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Materiality Assessment

Materiality Assessment

Zain conducted its annual materiality assessment to identify and prioritize Environmental, Social, and Governance (ESG)-related topics and the risks and opportunities that are important for the company and its stakeholders. Zain engaged with internal and external stakeholders to understand their concerns and address their needs. The process below showcases the steps taken to identify Zain's material topics based on the Global Reporting Initiative (GRI) Universal Standards 2021.

Determining Materiality to Zain:

Understanding Zain's Context

The company conducted a high-level overview of its activities, business relationships, sustainability context and stakeholder groups to better understand and identify the negative and positive impacts of its business practices.

- Activities: Embedding the strategic objectives set in its 4Sight strategy, digital service offerings, the industry sector, and its employee demographics, allows the company to better understand the impact of its activities on a Group-wide basis.
- Business Relationships: Based on its activities, the company established relationships with business partners that are aligned to Zain's vision. Throughout the value chain, the company prioritizes its engagement with suppliers to mitigate risks and ensure business continuity across the board.
- Sustainability Context: Zain's regional landscape gives rise to a set of unique challenges that includes youth unemployment, climate-related disasters, infringement of human rights, lack of regulatory reform in adopting data security, data sovereignty frameworks, and skills mismatch and retention of local talent.
- Stakeholder Groups: Engaging with the company's stakeholders is crucial in understanding their needs, concerns and how Zain is impacting them on a socio-economic, environmental and human rights level.

Identifying Actual and Potential Impacts

In 2022, Zain conducted its materiality assessment using Datamaran, a software analytics platform that monitors current and emerging ESG-related risks. The automated analysis is conducted by benchmarking peers, assessing wider ESG regulations, online news and media outlets, in addition to gathering insights through stakeholder engagement surveys.

Zain conducted a topic mapping exercise, which takes into consideration previous material topics, GSMA benchmarks and Datamaran's telecom industry list, to ensure that emerging risks are included in the company's analysis.

A shortlist of 27 topics were compiled that are based on previous reports and upcoming trends, and which included:

- Datamaran's machine learning telco industry list
- The macro-business environment
- Benchmarking against other prominent players in the industry and the region
- Inputs gathered from operational review meetings, business plan meetings, and from leadership and executive management
- Sustainability interests raised by stakeholders
- Socio-economic and political factors

Zain bases its annual Sustainability Report on the results of the materiality assessment exercise in order to further understand the consequential issues for the company and its stakeholders.

Assess the Significance of the Impacts

Stakeholder Inclusiveness

Zain defines stakeholders using the definition provided by GRI:

"Stakeholders are entities or individuals that can reasonably be expected to be significantly affected by the organization's activities, products and services, and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives."

The stakeholders considered in this process range from those that directly invest in the organization such as employees, shareholders, investors, and suppliers, to those who are indirectly impacted by the company's operations, including local communities, civil society, non-governmental organizations, and vulnerable groups.

Based on this definition, Zain identifies its main stakeholders for the purposes of this report as:

Internal

- Employees
- Executive Management

External

- Regulators
- Shareholders
- Suppliers
- Business Partners
- Financial Institutions
- General Public
- Customers

As a standard business practice, Zain frequently carries out stakeholder engagement activities throughout the course of the year, which enable the organization to address the needs and expectations of its stakeholders. Related engagement activities include:

1. **Corporate Sustainability (CS) Social Media Outreach:** CS social media outreach campaigns engage Zain's internal and external stakeholders to adopt a sustainability mindset. Zain encourages its audiences to provide feedback on the highlighted issues through social media engagement tools such as polls, surveys, and questions highlighted in the posts' caption. Using this approach, the company assesses its stakeholders' behavioral evolution by conducting pre- and post-surveys to further develop its messaging and understand its stakeholders' priorities and concerns.

2. **Internal Forums:** These activities are designed to engage both the Group and the operating companies to measure priorities, share best practices, and discuss issues related to their specific business areas. In 2022, the following function-specific forums were conducted: Procurement, Risk Synergy, Diversity, Equity and Inclusion (DE&I), Human Resources, Regulatory, Technology, Esports, and Corporate Sustainability.

3. **Stakeholder engagement process through various corporate functions:** Several Zain functions devote significant resources to maintaining frequent dialog and transparency with stakeholders through analyst, investor and shareholder meetings, frequent communication with regulatory bodies, meetings with partners, customer polling, and other engagement activities related to each relevant function. In February 2022, Zain participated in the GSMA Mobile World Congress (MWC) the largest and most influential event for the ICT ecosystem, with a designated stand.

Based on Datamaran's map testing exercise and the GSMA's working Group 'ESG Metrics for Mobile', Zain revised its material topics to ensure they are in line with international best practices (such as SASB and TCFD guidance) and are presented in a cohesive manner. In some areas, Zain combined topics and in others it divided them into more specific themes.

The following table showcases the changes that have been made and provides a year-on-year comparison of the rankings based on the results from Datamaran and survey responses.

MATERIAL TOPICS	RANKING ORDER 2022	RANKING ORDER 2021
Customer Privacy & Data Security	1	2
Customer Service	2	3
Employee Health & Safety	3	1
Climate Change	4	16
Digital Transformation	5	6
Diversity & Inclusion	6	8
Business Ethics and Governance	7	4
Workforce Management	8	
Digital Inclusion	9	
Business Model Resilience	10	
Mobile Communications and Health	11	17*
Supply Chain Management	12	14
Labor Practices	13	
Modern Slavery	14	18
Economic Performance	15	5
Socioeconomic Compliance	16	13
Waste & Hazardous Materials Management	17	15*
Competitive Behavior	18	
Responsible Consumption & Production	19	14 & 15
Management of the Legal & Regulatory landscape	20	
Entrepreneurs and Skill & SME Development	21	11
Physical & Sociopolitical Risks	22	
Children's Rights	23	10*
Philanthropy and Community Engagement	24	
Ecological Impacts	25	16
Natural Capital	26	
Selling practices & Product Labeling	27	


High Priority
Stakeholders
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
Mobile Communications and Health
Modern Slavery
Customer Privacy & Data Security
Diversity & Inclusion
Customer Service
Climate Change
Physical & Sociopolitical Risks
Business Ethics and Governance
Digital Transformation
Employee Health & Safety
Economic Performance
Supply Chain Management
Business Model Resilience
Workforce Management
Socioeconomic Compliance
Entrepreneurs and Skill & SME Development
Digital Inclusion
Responsible Consumption & Production
Natural Capital
Labor Practices
Waste & Hazardous Materials Management
Competitive Behavior
Ecological Impacts
Management of the Legal & Regulatory Environment
Philanthropy and Community Engagement
Selling Practices & Product Labeling
Children's Rights
0.1
0.2
0.3
0.4
0.5
0.6
0.7
0.8
0.9
1.0
My Company
High Priority
Legend
Low Priority Issues
Medium Priority Issues
High Priority Issues

Disclosures on Material Topics

As per the GRI Universal Standards, the company continued to assess and address its impacts across the value chain. Zain assessed each of its material topics by identifying its economic, social, environmental and human rights impacts. Through this lens, the company can prioritize and take a holistic approach when conducting its business activities.

The table below provides a summary and overview of the social, economic, environmental and human rights impacts of the top 17 material topics the company will be reporting on throughout the report.

MATERIAL TOPICS	OVERVIEW OF SOCIAL, ECONOMIC, ENVIRONMENTAL, AND HUMAN RIGHTS IMPACTS	ACTUAL/ POTENTIAL	NEGATIVE/POSITIVE IMPACT
Customer Privacy & Data Security	Enables societies to optimize data handling practices to build strong digital pathways by strengthening Zain's data privacy mechanisms as per best practices and adhering to the laws and regulation per country. This allows its stakeholders to avoid exposure to improper account charges, privacy intrusions or identity theft.	Actual	Positive
Customer Service	Providing top quality and inclusive products and services, the company can empower and uplift its customers. By ensuring Zain's customers have access to connectivity, it allows for the reduction of information asymmetries, increased economic activity, and allows for greater efficiencies. The company continues to track Net Promoter Scores (NPS) and ensure open communication channels across its footprint to engage and respond to its customers' needs.	Actual	Positive
Employee Health & Safety	Failure to ensure a healthy and safe work environment for employees can lead to fatalities, serious injuries, and illnesses. Impacting the quality of life of employees may also damage the businesses' productivity, finances, and reputation. Zain continued to prioritize employee health & safety and well-being from a physical and mental standpoint by assessing the possible risks and addressing any work-related injury, fatalities or illnesses. Activities conducted include enabling employees to work remotely and provide equitable insurance packages in addition to the various programs under Zain's 'Be Well' wellness stream.	Actual	Negative
Climate Change	The company continues to address its emissions across its footprint while also tackling the increase in data consumption. Climate change continues to be a driver for Zain to adapt and mitigate its risks while continuously rolling out green solutions to help other sectors do the same. Moving beyond ambition, Zain is dedicated to take the necessary steps and use its sphere of influence to lobby for policy reform, introduce green technologies, and spread the awareness needed to combat climate change.	Actual and Potential	Negative / Positive

MATERIAL TOPICS	OVERVIEW OF SOCIAL, ECONOMIC, ENVIRONMENTAL, AND HUMAN RIGHTS IMPACTS	ACTUAL/ POTENTIAL	NEGATIVE/POSITIVE IMPACT
Digital Transformation	Digital transformation has profound impacts on the world impacting all industries. Zain's 4sight strategy aims to enhance the digital ecosystem through its core services but also to develop other industries, under its digital transformation and investment arm tackling areas such as fintech, e-education, e-health, and esports.	Actual	Positive
Diversity & Inclusion	Zain continues to proactively promote diversity, equity and inclusion (DE&I) to foster social stability, further economic development, and gain access to a larger set of potential employees. Establishing D&I competencies, launching strategic Group-wide initiatives, and creating greater awareness allows Zain to nurture a diverse and inclusive culture.	Actual	Positive
Business Ethics and Governance	The company emphasizes the importance of strengthening its integrity among all stakeholders to build trust. By developing a strong relationship, Zain can address stakeholder concerns in an effective and accurate manner. Having a well-equipped governance model provides management the ability to oversee and address the organization's impacts.	Potential	Positive
Workforce Management	With approximately 7,100 employees across seven markets, Zain can positively influence its workforce through its policies, practices, recruitment, retention, and skill development.	Actual	Positive
Digital Inclusion	Bridging the digital divide and ensuring that no one is left behind leads to a multitude of socio-economic benefits. The company explores the needs of excluded and marginalized segments to provide opportunities that are inclusive by design. Zain targets various segments that include children and youth, elderly, and people with disabilities and sets targets accordingly.	Actual	Positive
Business Model Resilience	Zain continues to embed business continuity in its risk management policies, practices, and processes. The pandemic highlighted the need to ensure resilience as it leads to better business and societal outcomes. Other external crises such as natural or humanitarian disasters, in addition to geopolitical instability continue to underline the need to systemically embed business resilience mechanisms within the company's practices.	Actual	Positive

MATERIAL TOPICS	OVERVIEW OF SOCIAL, ECONOMIC, ENVIRONMENTAL, AND HUMAN RIGHTS IMPACTS	ACTUAL/ POTENTIAL	NEGATIVE/POSITIVE IMPACT
Mobile Communications and Health	According to the GSMA, no health risks have been established from exposure to the low-level radio signals used for mobile communications. Zain ensures that it follows official guidelines and maintains the policies and practices specified in its Environmental and Social Management Plan (ESMP) to safeguard its communities against exposure to electromagnetic fields (EMF).	Actual	Negative
Supply Chain Management	Societies with highly developed supply chain management systems are proven to have great influence on all facets of societies. Numerous stakeholders depend on the supply chain as it provides vast employment opportunities where some are then able to gain access to healthcare. However, the risk of human rights abuses that include labor rights, child labor, corruption and health & safety concerns are more prominent across supply chains. Zain continues to expand and scale its mechanisms and processes across all markets to address human rights impacts across its entire value chain.	Actual	Negative
Labor practices	There are several economic implications to upholding local and international labor laws. Through adherence to such practices, the company can influence employment practices not only for its own workforce but also throughout its supply chain. This reduces the risk of any abuses or discrimination occurring.	Actual	Negative / Positive
Modern Slavery	Modern slavery, including forced labor, increased significantly in recent years, where most cases of forced labor are found in the private sector with migrant workers being the most vulnerable. Improving and enforcing laws, regulations and inspections helps progress towards addressing modern slavery. Operating in seven markets and working with a high volume and range of suppliers, Zain aims to expand its influence and uphold its social and environmental values across its supply chain.	Potential	Negative / Positive
Economic Performance	Achieving its economic goals and objectives allows the company to create and distribute wealth to its stakeholders. Though the economic value generated, Zain identifies key investment areas such as infrastructure, assets, and its workforce.	Actual	Positive

MATERIAL TOPICS	OVERVIEW OF SOCIAL, ECONOMIC, ENVIRONMENTAL, AND HUMAN RIGHTS IMPACTS	ACTUAL/ POTENTIAL	NEGATIVE/POSITIVE IMPACT
Socioeconomic Compliance	Compliance to laws and regulations showcases a company's ability to manage and conform to certain performance parameters. By ensuring the company complies to all social and economic-related laws and regulations protects the communities in which it operates.	Actual	Positive
Children's Rights	Child online safety continues to be an important area where a variety of risks can arise from online addiction, access to child sexual abuse material, cyber bullying, and widespread online scams and other threats. Zain's approach to spreading awareness and engaging with stakeholders to strengthen child protection mechanisms such as child helplines, allows the company to tackle the negative effects of connectivity. With monitored use, children can reap the benefits of accessing the internet through e-education and edutainment services.	Actual	Negative/Positive