



Corporate Governance Guidelines

Zain Bahrain BSC



Change History:

| Version No. | Date | Change owner Name | Change Owner Title | Signature | Description of change |
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Zain Bahrain B.S.C. ("Zain") Corporate Governance Guidelines

Zain Bahrain BSC's ("Zain") Board of Directors (hereinafter referred to as the "Board" or the "Directors") may amend this Corporate Governance Guidelines (hereinafter referred to as the "Guidelines") or grant waivers in exceptional circumstances, provided that any such modification or waiver does not violate any applicable laws, rules, regulations, Zain Bahrain B.S.C.'s ("Zain") Delegation of Authority Matrix and Memorandum & Articles of Association ("Articles of Association") and further provided that any such modification or waiver is appropriately disclosed to the concerned parties.



INTRODUCTION

The Board, in its attempt to adopt a "Corporate Governance Code" in line with the "Central Bank of Bahrain Rule Book – Volume 6: Capital Markets" issued by the Central Bank of Bahrain (hereinafter referred to as the "CBB") and the "Corporate Governance Code" issued by the Ministry of Industry and Commerce (hereinafter referred to as the "MoIC"), and in order to ensure that it remains aligned with leading practices in terms of "Corporate Governance" issued by the Organization for Economic Cooperation and Development (hereinafter referred to as the "OECD"), has prepared and approved this Guidelines.

As per "Chapter HC-8 issued by the CBB Rulebook – Volume 6: Capital Markets, The company must disclose its corporate governance", The Board must adopt written corporate governance guidelines covering the matters stated in Module HC and other corporate governance matters deemed appropriate by the Board. The Corporate Governance Guidelines include or refer to the principles and rules of Module HC; (b) The company must publish the guidelines on its website. (c) At each annual shareholders' meeting the Board must report on the company's compliance with its guidelines and Module HC, and explain the extent, if any, to which it has varied them or believes that any variance or non-compliance was justified; and (d) At each annual shareholders' meeting the board must also report on further items listed in rule HC-8.3.1 as per "Principle 1 issued by the Corporate Governance Code.

Zain's commitment to universal corporate governance practice and regulatory requirement is the key element of its corporate governance goals. its commitment to achieving the highest standards of corporate governance is reflected by its approach which embraces the governance principles outlined by the CBB and the MOIC.

These Guidelines follow the format of Module HC by setting out Module HC principles (the "Principles") and then elaborating upon the Principles.



PRINCIPLE 1: ZAIN SHALL BE HEADED BY AN EFFECTIVE, COLLEGIAL, AND INFORMED BOARD

- 1.1 Director's Roles and Responsibilities:** The Board owes fiduciary duties of care and loyalty to Zain and the shareholders of Zain. In recognition of its duties and responsibilities, the Board has adopted the Charter of the Board of Directors of Zain (the "Board Charter"). Having regard to the importance of each Director understanding his duties and responsibilities, the Chairman of the Board, assisted by the Corporate Secretary, shall review the Board's role and its duties and responsibilities with each newly elected Director. In addition, Zain shall have a written appointment agreement with each Director that refers to the Director's powers, duties and responsibilities and accountabilities, as well as other matters relating to his appointment.
- 1.2 Risk Assessment:** The Board's responsibility in respect of Zain's systems and controls framework is set forth in the Board Charter. The Board should ensure that it collectively has sufficient expertise to understand and measure the risks to which Zain is exposed in its business activities. The Board shall regularly assess the systems and controls framework of Zain. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- 1.3 Decision Making Process:** The Board must be collegial and deliberative, to gain the benefit of each individual Director's judgment and expertise and shall comply with the decision making requirements of HC-1.3 and Zain's Board Charter.
- 1.4 Independence of Judgement:** Every Director must bring independent judgment to bear in decision-making. No individual or group of Directors must dominate the Board's decision-making and no one individual should have unfettered powers of decision. The Board shall comply with the independence of judgement requirements as detailed in Zain's Board Charter.
- 1.5 Representation of All Shareholders:** Each Director must consider himself as representing all shareholders and must act accordingly. The Board must avoid having representatives of specific groups or interests within its membership and must not allow itself to become a battleground of vested interests.
- 1.6 Director's Access to Independent Advice:** The Board must ensure that individual Directors have access to independent legal or other professional advice at the company's expense whenever they



judge this necessary to discharge their responsibilities as Directors and this must be in accordance with the company's policy approved by Zain's Board.

1.7 Directors' Communication with Management: While management members other than those that are executive directors, are not entitled by right to attend Board meetings, the Board must encourage participation by management regarding matters the Board is considering, and also by management members who by reason of responsibilities or succession, the CEO believes should have exposure to the Directors. The Directors' communication with management shall be in accordance with the HC-1.7 and Zain's Board Charter.

1.8 Committees of the Board: The Board, in its capacity, has established the following committees:

- **Audit Committee:** This committee assists the Board in having rigorous controls for financial audit and reporting, internal controls, risk management and compliance with the law.
- **Nomination and Remuneration Committee:** This committee assists the Board in setting out the procedures for the appointment, training and evaluation of the Board and that the Directors and officers fairly and responsibly remunerated.

Each committee operates in accordance with its established and approved Charter. The committees shall act only within their mandates and therefore our Board must not allow any committee to dominate or effectively replace the whole Board in its decision-making responsibility.

1.9 Evaluation of the Board and its Committees: At least annually the board must conduct an evaluation of its performance and the performance of each committee and each individual director. The Board must conduct the periodic evaluations in accordance with the requirements of the Board Charter and the Nomination and Remuneration Committee Charter.

PRINCIPLE 2: THE DIRECTORS AND OFFICERS OF ZAIN MUST HAVE FULL LOYALTY TO THE COMPANY

2.1 Personal Accountability: Each director and officer must understand that under the Commercial Companies Law he is personally accountable to Zain and the shareholders if he violates his legal duty of loyalty to the company, and that he can be personally sued by the company or the shareholders for such



violations. The duty of loyalty includes a duty not to use property of the company for his personal needs as though it was his own property, not to disclose confidential information of the company or use it for his personal profit, not to take business opportunities of the company for himself, not to compete in business with the company, and to serve the company's interest in any transactions with the company in which he has a personal interest.

2.2 Avoidance and Disclosure of Conflicts of Interests: Each director and officer must make every practicable effort to arrange his personal and business affairs to avoid a conflict of interest with the Zain. Each director and officer must inform the entire board in writing of conflicts of interest immediately as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Commercial Companies Law. This disclosure must include all material facts in the case of a contract or transaction involving the director or officer. The directors and officers must understand that any approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the decision and that such information must be disclosed in the annual report.

PRINCIPLE 3: ZAIN'S BOARD MUST HAVE RIGOROUS CONTROLS FOR FINANCIAL AUDIT AND REPORTING, INTERNAL CONTROLS, RISK MANAGEMENT AND COMPLIANCE WITH THE LAW

As mentioned above, the Board has established an Audit Committee. The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of Zain. The Audit Committee shall comply with the requirements of the HC-3.2 to HC-3.3 and the Audit Committee approved Charter.

To encourage management accountability for the financial statements required by the directors, the company's CEO and chief financial officer must ensure to the Audit Committee and the Board as a whole that the Zain's interim and annual financial statements as prepared in accordance with IAS and IFRS present a true and fair view, in all material respects (including providing adequate provisions), of Zain's financial condition and results of operations in accordance with applicable accounting standards.



PRINCIPLE 4: ZAIN MUST HAVE RIGOROUS PROCEDURES FOR THE APPOINTMENT, TRAINING AND EVALUATION OF THE BOARD

4.1 Nomination Committee: As mentioned above, the Board has established a Nomination and Remuneration Committee. The Nomination and Remuneration Committee, apart from its remuneration related responsibilities, assists the Board in formulating a framework for nominating and appointing the Directors and senior management of Zain. The Nomination and Remuneration Committee shall comply with the requirements of the HC-4.2 to HC-4.3 and the Nomination and Remuneration Committee Charter.

All nominations for Board members shall be presented to the shareholders in the form a proposal which shall include the requirements of HC-4.4.1. When proposing the re-election of a director, the Chairman of the Board shall comply with the requirements of HC-4.4.2.

4.2 Induction and Training of Directors: As per HC-4.5, each new Director must receive a formal and tailored induction to ensure his/her contribution to the Board from the beginning of his/her term as specified in the Board Charter.

PRINCIPLE 5: ZAIN MUST REMUNERATE DIRECTORS AND OFFICERS FAIRLY AND RESPONSIBLY

5.1 Remuneration Committee: As mentioned above, the Board has established a Nomination and Remuneration Committee. The Nomination and Remuneration Committee, apart from its nomination related responsibilities, assists the Board in the remuneration policies for the directors and officers of Zain. The Nomination and Remuneration Committee shall comply with the requirements of the HC-5.2 to 5.3. As per HC-5.4.1, Remuneration of both directors and officers shall be sufficient enough to attract, retain and motivate persons of the quality needed to run the company successfully, but the company shall avoid paying more than is necessary for that purpose.

The company shall comply with the remuneration requirements for non-executive directors and officers in accordance with the requirements of the HC-5.5 to HC-5.6 and the Nomination and Remuneration Committee Charter.



**PRINCIPLE 6: ZAIN'S BOARD MUST ESTABLISH A CLEAR AND EFFICIENT
MANAGEMENT STRUCTURE**

The Board shall appoint officers whose authority shall include management and operation of current activities of Zain, reporting to and under the direction of the Board. The Board shall ensure that Zain's management structure is in compliance with the requirements of HC-6.2.

The Board shall adopt by-laws prescribing each senior officer's title, authorities, duties and internal reporting responsibilities. This shall be done with the advice of the Nomination and Remuneration Committee and in consultation with the company.

**PRINCIPLE 7: ZAIN MUST COMMUNICATE WITH SHAREHOLDERS,
ENCOURAGE THEIR PARTICIPATION AND SHALL ADHERE TO THEIR
RIGHTS**

All shareholders must be treated equally. Zain shall comply with basic shareholders rights (HC-7.3) and the conduct of shareholders' meetings (HC-7.4). The Chairman of the Board (and other Directors as appropriate) shall maintain continuing personal contact with major shareholders to solicit their views and understand their concerns. The Chairman shall ensure that the views of shareholders are communicated to the Board as a whole and shall discuss governance and strategy with major shareholders.

The Chairman and other directors must actively encourage the controlling shareholders to make considered use of their position and to fully respect the rights of minority shareholders as specified in HC-7.6.1.

**PRINCIPLE 8: ZAIN MUST DISCLOSE ITS CORPORATE GOVERNANCE
DISCLOSURE**

In accordance with HC-8.1.1, Zain must disclose its corporate governance. Disclosure of Zain's corporate governance guidelines shall be made in accordance with the requirements of HC-8.2. The Board must report on company's compliance with its corporate governance guidelines and HC Module at each annual shareholders' meeting. Furthermore, Zain's annual report shall disclose the required information set out in HC-8.3.1.