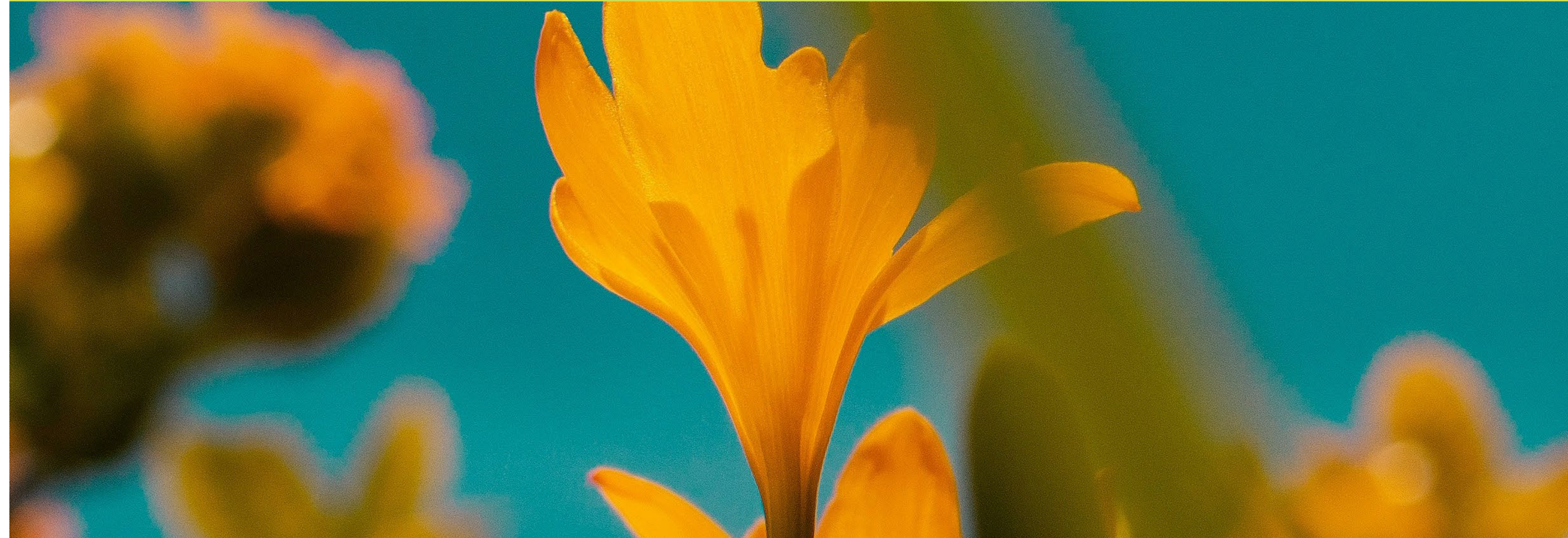CHAPTER

12

12 Materiality Assessment

Zain conducts its materiality assessment on an annual basis, providing the company with the ability to identify and prioritize sustainability-related topics and the risks and opportunities for the company and its stakeholders. Zain continued to engage with internal and external stakeholders to understand their concerns and address their needs.

DETERMINING MATERIALITY TO ZAIN

UNDERSTANDING ZAIN'S CONTEXT

In reference to the Global Reporting Initiative (GRI) standard, Zain assesses and identifies its sustainability topics on an ongoing basis. The company does so by conducting a high-level overview of its activities, business relationships, sustainability context, and stakeholder groups to identify the topics that have both financial and non-financial impacts.

- Activities: Embedding the strategic objectives set in its 4Sight strategy; digital service offerings; the industry sector, and its employee demographics allow 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.

- Sustainability context: Zain's regional landscape gives rise to a set of unique challenges that includes youth unemployment, gender equality, climate-related disasters, infringement of human rights, biodiversity, lack of regulatory reform in adopting data security, data sovereignty frameworks, children's rights, socio-political conflicts, 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 basis.

CHANGES IN 2023

The company conducted a double materiality approach for its 2023 materiality assessment to ensure it captures both financial and societal impacts. Through this assessment, the company can capture a comprehensive assessment of both financial and non-financial risks that supports greater transparency in its reporting mechanisms. The double materiality assessment also provides greater insights on sustainability-related topics that contribute to long-term value creation. As regulatory frameworks further evolve to include environmental, social, and governance (ESG)-related requirements, double materiality is essential in meeting such standards and requirements.

ASSESS THE SIGNIFICANCE OF THE IMPACTS

IDENTIFYING ACTUAL AND POTENTIAL IMPACTS

In 2023, Zain continued to use Datamaran, a software analytics platform that monitors current and emerging ESG-related risks, to conduct its materiality assessment. 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 leverages the analytics derived from Datamaran's platform and uses its telecom industry list to ensure that emerging risks are included in the company's analysis. The updates are then subject to the approval of Zain's Chief Sustainability Officer.

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 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 to further understand the consequential issues for the company and its stakeholders.

STAKEHOLDER INCLUSIVENESS

Zain defines stakeholders using the definition provided by the GRI as follows:

"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	External
• Employees	• Regulators
• Executive Management	• Shareholders
	• Suppliers
	• Business Partners
	• Financial Institutions
	• General Public
	• Customers
	• Media

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**: Engaging 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. Some topics covered through social media included climate change, biodiversity, human rights, children's rights, online safety, socio-economic development, green skills, and diversity, equity, and inclusion.

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 2023, the following function-specific forums were conducted: Dizlee (Zain Group API Platform), Risk Management, Human Resources, Technology, and Corporate Sustainability.

3. **Stakeholder engagement process through various corporate functions**: Zain ensures it conducts frequent engagement sessions 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 October 2023, ZainTECH, Zain Group's ICT arm, participated in GITEX, a global tech exhibition that takes place in Dubai annually. Zain Saudi Arabia participated in LEAP, the annual tech event founded by the Ministry of Communications and Information Technology, the Saudi Federation for Cybersecurity, Programming and Drones, and Tahaluf, an Informa company.

Zain updated its topics for assessment based on the activities conducted by Datamaran. The materiality topics did not change, however, the following subjects were added:
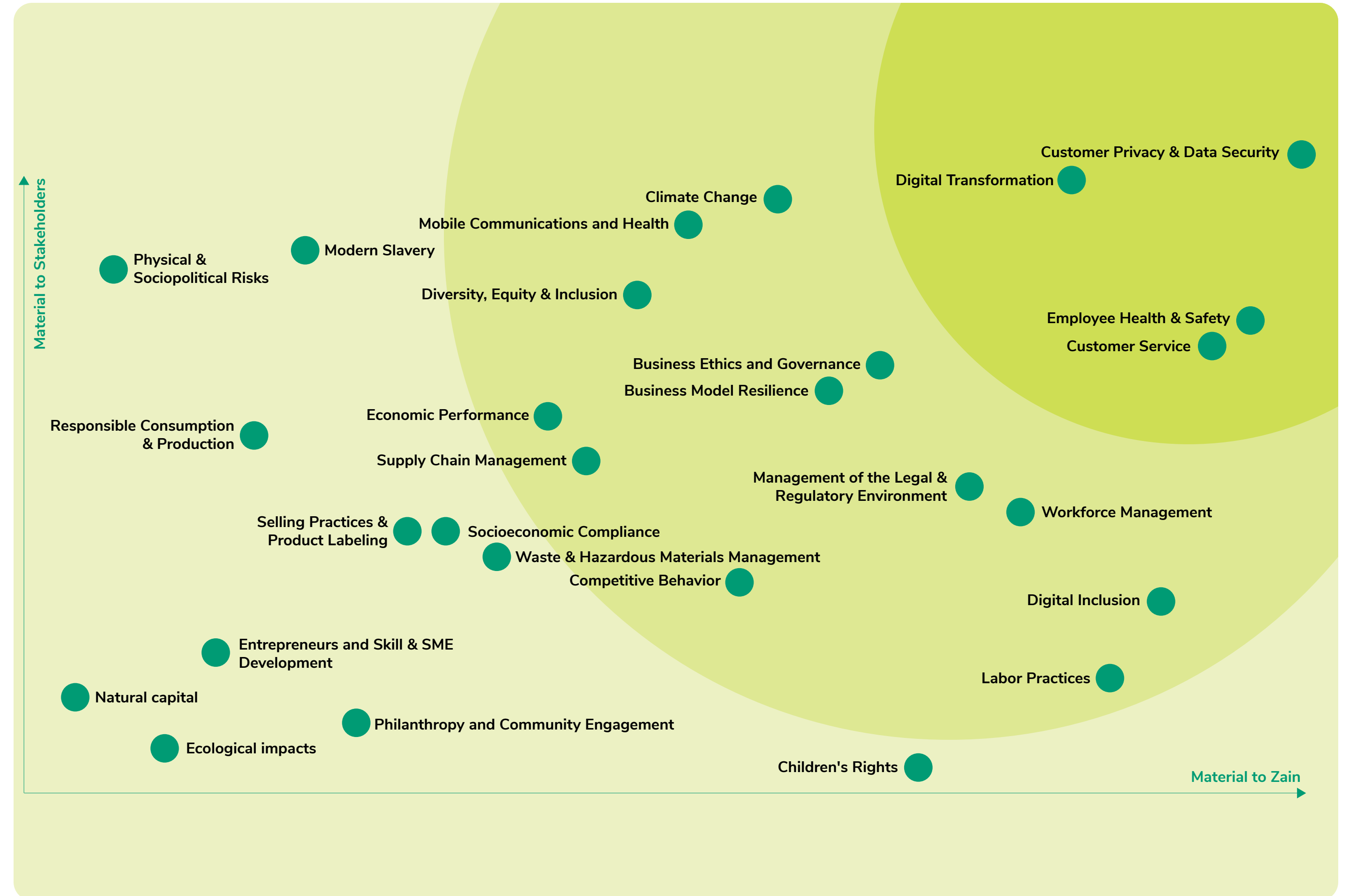
- Online safety was added to Business Ethics and Governance

- Public Health was added to Mobile Communications and Health

- Geo-political and socio-economic risk were added to Physical and Sociopolitical Risks

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 2023	Ranking Order 2022
Customer privacy & data security	1	1
Digital Transformation	2	5
Employee health & safety	3	3
Customer Service	4	2
Climate Change	5	4
Mobile Communications and Health	6	11
Business Ethics and Governance	7	7
Business model resilience	8	10
Diversity, Equity & Inclusion	9	6
Management of the legal & regulatory environment	10	20
Workforce management	11	8
Digital Inclusion	12	9
Economic Performance	13	15
Supply Chain Management	14	12
Modern Slavery	15	14
Competitive behavior	16	18
Labor practices	17	13
Waste & Hazardous Materials Management	18	17
Selling practices & product labeling	19	27
Responsible consumption & production	20	19
Socioeconomic Compliance	21	16
Physical & sociopolitical risks	22	22
Entrepreneurs and Skill & SME Development	23	21
Philanthropy and Community Engagement	24	24
Children's Rights	25	23
Ecological impacts	26	25
Natural capital	27	26

** Indicates there has been changes to the name (combined or divided) in comparison to last year's topics

ZAIN'S MATERIALITY MATRIX

● High priority issues ● Medium priority issues ○ Low priority issues

Material to Stakeholders

Material to Zain

- Customer Privacy & Data Security
- Digital Transformation
- Climate Change
- Mobile Communications and Health
- Modern Slavery
- Physical & Sociopolitical Risks
- Diversity, Equity & Inclusion
- Employee Health & Safety
- Customer Service
- Business Ethics and Governance
- Business Model Resilience
- Economic Performance
- Responsible Consumption & Production
- Supply Chain Management
- Management of the Legal & Regulatory Environment
- Workforce Management
- Selling Practices & Product Labeling
- Socioeconomic Compliance
- Waste & Hazardous Materials Management
- Competitive Behavior
- Digital Inclusion
- Entrepreneurs and Skill & SME Development
- Natural capital
- Philanthropy and Community Engagement
- Labor Practices
- Ecological impacts
- Children's Rights

ZAIN'S DOUBLE MATERIALITY MATRIX
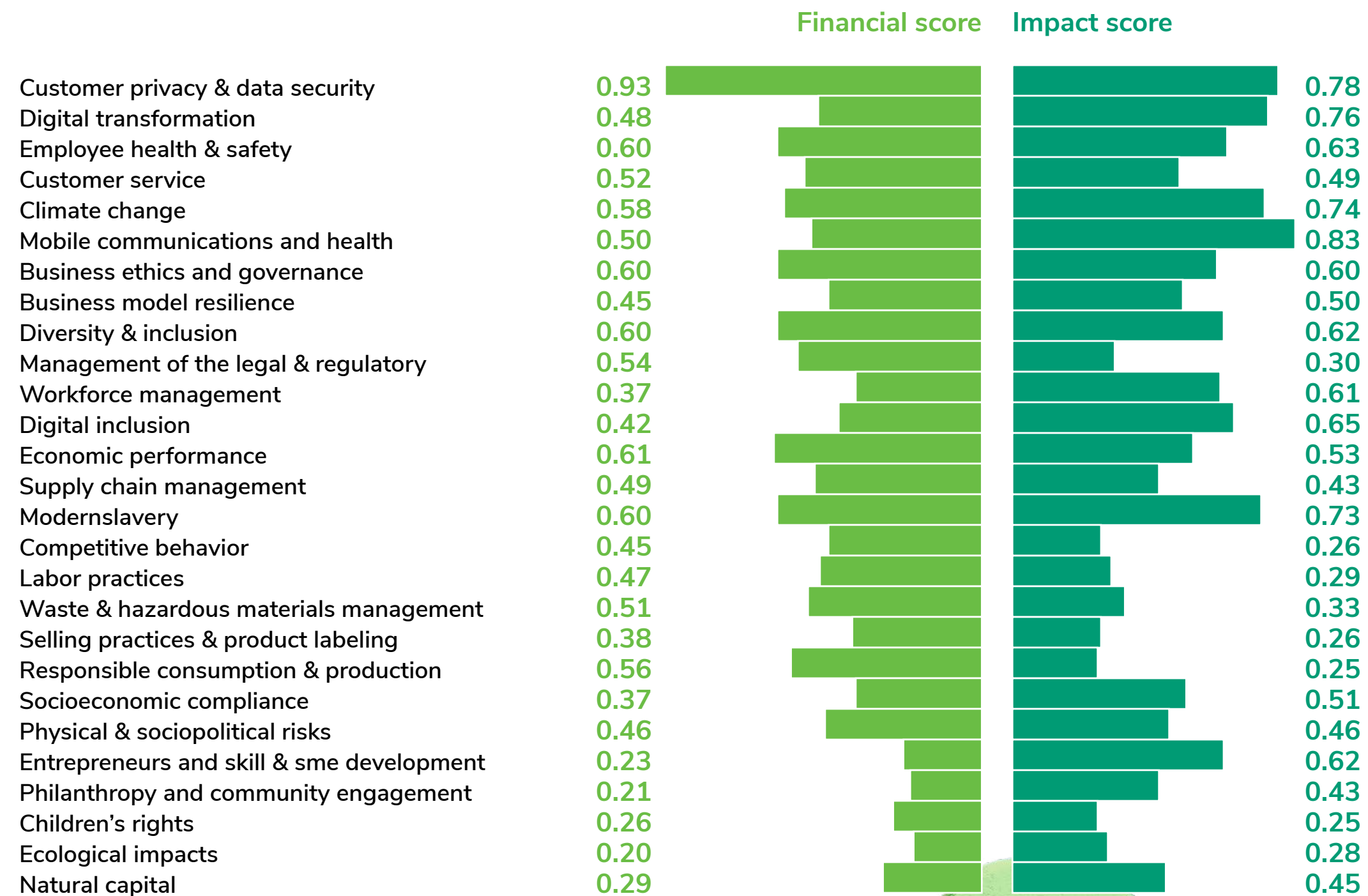
DISCLOSURES ON MATERIAL TOPICS

The company assesses and addresses its impacts across the value chain on a continuous basis to identify its ESG and human rights impacts. This enables Zain to embed such impacts in its decision-making priorities.

The table below provides an overview of its top 17 material topics:

	Financial score	Impact score
Customer privacy & data security	0.93	0.78
Digital transformation	0.48	0.76
Employee health & safety	0.60	0.63
Customer service	0.52	0.49
Climate change	0.58	0.74
Mobile communications and health	0.50	0.83
Business ethics and governance	0.60	0.60
Business model resilience	0.45	0.50
Diversity & inclusion	0.60	0.62
Management of the legal & regulatory	0.54	0.30
Workforce management	0.37	0.61
Digital inclusion	0.42	0.65
Economic performance	0.61	0.53
Supply chain management	0.49	0.43
Modernslavery	0.60	0.73
Competitive behavior	0.45	0.26
Labor practices	0.47	0.29
Waste & hazardous materials management	0.51	0.33
Selling practices & product labeling	0.38	0.26
Responsible consumption & production	0.56	0.25
Socioeconomic compliance	0.37	0.51
Physical & sociopolitical risks	0.46	0.46
Entrepreneurs and skill & sme development	0.23	0.62
Philanthropy and community engagement	0.21	0.43
Children's rights	0.26	0.25
Ecological impacts	0.20	0.28
Natural capital	0.29	0.45

Material Topics	Overview of social, economic, environmental, and human rights impacts	Actual/ Potential	Does the company impact this topic positively or negatively?
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 risk 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 streams. BE WELL emphasizes the importance of employees' mental health, which is crucial in times of conflict and socio-political upheaval in the region.	Actual	Negative

Material Topics	Overview of social, economic, environmental, and human rights impacts	Actual/ Potential	Does the company impact this topic positively or negatively?
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 taking 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	Positive / Negative
Digital Transformation	Digital transformation has profound impacts on the world, affecting all industries. Zain's 4Sight strategy aims to enhance the digital ecosystem through its core services, which includes roaming and wholesale, but also to develop other industries, under its digital transformation and investment arm tackling areas such as fintech, ventures, application programming interface (API), and esports.	Actual	Positive
Diversity, Equity & Inclusion	Zain continues to proactively promote diversity, equity, and inclusion (DE&I) to foster social cohesion, further economic development, and gain access to a larger set of potential employees. Establishing DE&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 with the ability to oversee and address the organization's impacts. Online safety falling under this topic is crucial as it protects customer data, maintains trust, and ensures the integrity of the network.	Potential	Positive
Workforce Management	With around 7,900 employees across seven markets, Zain impacts its workforce through its policies, practices, recruitment, retention, and skill development.	Actual	Positive

Material Topics	Overview of social, economic, environmental, and human rights impacts	Actual/ Potential	Does the company impact this topic positively or negatively?
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
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). To ensure this topic covers all aspects of health, public health was included under this topic's assessment.	Potential	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, including 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 and biodiversity across its entire value chain.	Actual	Negative

Material Topics	Overview of social, economic, environmental, and human rights impacts	Actual/ Potential	Does the company impact this topic positively or negatively?
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. Zain impacts this topic from a positive aspect by upholding the rights of its employees, workers, and supply chain.	Actual	Positive
Modern Slavery	Modern slavery, including forced labor, has 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	Positive / Negative
Economic Performance	Achieving its economic goals and objectives allows the company to create and distribute wealth to its stakeholders. Through the economic value generated, Zain identifies key investment areas such as infrastructure, assets, and its workforce.	Actual	Positive
Socioeconomic Compliance	Compliance with laws and regulations showcases a company's ability to manage and conform to certain performance parameters. By ensuring the company complies with 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, 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. Through monitored use, children can reap the benefits of accessing the internet through e-education and edutainment services.	Actual	Positive / Negative