16

Our Economic Impacts

Our Economic Impacts

This section explores Zain's economic impacts across its footprint. From a financial standpoint, it considers Zain's economic performance, its impact on supply chain management, indirect jobs generated, and the impact generated by the company's fintech activities.

Major Milestones

341

SUPPLIERS

Further developed and scaled the self-assessment questionnaire process to all markets, reaching 341 suppliers in 2022, reflecting an increase from 40 suppliers last year.

122,493

JOBS GENERATED

Contributing to employment opportunities through Zain's distribution channels. In 2022, the company generated 122,493 jobs across Zain's value chain.

64%

FINTECH CUSTOMERS GROWTH

995K

TOTAL CUSTOMERS

Continued to develop the financial sector across Zain's markets, allowing the company to grow its fintech customers by 64%, reaching a total of 995,000 customers.

Financial Performance

In 2022, Zain achieved a solid financial performance, showcasing a **14% year-on-year (Y-o-Y)** growth representing consolidated revenue of **USD 5.6 billion**.

Financial Performance: Direct Economic Value Generated and Distributed

	2022		2021	
	KD M	US$ M	KD M	US$ M
Revenues	1,728	5,644	1,520	5,044
Cost of Sales	(566)	(1,847)	(461)	(1,530)
Operating Costs	(490)	(1,599)	(428)	(1,421)
Net Profit	224	640	186	616
Retained Earnings	393	1,285	340	1,125
Dividends Paid	(142)	(463)	(186)	(615)
Dividends paid to non-controlling interests	(2)	(7)	(4)	(15)
Staff Costs	(147)	(479)	(127)	(423)
Finance Costs Paid	(53)	(174)	(45)	(150)
(Repayment of)/ proceeds from bank borrowings (net)	38	125	114	378
Income Tax Payments	(11)	(37)	(19)	(62)
Kuwait Foundation for the Advancement of Sciences Paid	(7)	(22)	(4)	(14)
National Labor Support Tax and Zakat Paid	(3)	(10)	(6)	(20)

The Annual General Meeting of shareholders for the year ended 31 December, 2020 held on 17 March, 2021 approved distribution of cash dividends amounting to 33 fils per share for the year 2020.

Zain's Economic Impact through the Value Chain

Zain's value chain spans across multiple key enterprises that support the company by providing services that address the needs of its customers. To ensure that the company operates responsibly, Zain aims to ensure that its environmental, social, and governance (ESG) indicators are embedded throughout.

- ### Network and Equipment Providers:

Explores areas of circularity, capacity building, emission reduction and efficiency.

- ### Hardware and Software Manufacturers:

Assess energy consumption, explore efficiency and AI mechanisms for CO_2 emissions.

- ### Product Research and Development:

Identify and follow development of ESG trends, conduct analysis and research on market composition, collaborate with stakeholders in the ESG space.

- ### DistributionChannels:

Number of jobs generated through channels and alignment to Zain's environmental and social standards.

- ### Cloud Solutions Providers
- ### System Integrators

Through its distribution channels this year, Zain provided 122,493 jobs that helped boost economic activity across its markets.

Zain's Economic Impact through its Value Chain - The Supply Chain 2022

	BAHRAIN	IRAQ	JORDAN	KUWAIT	SAUDI ARABIA	SUDAN
Outlets	2,500	73,000	2,837	1,766	23,711	41,070
Distributors	2	3	5	8	5	48
Franchise Shops	0	77	25	97	220	69
Flagship and Zain-owned stores	16	28	31	7	31	3

Zain's Economic Impact through its Value Chain - Our Supply Chain 2021

	BAHRAIN	IRAQ	JORDAN	KUWAIT	SAUDI ARABIA	SUDAN
Outlets	2,700	71,000	2,920	1,766	23,274	31,000
Distributors	2	3	5	8	4	48
Franchise Shops	0	80	27	102	212	72
Flagship and Zain-owned stores	15	29	28	5	30	3

	JOBS PROVIDED IN 2022
Bahrain	180
Iraq	1,432
Jordan	5,749
Kuwait	6,914
Saudi Arabia	3,100
Sudan	105,118

Responsible Supply Chain

Zain's approach to responsible supply chain management encompasses its footprint to address ESG impacts. The company recognizes there is a strategic need to develop its supply chain to ensure alignment to Zain's values and sustainability agenda KPIs. The development of Zain's supply chain faces challenges due to different business practices coupled with financially driven factors. To address this, the company has been working with its suppliers to upskill them and set business boundaries. As part of the supplier assessment and selection criteria, sustainability-related factors of its supply chain range from sourcing of materials, health and safety, human and labor rights, and anti-corruption amongst others.

Throughout Zain's journey, the company continues to take into consideration the complexity of addressing the risks that arise from its supply chain. Zain's objective is to continue to evolve and better engage with its suppliers as this approach will allow the company to better identify the risks and manage disruptions. In 2022, the focus was to scale set processes piloted with Zain Group's suppliers the previous year. Prior to scaling such processes across markets, the supply chain management team hosted engagement sessions with the most material suppliers to establish a more collaborative relationship. Through this engagement process, Zain was able to identify suppliers' concerns and sustainability-related areas that require further development. As a result, the knowledge gap and awareness between local and foreign suppliers was evidenced. The observations led to pivoting the self-assessment questionnaire for our local suppliers to ensure they can engage with Zain in a productive manner. Zain also continued to develop a capacity-building training plan to allow suppliers to provide their feedback and identify topics for further knowledge development. The enhanced approach allows the company to better align its suppliers with Zain's environmental and social criteria, as well as spread greater awareness amongst local suppliers.

Zain's supply chain management process aims to capture and identify and mitigate possible risks:

Zain Supply Chain Management Process

1 Adhere to Zain's supplier code of conduct, and human rights policy statements

2 Complete Zain's training video available on the website and complete feedback form

3 Complete Zain's self -assessment questionnaire

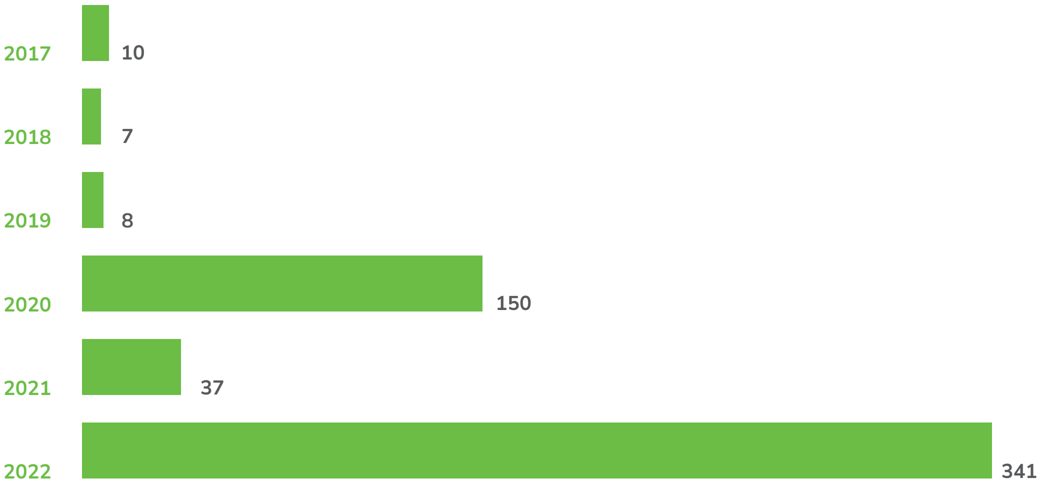
4 Complete physical audit for high risk suppliers

Supplier Code of Conduct, and Human Rights Policy Statements are available in Arabic and English on the Zain Group website page.

Zain launched the first training video available on the Zain Group website covering topics included in the Supplier Code of Conduct. The company then sent across a feedback survey to all suppliers to confirm they had viewed it and to gain insights on what topics they would want additional exposure to. Zain provided a drop-down menu for suppliers, highlighting the most material sustainability-related topics in the industry and the related context. Suppliers were requested to select topics to learn more about anti-corruption, fair labor, forced and child labor, human rights, compliance, climate change and others. 134 suppliers completed the training during the year.

In 2022, Zain scaled its self-assessment questionnaire across all markets after conducting a stakeholder engagement process with its suppliers in each country operation. After compiling the feedback, Zain reiterated the use of the questionnaire as a useful engagement tool to ensure alignment to its strategic objectives and to address any concerns from suppliers. The topics covered in the questionnaire included:

Progression of Supplier Self-Assessment Questionnaire



*2021, the number of responses reflects those from Bahrain and Group suppliers only.

*2022, the number of responses reflects those from Group and suppliers across all operations.

During 2022, Zain also scaled its physical audit process across its footprint. Each market had to conduct two audits, with the corporate sustainability and procurement departments working together, with observations then raised with suppliers. Zain provides a notice period to suppliers to address the observations raised. The notice period is determined by the material aspects of the observation and remedial action is implemented as stipulated in the framework agreement and supplier code of conduct.

Any negative related impacts from Zain's supply chain is raised through either the self assessment questionnaire of the company's physical audit process. This year, there were no major concerns raised based on the company's social and environmental criteria.

OPERATION	NUMBER OF SUPPLIER TARGET	NUMBER OF SUPPLIER COMPLETION	PERCENTAGE ACHIEVED
Group	72	45	**63%**
Bahrain	72	72	**100%**
Iraq	72	73	**101%**
Jordan	72	81	**113%**
Kuwait	72	30	**42%**
Saudi Arabia	72	26	**36%**
Sudan	72	11	**15%**
South Sudan	72	3*	**0%**
Total	**576**	**341**	**59%**

* The response rate in South Sudan is hindered due to the lack of awareness. In 2022, Zain South Sudan procurement and sustainability team focused on training and developing its suppliers on fulfilling the self-assessment questionnaire.

** From the suppliers who completed the Self-Assessment Questionnaire 302 suppliers are considered active suppliers. This showcases the company's commitment to reach all types suppliers across Zain's value chain.

OPERATION	TARGET OF NUMBER OF SUPPLIER	COMPLETED
Bahrain	2	Yes
Iraq	2	Yes
Jordan	2	Yes
Kuwait	5	4
Saudi Arabia	2	Yes
Sudan	2	Yes
South Sudan	2	No

Procurement Spending

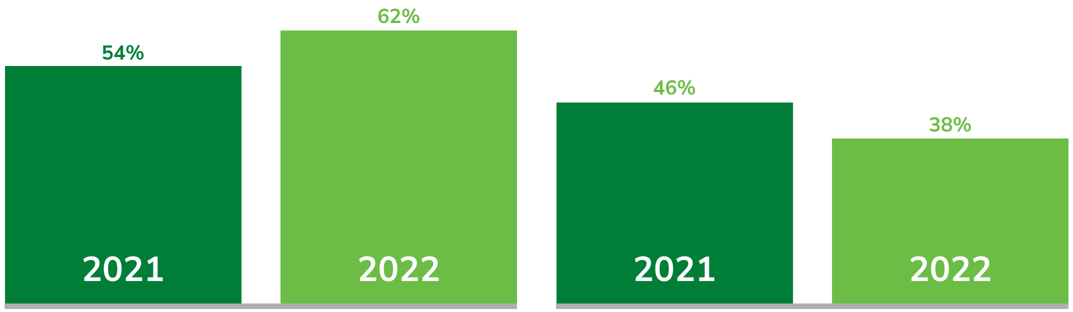
In 2022, the spending on local suppliers increased year-on-year (YoY) by 8%. This indicates Zain's contribution to improving the local economy and employment rates.

2022 Procurement Spending Per Operation

OPERATION	% SPENDING ON LOCAL SUPPLIERS	% SPENDING ON FOREIGN SUPPLIERS
Bahrain	20%	80%
Iraq	25%	75%
Jordan	53%	47%
Kuwait	49%	51%
Saudi Arabia	88%	12%
Sudan	44%	56%
South Sudan	10%	90%
Total	**62%**	**38%**

The graph below illustrates Zain Group's procurement spending for local vs. foreign suppliers for 2022 as compared to 2021.

Procurement Spending: Year-on-Year



Financial Inclusion

In 2022, Zain continued to develop the digital financial sector in areas such as digital lending, online payments, and micro-loans. To further accelerate systemic change, the company's is further developing it's fintech ecosystem through the subsidiaries across the footprint. The strategic direction allows Zain to provide a wide range of services allowing for inclusive growth and access.

Zain Cash Iraq

Mobile wallet licensed by Central Bank of Iraq

Secured license to offer credit cards

Zain Cash Jordan

Largest mobile financial services provider in the country

Launched credit card services and remittance services in collaboration with Western Union

Tamam Saudi Arabia

First micro-financing license in the region

Licensed by Saudi Central Bank (SAMA)

Launched Murabaha Financing - digital installments service

Bahrain

Awarded a fintech license by the Central Bank of Bahrain in 2022, and planning to launch services in 2023

Sudan

During the end of 2022, the technical platform was finalized

Kuwait

Digital banking application submitted to the Central Bank of Kuwait