

# ESG governance and strategy

stc has solidified itself as a catalyst for sustainable transformation throughout the Gulf region, revolutionizing industries and setting higher standards for environmental responsibility, positive social impacts, and ethical governance. Our work helps to promote a future where businesses drive positive change and foster prosperity while safeguarding the planet and promoting better social well-being.

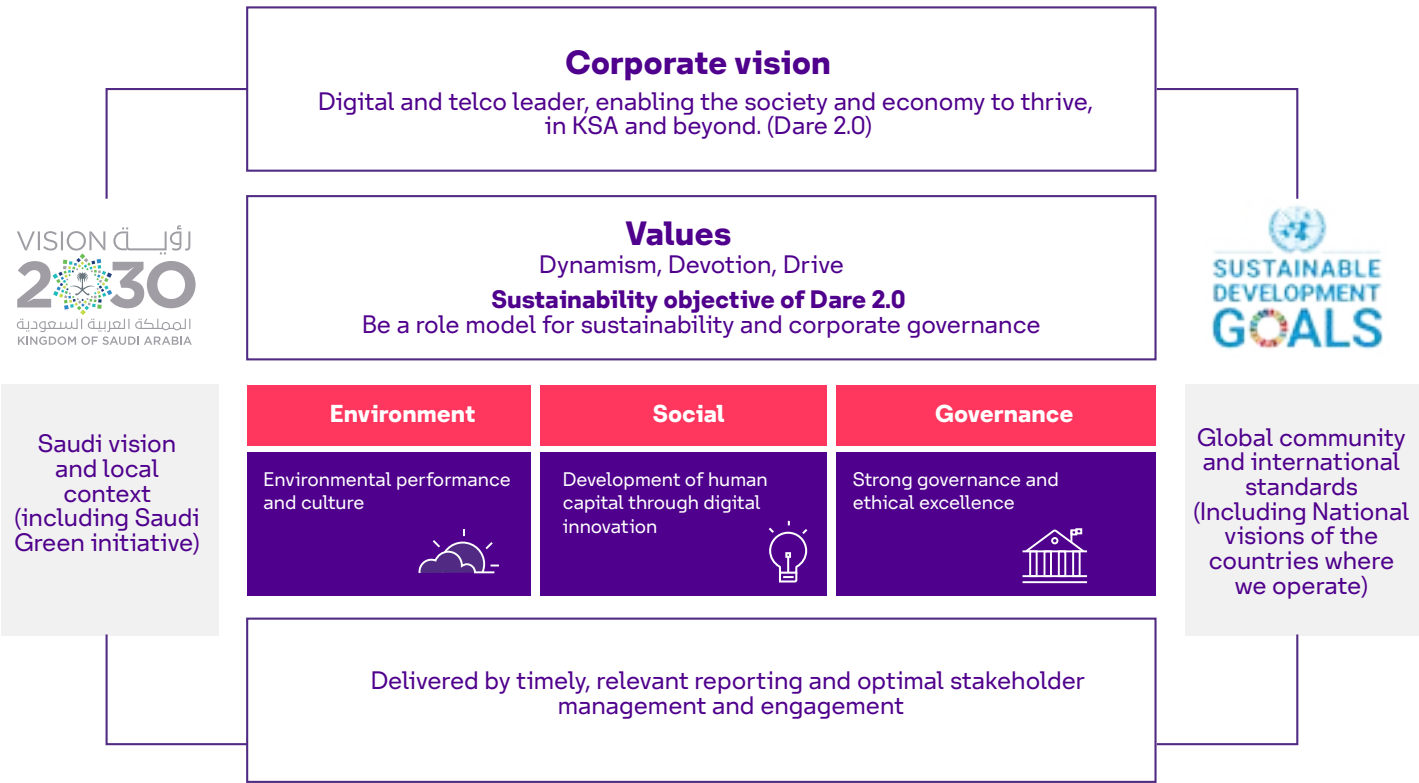
stc’s commitment to sustainability is built on the pillars of environmental, social, and governance (ESG) excellence.

At the company’s core we are driven by both our Corporate Vision and the wider National Visions of each country that we operate within, guided by internationally recognized standards and the collective insight of the global community. Our ultimate goal is to become a role model for sustainability and corporate governance in the MENA region and beyond – and we are well on our way to achieving this.

In 2023, we refreshed our sustainability strategy and roadmap after conducting thorough assessments and utilizing external benchmarking. As a result, three core sustainability focus areas emerged, all of which have been deemed vital for the success of our business and for the benefit of our stakeholders.

stc’s refreshed sustainability strategy embodies our ambition to further minimize our environmental impacts and maximize our positive, sustainable impacts in all areas where stc operates.

In developing this framework, we strongly considered the interests of our key stakeholders, national and regional strategic visions, and the United Nations Sustainable Development Goals (UN SDGs). This framework has been implemented to guide our decision-making process and to improve our overall operational performance.





## Our three core sustainability focus areas:



### Environmental performance and climate

As a responsible corporate entity, stc has assumed a pioneering role in environmental stewardship by embracing sustainable technologies, working to conserve natural resources, and contributing to a positive ecological impacts in several areas throughout KSA and the greater MENA region. Our active transition towards implementing operational decarbonization is in line with the broader transition towards a low-carbon economy. This is solidified through our commitment to achieving net zero emissions company-wide by 2050.

Our positive environmental impacts are evidenced through several specific programs, including our commitment to planting one million trees as part of the Saudi Green Initiative (SGI), offering educational and training opportunities in the field of environmental performance implementing a solar pilot project, reducing water intensity Group-wide, development of a robust take-back and trade-in programs and comprehensive recycling efforts, inclusive of our vendors and suppliers. All these programs and initiatives will be central to our environmental performance approach indefinitely. For more details see [chapter 3](#).



### Development of human capital through technological innovation

stc continually advances human capital by empowering individuals and communities through inclusive practices, diversity and inclusion initiatives, and strategic social investment programs. Our mission is to create opportunities for growth, bridge societal divides through technological innovation, and nurture a sense of belonging and well-being.

We aim to promote advancements in human capital development through technological innovation, mainly through a focused approach on flagship programs and the expansion of our digital financial services. Initiatives such as the Smart Truck, volunteering, ImpactU, knowledge sharing programs, and technical enablement programs are instrumental to our strategy. We also greatly value employee development programs and improved Health and Safety, and gender equality performance and disclosures, which play a significant role in fostering human capital development. For more details see [chapter 4](#).



### Solid governance and ethical excellence

We are dedicated to embodying a standard of ethical governance that upholds the utmost levels of integrity, transparency, and accountability. Through the promotion of responsible business practices, the upholding of human rights, and the cultivation of a culture rooted in trust, our goal is to establish a benchmark for ethical conduct within our industry.

stc adheres to Group-wide rigorous board performance standards, ethical audits, and increased disclosures and reporting to MSCI, CDP, Sustainalytics, DJSI and other relevant entities to ensure strong governance and ethical excellence. Our impact assessments and due diligence processes, are underpinned by a commitment to implementing responsible procurement practices, including ISO20400, as well as the enforcement of policies governing child safety and overall cyber protection and safety.

In 2023, as part of our commitment to upholding ethical standards we extended employee training on ethical standards programs to encompass all stc employees, including part-time staff and contractors. We have also expanded the scope on employee training, data security and privacy-related risks and procedures. For more details see [chapter 5](#).

# Materiality and stakeholder engagement

[GRI 3-1] [GRI 3-2]

Engagement with stakeholders is a key aspect of stc’s sustainability strategy, as it leads to a better understanding of important stakeholder needs and allows us to respond appropriately. Feedback and insights from these stakeholders are extremely valued, and they are essential for guiding the continuous refinement of our business practices and strategy in the right direction.

stc’s materiality assessment approach allows for proper identification of the areas where our impact is most significant and resonate best with our stakeholders. In 2023, we yet again conducted a comprehensive materiality and stakeholder engagement exercise, as we did the previous year, assuring that our updated assessment aligns with GRI standards. This helped to streamline and focus our list of material topics more sharply, and helped to ensure that our reporting continues to be acutely aligned with the interests and concerns of our stakeholders. We view this as a critical matter as our stakeholders play a pivotal role in the evolution of our overarching ESG strategy.

## Materiality assessment and table of impacts



### Framework Pillar 1 (Environment): Environmental performance and climate [GRI 3-1] [GRI 3-2]

Material topic	Overview of ESG impacts	Actual/ potential	Negative/ positive
Energy and climate change	Reduction of emissions and energy consumption from our direct operations through improvement of the energy mix by increasing renewable capacity and efficiencies. Through our digital and innovative products and services we seek to help our customers reduce their environmental impact especially emissions and energy.	Actual	<div></div> Positive
	Working with companies that might have a negative environmental impact, thus we seek to enhance suppliers and projects selection to identify and respond to activities that may have a negative environmental impacts.	Potential	<div></div> Negative
Resource management	E-waste is one of the global fastest-growing waste streams. Waste management for stc cannot be designed without recycling and repurposing e-waste. Measures are being taken to increase the amount of recycled waste and e-waste.	Actual	<div></div> Positive
	Water is a scarce commodity in this day and age. Lack of action to manage water use and efficiency across facilities and operations, can have negative implications such as increase in its utility bills, inefficiencies and a negative public image.	Potential	<div></div> Negative



### Framework Pillar 2 (Social): Development of human capital through digital innovation [GRI 3-1] [GRI 3-2]

Material topic	Overview of ESG impacts	Actual/ potential	Negative/ positive
Data privacy, security and protection	stc focuses on data privacy, security and protection as its first material topic. In terms of cybersecurity maturity level, stc ensures its strength in cyber resilience, protecting stc's information assets, safeguarding confidential and sensitive data for stc customers.	Actual	<div></div> Positive
	Cybersecurity threats against data safety of stc and its customers remains crucial. This threat exists not only within stc but also its third-party contractors, which are considered as more vulnerable by cyber-criminals. To prevent damages of cyber and data threats (e.g. loss of customer/company data), the appropriate preventive measures should be taken throughout the organization and all value chain.	Potential	<div></div> Negative
Accessibility and digital inclusion	Ensure access to ICT products and services in remote areas that serve all groups of people including vulnerable groups thanks to products and services quality improvements.	Actual	<div></div> Positive
	Reduction in accessibility and digital inclusion opportunities might have reputational impacts and miss out on opportunity to boost socio-economic development and attaining potential customers.	Potential	<div></div> Negative
Health, safety and wellness	stc monitors and reports occupational health and safety performance including employees and contractors through preventive actions. stc cares about employees' wellness and motivates via a series of engagement, and wellness initiatives and programs.	Actual	<div></div> Positive
	Increase in the rate of accidents due to a failure to disseminate a health and safety culture across communities in which the stc operates.	Potential	<div></div> Negative
Diversity, equality and inclusivity	Growing our diverse and inclusive work environment creates better services and experiences for our customers while respecting the rights of stakeholders.	Actual	<div></div> Positive
	Inability to attract, develop, reward and retain talented employees, will not address customer needs and will not meet sustainability challenges.	Potential	<div></div> Negative
Digital innovation and experience	Digitization and innovation makes our customers lives and our own processes more responsive, better connected and insightful.	Actual	<div></div> Positive
	Failed digital transformation journey is incredibly costly in lost money, resources, time and credibility.	Potential	<div></div> Negative
Customer relations and satisfaction	Increase in the quality of innovative and sustainable products and services provided to customers to enrich and improve their lives.	Actual	<div></div> Positive
	Lack of clear, transparent and inclusive communication on business information.	Potential	<div></div> Negative
Talent management	Ensure stimulating and decent work environment for our people	Actual	<div></div> Positive
	Decreased job opportunities offered that fulfill people's potential due to inadequate institutional support.	Potential	<div></div> Negative
Community contribution and development	Social and economic development of the communities in which we operate by actively listening to them and addressing their needs, which in turn would improve public image, gain publicity, help contribute to the SDGs and national visions, or even offset negative aspects of operations.	Actual	<div></div> Positive
	The community is not experiencing the benefits they were expecting.	Potential	<div></div> Negative



**Framework Pillar 3 (Governance):**  
**Strong governance and ethical excellence**

[GRI 3-1] [GRI 3-2]

Material topic	Overview of ESG impacts	Actual/ potential	Negative/ positive
Business ethics and governance	Ensure solid governance according to international and national requirements, and transparent communication on group's performance to groups' key stakeholder groups such as investors, lenders, partners, suppliers, regulators, community, and the environment.	Actual	 Positive
	Inability to respond to stakeholders' increased ESG expectations performance could negatively impact customer engagements, investor support, talent attraction and retention and regulatory compliance.	Potential	 Negative
Supply chain management	Ensure sustainable procurement practices and support local procurement spending and SME support to positively contribute to the national GDP of countries we operate.	Actual	 Positive
	Increase in environmental impacts due to a failure to adopt environmental management policies by the suppliers with whom we conduct business.	Potential	 Negative
Human rights	Assessing and addressing human rights risks and remedying impacts across operations and the supply chain and operations.	Actual	 Positive
	Greater awareness of human rights atrocities puts pressure from investors, governments and stakeholders on companies to identify and remediate direct or associated human rights impacts. This requires a better understanding of legal and reputational risks. Insufficient capabilities to address such challenges often sits outside the knowledge base of teams.	Potential	 Negative

# Our approach to materiality

[GRI 3-1]

- 1. Understanding the Organizational Context**

Our updated materiality assessment began with mapping out a comprehensive view of stc's operational activities and business connections within a sustainability framework and identifying stakeholders to determine and establish current and potential future impacts.
- 2. Identifying Current and Potential Impacts**

For the second phase, we reviewed stc's total operational activities and relationships to pinpoint their current and possible effects on the economy, environment, and society. We gathered a wide and diverse range of information, drawing from peer assessments, surveys, and industry trends, as well as benchmarks for alignment with the UN SDGs, Saudi Vision 2030, evaluations from ESG rating agencies, and alignment with various national and international standards and directives, such as those from GSMA, WEF, SASB, and GRI. This led to a proactive update of the preceding materiality matrix, which was amended to accurately reflect shifts in our operational structure in 2023. The final result yielded a preliminary compilation of 25 ESG topics for stakeholder and management evaluation within stc.
- 3. Assessing the Significance of Impacts**

The objective of the third phase was to develop a hierarchy of material topics based on their importance. A select group of internal and external stakeholders was engaged for their insights, including executives, employees, investors, clients, and vendors. Surveys were disseminated to gauge the weighted significance of these subjects, aiding in the assessment and quantification of stc's material impacts.
- 4. Prioritizing the Most Significant Impacts**

In the assessment's concluding stage, stakeholders were asked to prioritize the most important issues from the abovementioned 25 ESG topics based on their pertinence, relevance, and impact with regard to stc's operations. This process ultimately distinguished 13 primary topics of material concern. The remaining 12 subjects, while still significant to stc, will continue to be managed and carefully observed, though they may not be featured in the materiality matrix or may have been consolidated with other topics. The final list of prioritized material topics was approved by stc's GCSO.



# Our stakeholders

[GRI 3-1]

Thoroughly engaging with stc stakeholders was a crucial part of determining our priority material topics. Ongoing and effective engagement with our stakeholders is crucial to not only identify these topics, but to adequately address them as well, and we strive to always provide transparent and timely information while actively encouraging feedback relating to any and all material topics.

Below, we outline the main stakeholders with whom we engaged and received valuable feedback on the most important material topics for stc in their estimation.

Stakeholder group	Employees	Suppliers and business partners	Investors and shareholders	Customers	Regulators and governmental entities	Local communities	Private sector	International orginaziation	Academic institutions
Stakeholders expectations	Career advancement. Recognition Local communities and rewards. Attractive benefits. Safe and healthy working environment. Empowerment and equal opportunity. Open communication channels with management.	Timely payments. Open communication channels. Fair and transparent bidding procedures. Access information about stc. New opportunities for interaction and engagement.	Strong balance sheet and healthy cash flow. Consistent history of success and delivering growth in key metrics. Solid market positioning. Dynamic risk analysis and management. Strong brand image. Reliable corporate governance.	Friendly, personalized customer service. Clear, open and simplified communication. Competitive rates and fees. Convenient access points. Innovative products and services. Data and information security.	Alignment to national strategies, and visions. Compliance with legal and regulatory requirements. Protecting the consumer.	Employment opportunities. Advancing social development. Enriching local human resources. Partnerships on common social and environmental issues. Addressing environmental risks and opportunities, including climate change.	Partnerships for innovative products» development. Collaborations for sustainable development. Partnerships for efficiency, productivity, and cost savings.	Representation of stc»s sustainability efforts in international events. Partnerships for maximum positive impact. MOUs to solidify our commitments.	Raise awareness of students and faculty on various topics including sustainability. Alignment to national strategies and communications. Participate in job fairs
Nature of engagement	<ul style="list-style-type: none"><li>• Succession planning</li><li>• Performance management and assessment</li><li>• Newsletters</li><li>• Training sessions and workshops</li><li>• stc Academy</li><li>• Website</li><li>• Intranet (stc Hub)</li></ul>	<ul style="list-style-type: none"><li>• Vendor Relationship</li><li>• Management System</li><li>• (VRMS)</li><li>• Vendor management team</li><li>• Annual meetings and sessions</li><li>• Rawafed program</li></ul>	<ul style="list-style-type: none"><li>• stc annual report</li><li>• Open transparent channels of communication with shareholders</li><li>• Quarterly presentations</li><li>• Governance, risk, and compliance</li><li>• Committee meetings</li><li>• Website</li></ul>	<ul style="list-style-type: none"><li>• Social media channels including</li><li>• Twitter and Facebook</li><li>• Customer feedback from: Your opinion matters</li><li>• Complaints handling unit,</li><li>• Customer service offices, myste app</li><li>• stc live chat</li><li>• mystc.com.sa</li><li>• Website</li></ul>	<ul style="list-style-type: none"><li>• Internal audit</li><li>• Risk and compliance committee</li><li>• Compliance unit</li><li>• External audit</li><li>• stc annual report</li></ul>	<ul style="list-style-type: none"><li>• Awareness social media campaigns</li><li>• Donations and sponsorships, including 'Donating via SMS'</li><li>• Community outreach programs</li><li>• Empowering entrepreneurs and digital innovation:</li><li>• inspire</li><li>• Employee volunteering</li><li>• Partnerships and cooperation</li></ul>	<ul style="list-style-type: none"><li>• Impactful partnerships</li><li>• Knowledge sharing</li><li>• Training</li><li>• opportunities</li><li>• Joint sponsorships</li><li>• Sustainable products' development</li></ul>	<ul style="list-style-type: none"><li>• Partnerships on the</li><li>• SDGs</li><li>• International representation</li><li>• Events and sponsorships</li></ul>	<ul style="list-style-type: none"><li>• Awareness sessions</li><li>• Digitization services and tools</li><li>• Career fairs</li><li>• Events and partnerships</li><li>• Alignment</li><li>• to national strategies, and communications.</li></ul>



## ESG risk management
















In 2023, we introduced an ESG lens into stc's risk management processes. This was done to minimize potential losses resulting from ESG-related issues and to foster opportunities that create positive environmental and social impacts through our core business operations. We are currently working on developing our ESG Risk Framework, through which we plan to address key risk considerations, including:

- Setting effective risk governance structures with clear responsibilities across the three lines of defense
- Improving ESG risk culture across the entire stc Group, namely through increased ESG risk awareness at all company-wide levels
- Identifying key ESG metrics and key performance indicators (KPIs) for monitoring and reporting
- Developing and deploying ESG risk assessment tools

## Aligning with national and international priorities

stc is committed to ensuring sustainability efforts are in alignment with the international and national priorities and goals. We recognize that, among other standards, The UN SDGs are a comprehensive set of interconnected goals and we will continuously explore how stc can better contribute to the sustainable development agenda in a more holistic manner.

In all of our business operations, we aim to ensure that stc's sustainability efforts drive positive change and transition at each of the local, national, and international levels. With this in mind, we have ensured that our corporate strategy takes into consideration the most applicable national and international standards, including the Saudi Vision 2030, principles of the UN Global Compact (UNGC), and goals and targets within the UN SDGs, as well as other emerging sustainability standards.

Pillar	Material	SDGs	UNGC	Saudi Vision 2030	Initiatives
 Environmental performance and climate	Energy and climate change	 	Principles 7 and 9	 Ensure environmental sustainability	<ul style="list-style-type: none"> <li>• Solar pilot project</li> <li>• Renewable energy across facilities</li> <li>• Launch of GCC innovation hub</li> </ul>
	Waste water, e-waste and water management	 	Principle 8	 Ensure environmental sustainability	<ul style="list-style-type: none"> <li>• Take- back program</li> <li>• Water recycling facility plan</li> </ul>
 Development of human capital through digital innovation	Data privacy, security and protection	 	Principles 1 and 2	 Enable social contribution of businesses	<ul style="list-style-type: none"> <li>• Data privacy and security employee and contractors training</li> </ul>
	Accessibility and digital inclusion	 	Principle 6	 Enable social contribution of businesses	<ul style="list-style-type: none"> <li>• 5G coverage expansion</li> </ul>
	Health, safety and wellness	 	Principles 3 and 4	 Promote a healthy lifestyle	<ul style="list-style-type: none"> <li>• Health and safety training</li> <li>• Blood donation drive</li> <li>• Your doctor on site</li> </ul>
	Diversity, equality and inclusivity	 	Principle 6	 Ensuring equal access to job opportunities	<ul style="list-style-type: none"> <li>• Qaderoon and Mowamaah programs for inclusion of people with disability</li> <li>• Diversity and inclusion training and women empowerment analysis report</li> </ul>
	Digital innovation and experience		Principles 9 and 10	 Unlock potential of non-oil sectors	<ul style="list-style-type: none"> <li>• Emergency response products such as Tari'</li> <li>• Sustainable products and services through stc Cloud, lot squared, Solutions, and Specialized</li> </ul>
	Customer relations and satisfaction		Principle 1	 Grow contribution of the Private Sector to the economy	<ul style="list-style-type: none"> <li>• Customer satisfaction survey</li> <li>• Customer complaints resolution</li> </ul>
	Talent management	 	Principle 6	 Develop Human Capital in line with labor market needs	<ul style="list-style-type: none"> <li>• Women emerging leaders</li> <li>• Youth development programs including TiP, SDP and HiPo</li> </ul>
	Community contribution and development	 	Principle 1	 Enable social contribution of businesses	<ul style="list-style-type: none"> <li>• Flagship programs including Technical enablement program, Smart Truck for elderly digital literacy, Employee volunteering, and many more</li> </ul>
 Strong governance and ethical excellence	Business ethics and governance		Principle 10	 Enable social contribution of businesses	<ul style="list-style-type: none"> <li>• Mandatory employee and contractor business conduct training</li> </ul>
	Human rights	 	Principle 1	 Enable social contribution of businesses	<ul style="list-style-type: none"> <li>• Online child safety guidebook</li> <li>• Training on human rights policies and procedures</li> </ul>
	Supply chain management	 	Principle 2 and 8	 Enable social contribution of businesses	<ul style="list-style-type: none"> <li>• rawafed</li> <li>• Local procurement spending</li> <li>• SME support</li> </ul>



## Policies, positions and statements

We apply a range of policies throughout our operations and relationships with stakeholders to improve ESG performance. These are reviewed and updated periodically, with approval by the GCEO, to demonstrate how we operate in an open, transparent, and responsible manner. Following is a non-exhaustive list of publicly available stc policies that can be found online.

- [Access to Communication position statement](#)
- [Anti-corruption position statement](#)
- [Anti-fraud corruption policy](#)
- [Code of ethics and business conduct](#)
- [Conflict of interest policy](#)
- [Nomination and remuneration policy](#)
- [Community Involvement position statement](#)
- [Data Privacy and Security position statement](#)
- [Environmental position statement](#)
- [Human Rights position statement](#)
- [Management commitment to Occupational Health and Safety](#)
- [Privacy statement](#)
- [Customer rights and responsibility policy](#)
- [Quality policy](#)
- [Responsible Supply Chain position statement](#)
- [Responsible Marketing position statement](#)
- [Sustainability policy](#)
- [Training and Career Development position statement](#)
- [Whistleblowing policy](#)