policies have been approved, which governs the Board activities and underlying matters:
- 5.4.1 Policy that explains the procedures of the Board activities with an aim to encourage Board members to work effectively to fulfill their obligations towards the Company (**Article 26 of Corporate Governance Regulations**).
- 5.4.2 Specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of Corporate

Governance Regulations as approved by the General Assembly (**Article 22 of Corporate Governance Regulations**).

5.4.3 Remuneration policy as approved by General Assembly, which is consistent with the Company's strategy and objectives and provide remunerations with the aim of encouraging the Board members and senior executives to achieve the success of the Company and its long-term development (**Article 62 of Corporate Governance Regulations**).

5.5 The Board shall ensure the integrity of the Company's accounting and financial reporting system, including the independent audit, and to ensure that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control and compliance with the laws and regulations (**Part 5 of Corporate Governance Regulations**).

5.6 In all actions taken by the Board, Zain KSA Board are expected to exercise their business and professional judgment in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, Board members may rely on the honesty and integrity of the Company's Senior executives and its outside advisors and auditors.

5.7 Zain KSA's Committees

5.7.1 Following committees have been established which are comprising of Board members:

5.7.1.1 Zain KSA Audit Committee (**Chapter 4 of Companies Law 2015 & Part 4 Chapter 2 of Corporate Governance Regulations**).

5.7.1.2 Zain KSA Nomination & Remuneration Committee (**Part 4 Chapters 3 & 4 of Corporate Governance Regulations**).

5.7.1.3 Zain KSA Board's Executive Committee.

5.7.2 Other committees may be established from time to time by an affirmative vote of the majority of the Board. Any committee comprising of Board members, not defined in the Corporate Governance Regulations, shall be established in compliance **with Part 4 Chapter 1 of Corporate Governance Regulations**. Members of the Committees shall observe the independence as required by the CMA Regulations.

5.7.3 Each committee has its own written charter (terms of reference), approved accordingly, which complies with the applicable corporate governance regulations and leading corporate governance practices. 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 or shareholders.

5.7.4 Details of these committees, their functions and tasks along with the number of meetings held shall be disclosed in the Board of Directors Report to Shareholders.

6. Zain KSA's Executive Management

6.1 The importance of management's role in achieving effective Corporate Governance should not be understated. Zain KSA recognizes that global and local business is more competitive than ever and the fundamental economic and competitive forces are relentless. To ensure that the Company can take full advantage of the resources at its

disposal, it is vitally important that it finds a way to properly balance the need to address these competitive forces with the need to consistently “do the right thing”. The CEO has a vitally important and crucial role to play in achieving and maintaining this difficult balance.

- 6.2 Zain KSA has formed management of the Company comprising of experience and competent senior executives (executive management) and regulate its operating procedures, monitor and oversee it and ensure that it performs the duties assigned to it.
- 6.3 Without prejudice to the competencies entrusted to the Board pursuant to the provisions of the Companies Law and Its Implementing Regulations, Zain KSA senior executives shall be responsible for implementing the plans, policies, strategies and main objectives of the Company in order to achieve its purposes including but not limited to the competencies and duties as defined in **Article 26 of Corporate Governance Regulations**.
- 6.4 Senior executives may also be involved with certain Board Committees and this sharing of knowledge and pooling of expertise can lead to great benefit for the Company. The Board 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.
- 6.5 Management committees may also be established to support the decision making process regarding the day-to-day management and conduct of the Company’s business.
- 6.6 The Board has also reviewed and approved succession plan and its underlying framework for the management of the Company (**Article 25 of Corporate Governance Regulations**).

7. Zain KSA Ethical Practices

- 7.1 In order to implement the ethical standards and practices in Zain KSA which are aligned with the local laws and regulations including commitment to foster highest ethical practices, Zain KSA Board has approved ethical policies, as below:
- 7.2 Code of Conduct
- 7.2.1 Zain KSA Code of Conduct outlines what the Company considers right and wrong. Management define the “tone” from the top through these policies and guidelines which then provide a critical foundation for effective internal controls and apply not just within the organization but across its trading and value stream.
- 7.2.2 Zain KSA Code of Conduct details in greater depth the behavior and conduct expected from the Company’s employees, customers & suppliers in compliance with **Part 8 of Corporate Governance and Labor Law requirements**.
- 7.3 Conflict of Interest Policy
- 7.3.1 The purpose of Zain KSA Conflict of Interest policy is to protect Zain KSA when the Company is contemplating entering into a transaction or arrangement that might benefit the private interest of an employee, officer, director and/or board member of Zain KSA and provide Zain KSA with a procedure which, if observed, will allow a transaction to be treated as valid and binding even though an employee, officer, director and/or board member has or may have a conflict of interest with respect to the Transaction (**Articles 71, 72 &**

73 of Companies Law 2015 and Part 3 Chapter 6 of Corporate Governance Regulations).

7.4 Policy for Related Party Transaction

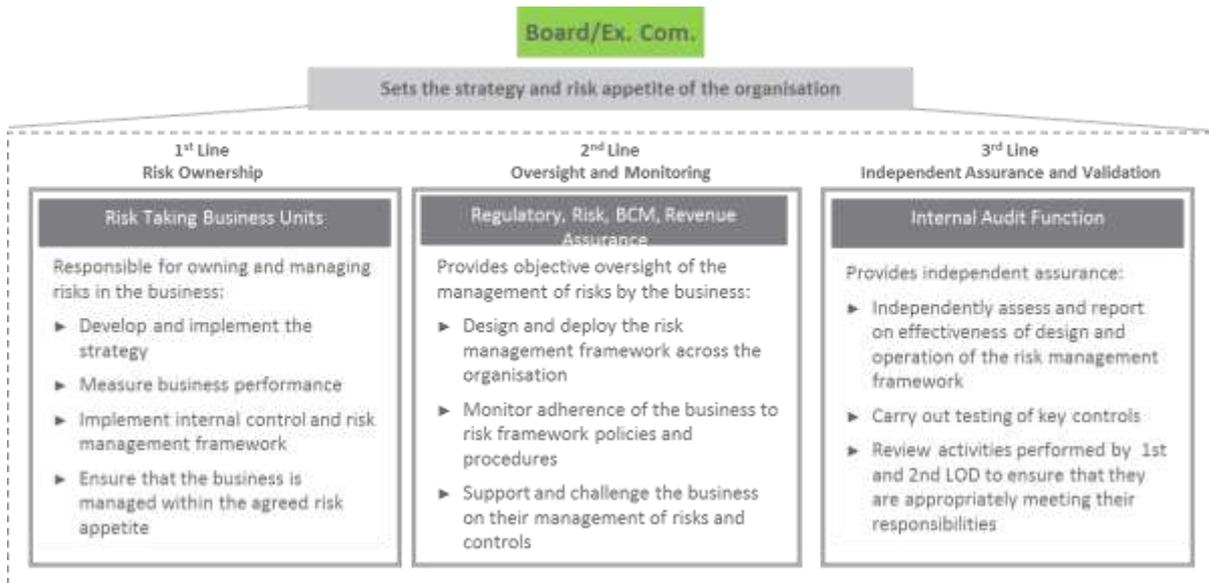
- 7.4.1 In compliance with **Article 55 of Corporate Governance Regulations**, Zain KSA Board has directed that all proposed Related Party transactions/contracts must be reported to the Audit Committee for prior review by the Audit Committee so that it can provide its recommendations to the Board.
- 7.4.2 This policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between Zain KSA and any of its Related Parties in compliance with the applicable laws and regulations, especially Corporate Governance Regulation and Companies Law 2015, as may be amended from time to time.
- 7.4.3 Without prejudice to the provisions of the Companies Law and Its Implementing Regulations, Related Parties transactions in Zain KSA are dealt with in accordance with the provisions of Part 3 Chapter 6 of Corporate Governance Regulations.

7.5 Policy for Reporting Non-Compliant Practices

- 7.5.1 Zain KSA Audit Committee has recommended to the Board necessary policy and procedures to be followed by stakeholders when submitting complaints or reporting any violations in accordance with **Article 84 of Corporate Governance Regulations**.
- 7.5.2 The purpose of establishing this Policy is to provide guidelines to Zain KSA's representatives (employees, contractors, temporary employees, trainees, agency employees, external consultants and suppliers or vendors) to report any misconduct or raise any suspicion and/or concern (i.e. Whistle Blowing) in an easy and secure mechanism while maintaining their anonymity if they wish not to be identified and compliance with the requirements of **Article 84 of Corporate Governance Regulations**.

8. Zain KSA Internal Control System

8.1 To comply with Articles 73 & 74 of Corporate Governance, Zain KSA Board and management has established Zain KSA Internal Control system based on the Three (3) Lines of Defense model ensures there is segregation between direct accountability for risk decisions (first line), independent oversight and challenge of risk decisions and setting of the risk management framework (second line), and independent assurance on the effectiveness of risk management, control and governance processes (third line).



8.2 Measurement & accountability

8.2.1 Zain KSA Board has approved the organizational structure of the Company specifying the competencies and distribution of duties between the Board and the senior executives in accordance with the best practices in Corporate Governance, to improve the efficiency of the Company's decision making, and to achieve a balance of powers and authorities across the Board and the senior executives which include approval of Delegation of Authority (“DOA”) including specifying the duties, competencies and responsibilities assigned to the various organizational levels (**Article 23 of Corporate Governance Regulations**).

8.2.2 For effective implementation of internal control within Zain KSA, the Board and senior executives has approved and issued various policies, procedures and rules including but not limited to accounting, commercial, risks, compliance and administrative matters.

8.3 Governance, Risk Management & Business Continuity

8.3.1 Risk management is a fundamental element of corporate governance. In compliance with **Article 26 of Corporate Governance Regulations** Zain KSA Management is responsible for operating and implementing the risk management framework and ensuring compliance with the level of risks approved by the Board.

- 8.3.2 Regulatory & Compliance is fundamental and responsible to manage CMA, Communication Information & Technology Commission (“CITC”), Ministry of Labor (MoL) and other compliance & regulatory risks.
- 8.3.3 Risks will be proactively and diligently assessed and managed within the Company. Diligent monitoring of risks and the effectiveness of mitigation strategies shall include processes to assess the delivery of outputs and quality of control systems enabling the identification of corrective actions for continuous improvement.
- 8.3.4 The risk assessment and management is embedded within the various functions within the Company and shall remain flexible enough to incorporate any new businesses the Company undertakes. The Company shall ensure that sufficient management resources are allocated to the identification, assessment and appropriate treatment of business risks.

8.4 Monitoring – Internal and External Audit

- 8.4.1 Internal Audit is responsible to provide reasonable assurance through internal audit activities on the effectiveness of risk management, control and governance processes (third line) (**Articles 77 of Corporate Governance Regulations**). Audit Committee through Internal Audit is required to provide its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems in Zain KSA (**Articles 55 & 91 of Corporate Governance Regulations**). 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 providing Senior Management with an objective and comprehensive view of the Company’s system of internal controls.
- 8.4.2 Zain KSA Board have recommended to the Ordinary General Assembly appointment of the Zain KSA external auditor in compliance with Zain KSA Bylaws, Companies Law 2015, Listing Rules and Corporate Governance Regulations. The External Auditors shall express an opinion on the fairness with which the Company presents its financial position, results of operations and cash flow. The Board and Audit Committee 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 and Audit Committee will also ensure that all points reported in the independent auditor’s management letter or equivalent, are properly addressed by management.

9. Disclosure & Transparency

- 9.1 The Board of the Company is determined to create consistent and credible communication practices to comply with applicable Saudi Arabian regulatory rules and requirements, particularly Ministry of Commerce and Industry (MOC&I), CMA and Tadawul. It views such practices as a key towards promoting the Company within the investment community.
- 9.2 To comply with disclosure requirements, Zain KSA Board has issued Disclosure & Transparency policy which includes proper disclosure methods that enable the shareholders and other Stakeholders to access the financial and non-financial information pertaining to the Company’s performance and information in respect of ownership of

shares, and to obtain a comprehensive view of the Company's position. This policy document list down the key requirements of disclosure for Zain KSA as per the Corporate Governance Regulations, Companies Law 2015 and Telecom Act which requires disclosure in public community / shareholders.

10. Social responsibility and initiatives

- 10.1 Social responsibility enfolds a comprehensive array of social and environmental issues that is becoming an integral part of Zain business processes and contributing to sustainable business development. Through social responsibility initiatives, Zain affirms its principles and values internally and through its interaction with the stakeholders.
- 10.2 Zain is committed to social initiatives allowing it to contribute positively to the wellbeing of people, economy and society.

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