



# REMUNERATION POLICY

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Draft for Board submission

# DOCUMENT CONTROL

## Document Description:

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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

<b>Name</b>	<b>Role</b>	<b>Signature</b>	<b>Date</b>
Legal Director	Review		
Chief Human Resource & Corporate Communication Officer	Review		
Chief Executive Officer	Review & Recommend		
Independent Board member	Review & Recommend		
Chairman of the Nomination & Remuneration Committee	Chairman of the Committee Recommend		
Chairman of the Board	Chairman of the Board Recommend		
General Assembly	Approve		

## Document Change History

Date	Issuance/ Revision	Author	Description of Changes
2 August 2017	1	Risk Management & Business Continuity and HR	First draft based on Corporate Governance Regulations – Mr. Hisham comments incorporated

## Distribution

For external use

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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 and Investment ("MoCI") and leading practices in terms of Corporate Governance, has approved this Policy in compliance with **Articles 22, 61 and 62 of Corporate Governance Regulations**.
- 1.2 This policy document forms an essential part of the Company's Corporate Governance Framework.
- 1.3 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. Purpose and Objectives

- 2.1 As per Articles 22, 61 & 62 of Corporate Governance Regulations, the Board of Directors of Zain KSA has proposed these policy guidelines for the company's remuneration<sup>1</sup> for members of the Board and management, including senior executives<sup>2</sup>. This document shall be approved by the General Assembly of Zain KSA.
- 2.2 This Zain KSA Remuneration policy reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps promote long-term goals for safeguarding Zain KSA's interests. The policy intends to achieve following objectives:
  - 2.2.1 Be consistent with the Zain KSA's strategy and objectives.
  - 2.2.2 Provide policy for remunerations with the aim of encouraging the Board members and senior executives achieve the success of the Company and its long-term development.
  - 2.2.3 Be consistent with the magnitude, nature and level of risks faced by Zain KSA.
  - 2.2.4 Take into consideration the practices of other regional and global telecom, Information & Communication Technology (ICT) and Tadawul All Share Index (TASI) companies, considering their size and operations in relevance to Zain KSA, in respect of the determination of remunerations, and avoid the disadvantages of such comparisons in leading to unjustifiable increases in remunerations and compensations.
  - 2.2.5 Regulating the offer of Company's shares to the Board members and the senior executives, whether newly issued or purchased by the Company.

<sup>1</sup> Amounts, allowances, dividends and the like, periodic or annual bonuses linked to performance, long or short term incentive plans and any other in-kind benefits except the actual reasonable expenses and fees incurred by the company to enable the Board member to perform his duties.

<sup>2</sup> Persons responsible for managing the daily operations of the Company, and proposing and executing strategic decisions, such as the Chief Executive Officer (CEO) and his/her delegates and the Chief Financial Officer (CFO).

### 3. Board's remuneration

- 3.1 In compliance with Companies Law 2015, Zain KSA has mentioned the remuneration policy for its Board in Article 20 of Zain KSA Bylaws.
- 3.2 Efforts are made to ensure that the remuneration of the Board of Directors matches to the level in other regional and global telecom, ICT and TASI companies, considering their size and operations in relevance to Zain KSA, whilst also taking into consideration board members' required competencies, effort and the scope of the board work, including the number of meetings.

#### 3.3 Fixed remuneration

- 3.3.1 Members of the Board of Directors shall receive a fixed amount (basic remuneration), which shall be approved by the General Assembly for the current financial year, annually.
- 3.3.2 In addition to the basic remuneration, annual committee remuneration is paid to board members who are also members of one of the board committees.
- 3.3.3 Should a Board member assume specific ad-hoc tasks beyond the normal work as member of the Board, the Board of Directors will decide on a fixed fee for such tasks subject to approval by General Assembly.
- 3.3.4 The above shall also be applicable to non-executive and independent board members.

#### 3.4 Variable remuneration.

- 3.4.1 The Board members, shall be entitled to profits in terms of their respective shareholding as recommended by the Board and as approved by the General Assembly, in form of distributable profits (dividend), in accordance with the dividend payout policy.
- 3.4.2 As per Article 76 of Companies Laws, if, Board's remuneration represents a percentage of the company's profits, it must not exceed 10% of the net profits after the deduction of reserves as determined by the General Assembly pursuant to the provisions of Companies Law, and after distribution of a dividend of not less than 5% of the company's paid up capital to the shareholders, provided that the entitlement for such remuneration shall be in proportion with the number of meetings attended by the member. Any determination of remuneration made in violation of this provision shall be considered void.

#### 3.5 Reimbursement of expenses

- 3.5.1 Expenses such as travel and accommodation relating to Board meetings, meetings of the Committee and relevant training are reimbursed in accordance with the Company's travel policy applicable at senior executive's level.
- 3.6 In all cases, the total amount of the remunerations, of board members shall not exceed Saudi Riyals Five Hundred Thousand (SAR 500,000) of financial or in kind benefits annually, in all cases, in accordance with measures imposed by the competent authority (Article 76 of Companies Law).

## 4. Management

- 4.1 Zain KSA believes that a combination of fixed and performance-based pay to the management helps ensure that the company can attract and retain key employees.
- 4.2 Members of the management are employed under employment service contracts in accordance with the Saudi Labor Law.
- 4.3 The Nomination & Remuneration Committee submits proposals concerning the remuneration of the senior executives and ensures that the remuneration is in line with the conditions in telecom companies. The proposals are submitted for approval in a board's meeting.
- 4.4 Management, based on their level, receives a competitive remuneration package consisting of the following components:
  - 4.4.1 Fixed salary including basic, housing and conveyance.
  - 4.4.2 Variable components.
  - 4.4.3 Bonus – performance based
  - 4.4.4 End of service benefits.
  - 4.4.5 Benefits.
- 4.5 If it is proved after the grant of variable components to members of the senior executive that these were paid erroneously, the company may in exceptional cases reclaim in full or in part variable components.

### 4.6 Fixed salary

- 4.6.1 The fixed salary shall be based on the current market level.

### 4.7 Variable remuneration

- 4.7.1 The variable components shall always be within the limits of the overall budget and guidelines for incentive pay as approved by the Board.

### 4.8 Bonus

- 4.8.1 Members of the management participate in a performance based bonus scheme which is based on the results for the year and individual performance. The bonus is paid out annually after adoption of the annual report for the relevant financial year.
- 4.8.2 The bonus scheme is based on target achievement of a number of parameters, at corporate level and individual level

### 4.9 Personal benefits

- 4.9.1 Members of management have access to a number of work-related benefits, as per their level and designation. The extent of individual benefits is as per Zain KSA internal policies.
- 4.9.2 All employees of the Company are covered under health insurance as required by Saudi Arabia Labor Law.
- 4.9.3 All benefits, in accordance with Saudi Labor law and internal policies of Zain KSA are provided to employees of Zain KSA.

#### 4.10 End of Service benefits

- 4.10.1 Zain KSA pays its employees end of service benefits in accordance with Saudi Arabia Labor Law.

#### 4.11 Long-term Incentive Plan

- 4.11.1 Zain KSA may decide to offer its employees long term incentive plans for example employee share options. Such plan and program shall be offered in accordance with the relevant rules and regulations issued by CMA and Zain KSA Bylaws.
- 4.11.2 For this purpose, the company shall issue a policy for each proposed program subject to approval by the relevant authority.

#### 4.12 Reimbursement of expenses

- 4.12.1 Expenses in connection with performance of responsibilities and relevant training are reimbursed in accordance with the Company's travel policy.

### 5. Reporting & Disclosure

- 5.1 As per Article 76 of Companies Law and Article 93 of Corporate Governance Regulations the Board of Zain KSA shall disclose:
- 5.1.1 Remuneration policy and the method by which remunerations of the Board and senior executives are determined.
- 5.1.2 Provide an accurate, transparent and detailed disclosure in the Board report on the remunerations granted to the Board members and senior executives, directly or indirectly, without any omission or misleading information, and whether these were in cash or other benefits of any nature. In case they were shares of the Company, the value of the shares is the market value on the due date.
- 5.1.3 Explain the relationship between remunerations granted and applicable remuneration policy, highlighting any significant deviation from such policy.
- 5.1.4 A description of the necessary details with respect to the remunerations.
- 5.1.5 Compensations granted to each of the following, separately:
- Board members
  - Five (5) senior executives who have received the highest remuneration from the Company, provided that the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are among them.
  - Members of committees.

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