The background of the entire slide is a city skyline at sunset, with a warm orange and yellow color palette. The skyline includes several prominent skyscrapers, with the Petronas Twin Towers being the most central and tallest. In the foreground, a multi-lane highway is visible, with light trails from cars suggesting movement. Overlaid on the entire image is a network of white, glowing lines that connect various points, resembling a global communication or data network. These lines are curved and intersect, creating a sense of connectivity across the city and beyond.

# THE JOURNEY TO RESPONSIBLE AND SUSTAINABLE LEADERSHIP

## A GUIDE TO OPERATING RESPONSIBLY



The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with over 350 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces industry-leading events such as Mobile World Congress, Mobile World Congress Shanghai, Mobile World Congress Americas and the Mobile 360 Series of conferences.

For more information, please visit the GSMA corporate website at [www.gsma.com](http://www.gsma.com).

Follow the GSMA on Twitter: [@GSMA](https://twitter.com/GSMA).

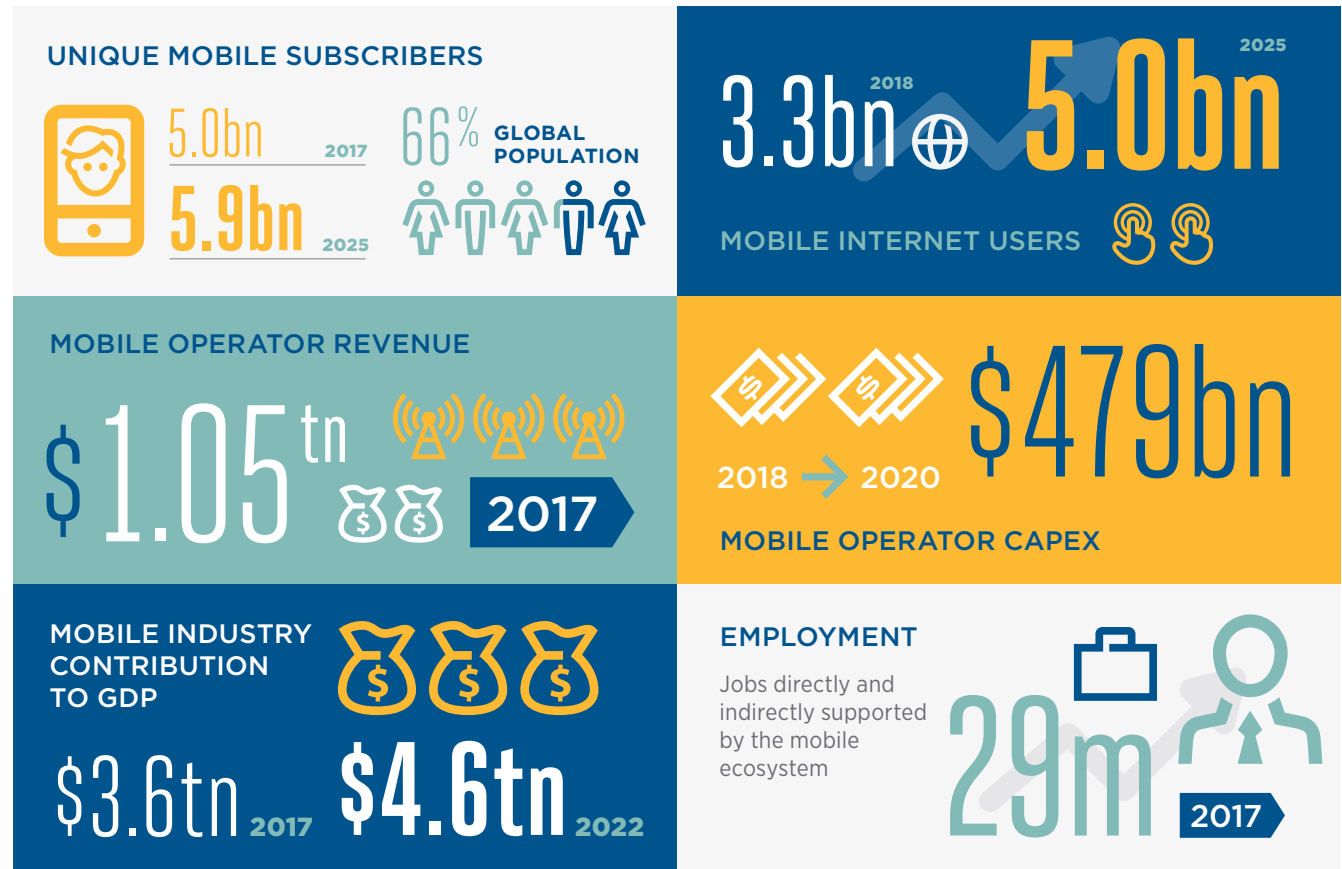
This document has been financed by the Swedish International Development Cooperation Agency, Sida.

Sida does not necessarily share the views expressed in this material. Responsibility for its contents rest entirely with the author.



Report published December 2018

## The global mobile market



For more information on the mobile industry, please see the Mobile Economy Report 2018:  
[www.gsma.com/mobileeconomy](http://www.gsma.com/mobileeconomy)

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## About this guide

In pursuit of the mobile industry's goal of Intelligently Connecting Everyone and Everything to a **#BetterFuture**, the GSMA is working closely with its members to improve the lives of billions of people and the environment in which they live. It is doing this in three ways: working with mobile operators and their partners to pursue the UN Sustainable Development Goals, equipping CEOs and their teams with the tools and skills they need to pursue an agenda that can deliver a sustainable future for the planet and people, and advancing sustainable and responsible business models across the mobile industry.

This guide supports the GSMA's goal to advance responsible business models across the industry. It is aimed at Mobile Network Operators (MNOs) that are in the earlier stages of adopting and integrating responsible business practices.

The guide introduces the key elements of Operating Responsibly, offering ideas on how to begin approaching them and providing links to further information. It also highlights areas of good practice from across the sector with case studies from a variety of operators.



# The GSMA and responsibility

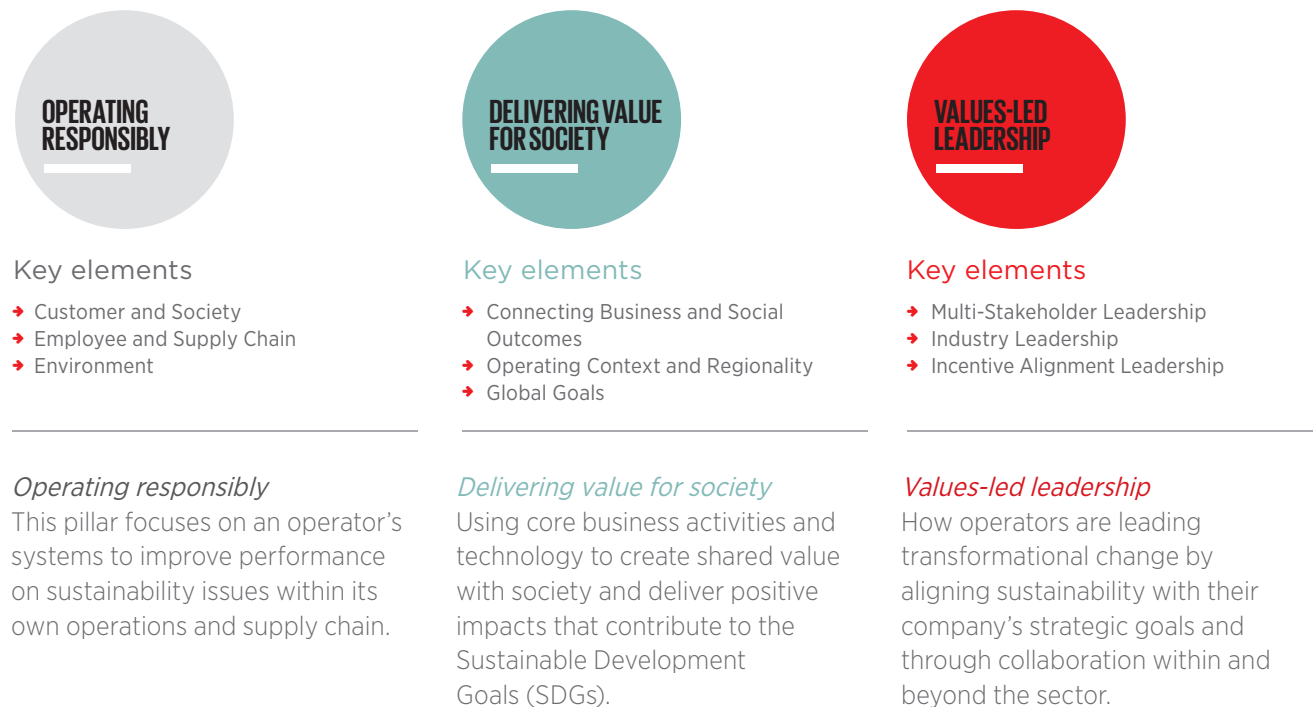
Mobile communication is one of the most widely used technologies on the planet. Two-thirds of the world's population have a mobile subscription and mobile networks cover 95 per cent of the world's population. Working at this scale, the mobile industry finds itself at the forefront of many of today's sustainability challenges.

In line with the mobile industry's goal of Intelligently Connecting Everyone and Everything to a **#BetterFuture**, it is important for MNOs to recognise their role in sustainable development. Ultimately, it is about finding ways to integrate the pressing needs of the planet and advance equality into the way they do business every day, while maintaining robust profitability. Operating responsibly — understanding and responding to the social, environmental and ethical issues that are relevant to an operator and its stakeholders — is one way to address these challenges.

To help the industry move towards a more sustainable future, the GSMA has developed a Sustainability Assessment Framework to better

understand the landscape of operator efforts in social and environmental sustainability. Designed in collaboration with Yale University, the Framework is intended to illuminate sustainability efforts across the mobile industry in a comparable way. It is structured around three strategic pillars that support a sustainable mobile communications industry, as shown in Figure 1. This good practice guide focuses on the first of these pillars: the need for mobile operators to demonstrate that they are Operating Responsibly.

**Figure 1: The GSMA Sustainability Assessment Framework**



## FURTHER INFORMATION:

Full details of the Sustainability Assessment Framework, including results of the first assessment of mobile operators against the framework, can be found at

<https://www.gsma.com/betterfuture/resources/the-gsma-sustainability-assessment-framework>



## The GSMA and the SDGs

### What are the SDGs?



The United Nations Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The SDGs came into effect in January 2016 as part of the UN's 2030 Agenda for Sustainable Development.

The SDGs promote a spirit of partnership between governments, businesses, civil society and the general public to deliver the Goals. They tackle the root causes of poverty and unite everyone to make a positive change for both people and planet. Together the 17 Goals provide a universally agreed definition of a better future.

### SECTOR COMMITMENT

Due to the close connection between the aims of the SDGs and the mobile industry's goal of Intelligently Connecting Everyone and Everything to a Better Future,

*Figure 2: The UN Sustainable Development Goals*



in 2016 the mobile industry became the first sector to commit as a whole to the SDGs.

With its unprecedented scale and growing impact on daily lives mobile is a powerful tool for achieving the SDGs, helping to reduce poverty, improve health-care and education and drive sustainable economic growth.

"The 2030 deadline to meet the SDGs may seem a distant horizon today, but we cannot afford any delay in addressing the monumental issues facing our world – poverty, climate change, conflict, inequality and so many others."

**Mats Granryd**, Director General, GSMA

## MOBILE'S CONTRIBUTION TO THE SDGS

For the three years since the mobile industry committed to the SDGs, the GSMA has analysed the sector's contribution to the Goals in the Mobile Industry Impact Report. The 2018 analysis shows that the mobile industry's impact has increased across all 17 SDGs since 2015. Figure 3 shows the areas where the industry has had the biggest impact to date and the areas where positive impact has accelerated fastest since 2015.

*Figure 3: The mobile industry's contribution to the SDGs*

### IMPACT

#### SDGs most impacted by mobile:



#### SDG 9

Industry, Innovation and Infrastructure



#### SDG 4

Quality Education



#### SDG 13

Climate Action

### PROGRESS

#### Most improved SDG impact scores since 2015:



#### SDG 13

Climate Action



#### SDG 11

Sustainable Cities and Communities



#### SDG 13

Good Health and Well-being

### FURTHER INFORMATION:



Full details of the mobile sector's contribution to the SDGs, including the impact reports from the last three years, are available at:

<http://www.gsma.com/betterfuture/2018sdgimpactreport/>



## CASE STUDY: SAFARICOM AND THE SDGS



Mobile operators worldwide have made significant progress in aligning their activities with the SDGs. Safaricom provides a particularly strong example of a mobile operator embracing the SDGs and incorporating the Goals into its company purpose. Safaricom devised a phased approach to integrating the SDGs into its operations. The first phase, completed in 2017, focused on awareness raising and an independent survey found that 83 per cent of employees are now familiar with the SDGs. The next phase will focus on monitoring progress against Safaricom's SDG-related targets

Safaricom has also released an SDG purpose statement: "We commit to deliver connectivity and innovative products and services (SDG 9) that will provide unmatched solutions to meet the needs of Kenyans by enabling access (SDG 10) through our technologies and partners (SDG 17) and by exploring opportunities in Health (SDG 3), Education (SDG 4) and Energy (SDG 7). We will do so by managing our operations responsibly (SDG 12) and ethically (SDG 16). This will stimulate growth and generate value for our company, society and economy (SDG 8)."

### FURTHER INFORMATION:



For more information see:

[https://www.safaricom.co.ke/images/Downloads/Resources\\_Downloads/Safaricom2018SustainableBusinessReport\\_Final.pdf](https://www.safaricom.co.ke/images/Downloads/Resources_Downloads/Safaricom2018SustainableBusinessReport_Final.pdf) 

## SECTION 1

# SETTING THE SCENE


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What does  
Operating Responsibly  
mean for today's mobile  
operators? What does  
this mean in practice?



Why **operate responsibly**?

 Why should a modern mobile operator make the effort to become a responsible corporate citizen, one that measures and reports its action and performance? Some may view it as an unnecessary distraction from what they see as the main priority: making a profit.

In simple terms, **Operating Responsibly** is not just about doing the right thing for society or the environment — it is also the smart thing to do. Being responsible and accountable for environmental and social performance makes business sense in today's commercial environment.

Understanding and responding to global trends and working to meet the expectations of consumers and other stakeholders can help manage risks and create

opportunities in your business. These may be associated with products or services, day-to-day operations, or external matters, such as in the supply chain.



## Business case for Operating Responsibly

A number of factors support the business case for Operating Responsibly.

### PROFIT

Research shows a direct correlation between responsible business practice and positive financial performance. A 2015 study<sup>1</sup> reviewed over 2,000 academic papers that have researched the link between responsibility and profit. Almost half of these showed a positive correlation and most of the remainder showed mixed or neutral results. This builds on a widely referenced Harvard University study<sup>2</sup> published in 2004, which found that 'stakeholder-balanced' companies — those considering a wide range of stakeholders — showed four times the growth and eight times the employment growth than companies solely focussed on shareholders.

### ACCESS TO CAPITAL

The rise of Socially Responsible Investment (SRI) means that companies Operating Responsibly can gain access to capital that others cannot. In 2016, the Global Sustainable Investment Alliance (GSIA) reported that almost USD 23 trillion of assets are managed under responsible investment strategies globally.<sup>3</sup> This is an increase of 25 per cent since 2014 and accounts for 26 per cent of all professionally managed assets. Clearly, sustainable investing is a major and growing force across global financial markets.

### LOWER OPERATING COSTS AND GREATER EFFICIENCY

Acting responsibly does not necessarily increase operating costs. Research has shown that initiatives aimed at improving staff well-being, reducing workplace stress and improved flexibility can reduce sick leave and employee absenteeism.<sup>4</sup> Similarly, environmental initiatives can deliver cost savings, for example, through less waste or lower energy bills.

### ENHANCED REPUTATION

It is often said that trust is 'hard won and easily lost' and currently trust in business around the world remains low. Edelman's 2018 Trust Barometer<sup>5</sup> showed trust in business among the general population to be just 52 per cent globally. But companies that clearly express their social purpose and articulate how they create value beyond profit often benefit from a more authentic connection with consumers, and this can help in building and maintaining trust.

Edelman's 2018 research also showed that 84 per cent of people expect CEOs to take a leadership role on issues like corruption and climate change. This shows a strong desire for 'purpose-driven leadership' and companies that do this well — such as Unilever — have seen a benefit in terms of their reputation.

**\$23** TRILLION OF **ASSETS**  
MANAGED UNDER **RESPONSIBLE INVESTMENT**  
**STRATEGIES** 

<sup>1</sup> Friede, G., T. Busch and A. Bassen (2015), "ESG and financial performance: aggregated evidence from more than 2000 empirical studies", *Journal of Sustainable Finance & Investment*, 5(4), 210–233.

<sup>2</sup> Orlitzky, M., F.L. Schmidt and S.L. Rynes (2003), "Corporate social and financial performance: A meta-analysis", *Organization studies*, 24(3), 403–441.

<sup>3</sup> <https://www.bloomberg.com/professional/blog/global-sustainable-investments-grow-25-23-trillion/>

<sup>4</sup> <https://www.iosh.co.uk/workingwell>

<sup>5</sup> <https://www.edelman.com/trust-barometer>

## IMPROVED SALES

Consumers say they want to know that the products they buy 'do no harm' and were produced in a responsible way. Cone Communications' 2017 global survey<sup>6</sup> revealed that 87 per cent of consumers will purchase a product because a company supports an issue they care about. Similarly, 76 per cent will refuse to purchase if a company supports an issue contrary to their beliefs.

"Consumers worldwide are sending us a very clear signal that they will shun companies that neglect or ignore their responsibilities to the communities in which they operate."

**Sunil Mittal Bharti**, Founder and Chair, Bharti Enterprises, Chair, GSMA Board

## GREATER PRODUCTIVITY

Companies that invest in developing responsible practices across their business and supply chain — such as improving working conditions or lessening environmental impacts — achieve benefits through improved productivity.<sup>7</sup> Enterprise software company, SAP, recently reported, "By providing the opportunity for employees to do meaningful work, we have seen higher levels of engagement and productivity."<sup>8</sup>

## IMPROVED RECRUITMENT AND TALENT RETENTION

In an increasingly competitive landscape for attracting and retaining talented employees, a company's approach to Operating Responsibly can make a significant difference. Many employees do not want to work for a company that runs contrary to their own values and beliefs and many are attracted to those that are seen to be responsible or ethical. Research published by Nielsen in 2014 revealed that 67 per cent of those surveyed (30,000 people across 60 countries) would prefer to work for a socially responsible company.<sup>9</sup>

## IMPROVED RISK MANAGEMENT

A better understanding of stakeholder concerns about how your business operates helps to reduce exposure to risks, such as:

- Reputational risk from shifts in consumer expectations, such as the controversy surrounding Facebook and privacy in 2018;

- Financial risk, such as the huge costs borne by BP since the Deepwater Horizon oil spill in the Gulf of Mexico in 2010; and
- Legal risk, such as failing to anticipate new legislation, for example, EU REACH regulation covering the production and use of chemicals.

## NEW COMMERCIAL OPPORTUNITIES

Responsible business practices can help to build trust and improve dialogue with stakeholders. A better connection with stakeholders can provide insight into society's expectations of business and this enhanced understanding can feed into innovation and commercial processes.

The mobile sector is a perfect example of an industry with the potential to develop new services that offer economic development benefits and help to alleviate poverty, such as financial services, energy, gender equality and other areas. These innovations have already had an impact on 30 million lives across 49 countries,<sup>10</sup> while creating significant new revenue streams.

<sup>6</sup> <http://www.conecomm.com/research-blog/2017-csr-study>

<sup>7</sup> [https://www.bsr.org/reports/BSR\\_Maximizing\\_Benefits\\_From\\_A\\_Sustainable\\_Supply\\_Chain.pdf](https://www.bsr.org/reports/BSR_Maximizing_Benefits_From_A_Sustainable_Supply_Chain.pdf)

<sup>8</sup> <https://www.theguardian.com/careers/2018/feb/02/why-giving-back-is-the-best-way-forward-for-businesses>

<sup>9</sup> Nielsen (2014), "Doing Well by Doing Good: Nielsen Global Survey of Corporate Social Responsibility, 2014", <http://www.nielsen.com/us/en/insights/reports/2014/doing-well-by-doing-good.html>

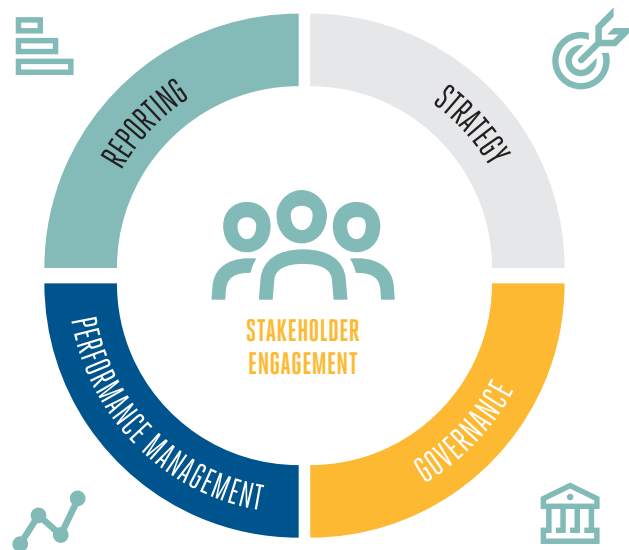
<sup>10</sup> <https://www.gsma.com/mobilefordevelopment/>

## SETTING THE SCENE

## The elements of Operating Responsibly

Any company that wants to operate responsibly needs to consider five essential building blocks, which are summarised below and covered in detail throughout this report.

**Figure 4: The elements of Operating Responsibly**



### 1 STRATEGY

A responsibility strategy is the starting point for Operating Responsibly. It provides the organising framework for managing issues that concern external stakeholders and are important to the business. To be effective, you need to know which issues are the most important, or material, so that resources can be prioritised and the issues can be included in high-level planning and decision making.

*(Read more on page 14.)*

### 2 STAKEHOLDER ENGAGEMENT

Engaging with internal and external stakeholders to understand their concerns is central to Operating Responsibly. Engagement and dialogue help to identify the issues that are important and also show how an organisation is responding and managing its impacts.

*(Read more on page 22.)*

### 3 GOVERNANCE

Governance is how material issues are considered and managed at board and executive levels in a company. It is the process for establishing control and accountability for Operating Responsibly. For example, by establishing and monitoring relevant policies and ensuring board buy-in and oversight for Operating Responsibly.

*(Read more on page 30.)*



#### 4 PERFORMANCE MANAGEMENT

This is about turning strategy and policies into meaningful action and incorporating it into management and reporting processes. Performance management allows progress to be reviewed and success to be measured.

*(Read more on page 38.)*

#### 5 REPORTING

Responsible businesses are committed to transparency and regularly report their performance to stakeholders. This will include an element of independent checking, or assurance, to provide confidence that reporting is accurate and covers the right topics.

*(Read more on page 48.)*

An effective approach to Operating Responsibly requires an ongoing focus on all five elements identified in Figure 4. Like the 'Plan-Do-Check-Act' approach that underpins any quality or management system, you need to regularly review whether your strategy is fit for purpose and amend the other aspects of your Operating Responsibly programme accordingly.

Stakeholder engagement should always remain at the heart of Operating Responsibly, to ensure that your approach properly reflects society's expectations of a responsible business.



## SETTING THE SCENE

### The main challenges

Although all companies deal with challenges that are unique to their operating environment and the specific priorities of their stakeholders, there are a number of issues that are common to the majority of mobile operators. Based on GSMA research, the following responsibility issues are widely referenced as high priority by mobile operators. While a list of generic issues can never be exhaustive, or represent the diversity of the mobile sector, it does provide a guide for the types of economic, environmental and social issues faced by our sector.

**Table 1: Responsibility issues common to the mobile sector**

ISSUE	DESCRIPTION
Customer service	<p><b>Identifying and meeting the needs of customers.</b></p> <p>Key aspects include customer satisfaction, company reputation, performance in third-party indices, monitoring/performance of a Net Promotor Score, handling of customer complaints, incorporating customer feedback into product innovation and company practices.</p>
Child online safety	<p><b>Protecting young people from threats and exploitation online and taking measures to protect children from sexual exploitation and abuse online.</b></p> <p>Examples of responses include company policies, processes and procedures, child and parent education and awareness raising, working with local partners such as child helplines, providing tailored products such as handsets with limited functions, parental controls and filtering, and participation in multistakeholder initiatives on child digital rights.</p>
Digital inclusion	<p><b>Ensuring products and services are accessible to all members of society, including the underserved.</b></p> <p>Examples of responses include adapted price plans, low-cost handsets, awareness raising and training for customers with fewer digital skills, and investment in infrastructure in remote, hard-to-reach areas.</p>
Privacy and freedom of expression	<p><b>Privacy: Ensuring privacy risks are considered when designing new apps and services, and developing solutions that provide customers with simple ways to understand their privacy choices and control their data.</b></p> <p>Examples include security systems (especially cyber-security), applying privacy-by-design principles, external testing of security systems, transparency on government information requests, big data and 'smart' solutions, and customer education on privacy and data protection online.</p> <p><b>Freedom of expression: Protecting the right of customers to access and publish content freely, and without deliberately causing harm to others' character and/or reputation by false or misleading statements.</b></p>

ISSUE	DESCRIPTION
Anti-bribery and corruption	<b>Policies, systems and controls to guide employee conduct and prevent breaches of anti-bribery and corruption laws.</b> These will include: policies, frameworks, monitoring and audit processes for identifying, managing and resolving breaches; and internal training, awareness raising and independent channels for whistleblowing.
Human rights	<b>Recognising and actively protecting the human rights of employees and wider stakeholders in line with the UN Universal Declaration of Human Rights.</b> Includes specific reference to modern slavery, labour rights, and the UN Protect/Respect/Remedy framework and the Guiding Principles on Business and Human Rights.
Tax transparency	<b>Disclosure of tax policy, strategy and payments.</b> Includes disclosure of techniques for tax minimisation, such as offshoring, blockchain and shell company structures.
Mobile mast health	<b>Being compliant with electromagnetic fields and health-related policies based on established science.</b> In line with international recommendations and technical standards, such as by the World Health Organization (WHO), International Electrotechnical Commission and the International Telecommunication Union (ITU).
Employee diversity	<b>Measuring and promoting workforce diversity and preventing discrimination.</b> Includes management and prevention of discrimination in promotion, hiring, training and compensation based on age, gender, disability, religious affiliation, sexuality, race or other characteristics beyond the ability to conduct work.
Employee health and safety	<b>Practices for protecting the workforce in the area of health and safety.</b> Examples include policies and management frameworks; monitoring and public reporting of health and safety metrics (including contractors and sub-contractors where appropriate) and performance comparison over time; channels for reporting health and safety concerns; and employee support programmes for safety, health and well-being.
Supply chain responsibility	<b>Setting and applying standards for environmental, social and ethical practices and performance by suppliers.</b> Examples include responsible supply chain policies, standards and codes of conduct for suppliers to adhere to; auditing suppliers for compliance and ensuring corrective action; and identifying and acting upon the use of conflict minerals in supply chains.
Supplier capacity development	<b>Developing management systems, initiatives or programmes to increase the professional capacities of suppliers.</b> Includes increasing supplier capacity and skills for environment, health and safety performance, and product innovation, diversification and competitiveness. Increasing the capacity and use of minority and women-owned suppliers.
Waste and e-waste	<b>Managing waste, e-waste and hazardous waste from production or use of products and waste returned by customers.</b>
Climate change adaptation	<b>Identifying and reducing exposure to climate risks.</b> Includes risks of damage to assets from severe weather, water stress, migration of people and diseases. May also include a commitment to scenario-based risk assessment following the Task Force on Climate-related Financial Disclosures recommendations.
Climate change mitigation	<b>Identifying and reducing environmental impacts and contribution to climate change.</b> Examples include energy efficiency, emissions reductions and renewable energy use.

## SECTION 2

# STRATEGY

---



## How should responsible mobile operators guide their approach to Operating Responsibly?

What do we mean?



It is essential that your approach to **Operating Responsibly** is properly documented with a strategy that sets out broad objectives and how they will be achieved. If the business case (see Section 1) outlines why an organisation should Operate Responsibly, the strategy outlines what it is going to do and how it's going to do it.



To build a successful approach to Operating Responsibly it is important that the key aims and objectives are clearly captured in a strategy document that sets out the 'why, what, where, when, who, and how' of your approach. The strategy should explain which social, environmental and ethical issues have been prioritised for action — and why — in the context of your business environment and the risks and opportunities facing your organisation.

To be effective, the strategy should detail how Operating Responsibly integrates with, and supports, your core business strategy and who is responsible for delivering it. Developing a clear ambition is important, whether the overall aim is to reduce negative impacts and 'do no harm' or to strive for sector leadership. Either way, these decisions will influence how far and how fast the strategy will push your business forward.

## LEADERSHIP

It is often said that company leadership and the 'tone from the top' is just as important as what is written down in company literature. It is essential that the strategy is actively supported and communicated by company leaders and top management. If your strategy runs counter to the prevailing corporate culture, it is unlikely to succeed.

"EITC is staunchly committed to sustainability, and developing sustainable practices throughout our business is in line with our fundamental principles. Our annual Sustainability Report testifies to it, and every year we work toward developing sustainability from within our business, as well as working with the government and other organisations to create a conducive environment wherein sustainability thrives."

**Osman Sultan**, Chief Executive Officer, Du

## THE RIGHT SKILLS

Companies starting the journey towards Operating Responsibly should not expect organisation-wide understanding immediately. The strategy should cover how to raise awareness and allow for relevant training where required. Similarly, if all the expertise for managing social, environmental and ethical issues is held in one department, the strategy should identify the need to expand specialist skills across the organisation.

Your strategic objectives may require you to develop new ways of working or to invest in new equipment and skills. So, the strategy must be linked clearly to your corporate financial cycle to ensure that the right resources are budgeted for.

## COMMUNICATION

Communicating externally is important and some companies communicate widely on responsibility issues to influence customer perception and their wider reputation. Ideally, you should communicate your approach and performance against the aims of your strategy regularly.

**IDEALLY YOU SHOULD COMMUNICATE  
YOUR APPROACH & PERFORMANCE  
REGULARLY** 



## Identifying what's important

It is important to have a strong process for determining the priority issues and actions to include in the strategy. Many people refer to the concept of 'materiality' when assessing the most important responsibility issues for your company and stakeholders.

In a broader, mainly financial business context, an issue or risk is considered material if omitting relevant information about it could influence the decisions of a reasonable investor. For Operating Responsibly, materiality has a wider definition. Many early sustainability reports were very long, covering a multitude of topics without clearly communicating how significant they were to the company or stakeholders. This led to the idea that only high-priority issues should be included in a company's reporting.

As a result, it has become common practice for companies to present priority responsibility issues in the form of a 'materiality matrix'. This usually takes the form of a two-dimensional matrix or graph that

maps the priority of issues to stakeholders on one axis and the potential business impact of the issues on the other. The most material issues are those where high stakeholder interest coincides with high potential for an issue to influence a business meeting its core objectives.

Below is an example of a materiality matrix showing two axes, one for the level of stakeholder interest in issues and one for the importance of the issues to the business:



## STRATEGY

**ASSESSING MATERIALITY**

Unfortunately there is no single, widely accepted approach to materiality assessments that is adopted by all responsible companies. It is important, therefore, to explain how you have identified and prioritised your material issues. For example: which internal and external stakeholders were involved and how they were engaged; what research was used or conducted; how the output from the research was used; and who was involved in the final analysis to prioritise the issues. It is useful to be clear about when the materiality assessment was done and how regularly it will be reviewed.

Although stakeholder input is central to determining the priority issues for a strategy, many companies also take account of a number of other factors in determining their material issues, for example:

- Benchmarking what issues have been prioritised and reported by sector peers;
- Considering reputable frameworks or initiatives that are guiding international action on sustainability issues, such as the SDGs or UN Global Compact; and
- Expert opinion or approaches on global priorities, such as setting science-based targets for climate action.





## Good practice and beyond

### ALIGNMENT WITH VOLUNTARY FRAMEWORKS

Although the specifics of any company's strategy will be unique, it is good practice to work with widely accepted international frameworks or guidelines that address social, environmental or ethical issues. Not only will this strengthen the credibility of the strategy, it will also ensure the approach is aligned with, and benefits from, generally accepted principles and up-to-date thinking on the issues that matter most to your business.

In 2016, the mobile industry at large committed to support the SDGs, recognising it as a framework to deliver socio-economic impact in societies (see page 3).

The following list introduces some of the main frameworks that have been developed and are relevant to any business. The list is not exhaustive.

#### UN Universal Declaration of Human Rights

The Universal Declaration of Human Rights was adopted in 1948 and is the basis for most human rights standards. In 2011, the UN Human Rights

Council endorsed the business-specific Guiding Principles on Business and Human Rights, informally known as the 'Ruggie Principles', a set of guidelines to prevent, address and remedy human rights abuses committed in business operations.

<http://www.un.org/en/universal-declaration-human-rights/>

#### International Labour Organisation's Declaration on Fundamental Principles and Rights at Work

The ILO Declaration sets out fundamental labour standards covering freedom of association, collective bargaining, discrimination, forced labour and child labour.

<http://www.ilo.org/declaration/lang--en/index.htm>

#### OECD Guidelines for Multinational Enterprises

The OECD Guidelines provide recommendations for multinational enterprises (MNEs) that aim to promote positive contributions to economic, environmental and social progress worldwide. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.

<http://mneguidelines.oecd.org>

#### UN Global Compact

The most widely subscribed corporate sustainability initiative in the world, the Global Compact consists of 10 principles calling on companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

<https://www.unglobalcompact.org>

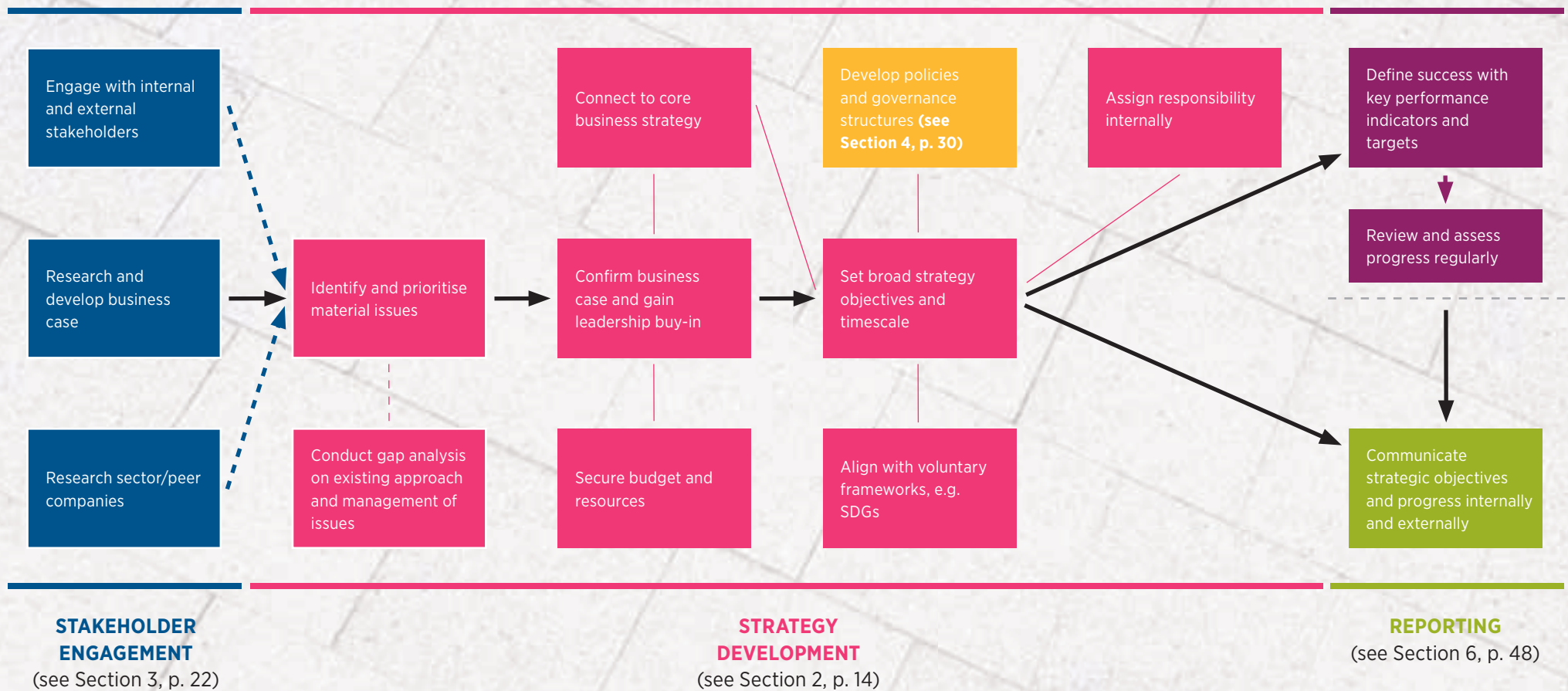
#### UN Sustainable Development Goals (SDGs)

Launched in 2015, the SDGs, also known as the Global Goals, aim to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. The SDGs call for action by all: governments, the private sector, civil society and individuals.

<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

It is good practice to work with widely accepted international frameworks or guidelines that address social, environmental or ethical issues.



Steps to developing a strategy for **Operating Responsibly**

## CASE STUDY: TELEFONICA AND MATERIALITY



Telefonica has taken a good approach to materiality in its 2017 Integrated Annual Report, which includes the relevance of material issues to business performance, how often Telefonica conducts its materiality assessments, the method of the assessment and a separate materiality matrix for environmental issues.

“We understand materiality analysis as the process for identifying those issues that may affect our ability to create value in the short, medium and long term.

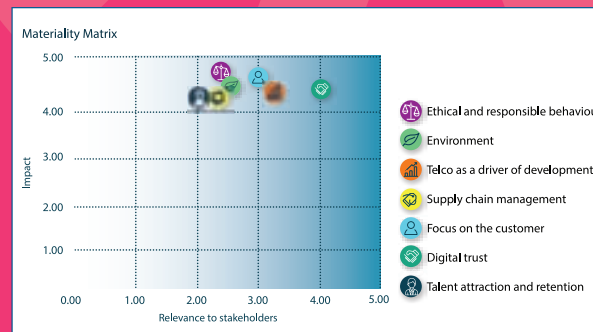
Therefore, every year, using the same methodology in all the countries in which we operate, we perform a materiality analysis to identify the relationship between the most significant aspects of the Company’s strategic management and those which are given greater relevance in the evaluations and decisions of our corporate and local stakeholders.

We follow the indications of the GRI Guidelines and, in order to increase the comparability and completeness of the matters under study, we base ourselves on the materiality analysis conducted by the Global e-Sustainability Initiative (GeSI) in November 2014 covering the entire value chain of the ICT hypersector. This analysis establishes 55 potentially material issues, divided into 8 categories: digital inclusion, employees, climate change, supply chain, customers, privacy, governance and impact on communities. In assessing the material impact of each topic on the sustainability of our business, we take into account

both internal and external factors which correspond to the importance our stakeholders assign to the different issues and have an impact on the communities in which we operate.

### *Analysis of the relevance of the issues for our stakeholders*

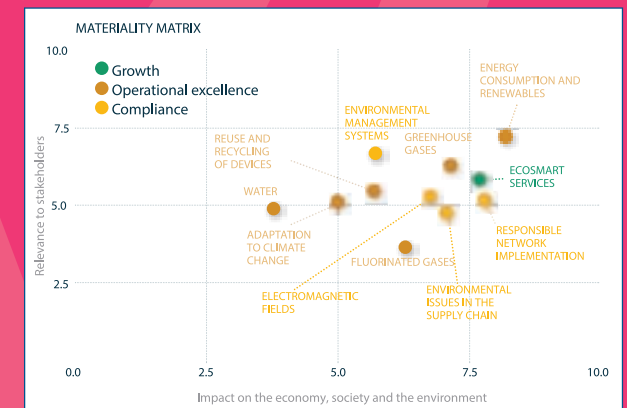
When making decisions on the content of the Report, we take into account the reasonable expectations and interests of our stakeholders. Stakeholder participation processes are key to understanding the expectations, relevance and information needs related to our material issues. Such processes are carried out through biannual online consultations.



Every year we also carry out an analysis exercise to define the environmental issues that are most relevant to a specific materiality matrix for these issues our Company, on the basis of our business strategy, regulatory requirements and the demands of our stakeholders.”

Read more about Telefonica’s approach in its Integrated Annual Report:

[www.telefonica.com/documents/153952/13347920/Integrated-Report-2017.pdf](http://www.telefonica.com/documents/153952/13347920/Integrated-Report-2017.pdf) (pages 60 and 204).



## SECTION 3

# STAKEHOLDER ENGAGEMENT


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Engaging with stakeholders is a critical part of **Operating Responsibly**. What are the steps to successful engagement?



What **do we mean?**

 Most companies interact with a wide variety of stakeholders every day, including employees, suppliers, customers and investors. In the context of **Operating Responsibly**, a robust and structured approach to engagement is essential to success.

Stakeholder engagement gives insight into stakeholders' opinions and expectations of how an organisation approaches its social, environmental and ethical issues. The best approach is a two-way dialogue between a company and its stakeholders. It should allow a company to inform stakeholders how it is responding to specific issues and give details on performance and plans. It should also give stakeholders a forum to give honest feedback, express support or concern, or even provide expert input.

Rather than one-off engagement, it is best to build long-term stakeholder relationships based on mutual respect — even with groups that are more critical.

An important part of this process is to maintain regular contact and to show how you have considered and responded to dialogue with stakeholder groups. At the very least, most stakeholders will expect a response if they have been asked for their input or opinions.

Stakeholders are defined as “*those individuals, groups of individuals or organisations that affect and/or could be affected by an organisation's activities, products or services and/or associated performance*”.<sup>11</sup>

<sup>11</sup> AA1000 Stakeholder Engagement Standard (2015). AccountAbility.



## What are the **benefits**?

Stakeholder engagement helps companies anticipate future issues or trends and respond to them. By understanding stakeholders' viewpoints and including this information in company processes, businesses can be more responsive to the external environment and better prepared for the future. Companies that are serious about stakeholder engagement don't just see it as communication, but an important part of their business strategy.

### **SOME OF THE BENEFITS OF STAKEHOLDER ENGAGEMENT:**

- Avoiding or resolving conflicts around contentious or difficult issues;
- Preventing boycotts and other disruptive action by better understanding customer concerns or those of activist shareholders or NGOs;
- Support for licence to operate both from governments/regulators and local communities;
- Innovation and commercial opportunities through engaging with customers and other experts; and
- Supporting access to new or emerging markets by developing relationships with key stakeholders.

## Stakeholder **identification**

The first step in stakeholder engagement is to identify the stakeholder groups that are most relevant to your business. It's important to build support by briefing senior management on your approach, which will involve a number of steps.

### *1. Set the boundary of your engagement*

What parts of the company are going to be involved in the stakeholder engagement? For larger companies, engagement planning may initially concentrate on a specific country, business unit or function.

### *2. Review existing engagement*

Many parts of your company will already engage with stakeholders and it is important to get a full picture of this engagement. Review existing dialogue by identifying, for example, which stakeholders are involved, who speaks to them and how often, and how any feedback on Operating Responsibly themes is captured and disseminated.

The results from existing engagement might be scattered across the company in different departments or business units that have little cross-over or do not normally share information.

Bigger companies may have well-established engagement projects, such as employee surveys union negotiations, customer/consumer surveys and investor dialogues. It is important to connect with these projects to share information and resources.

### *3. Group stakeholders and issues*

It is useful to arrange stakeholders into three groups initially: economic stakeholders (where there is a direct financial relationship); influencers (such as NGOs and regulators); and community stakeholders. Using information from your review of existing engagement, record each stakeholder group's priority social, environmental or ethical issues and their level of concern related to your company's approach or performance.

It is essential to also consider the stakeholder groups your organisation has not yet engaged with. Look beyond standard business stakeholders to include groups with a specific interest in responsibility issues, knowledge of your business sector, or specific local or technical expertise. Examples include NGOs, pressure groups or civil society organisations, trade bodies, community groups, regulators, local authorities, regional development agencies, and government offices and departments.

## Engaging your stakeholders and identifying priority issues

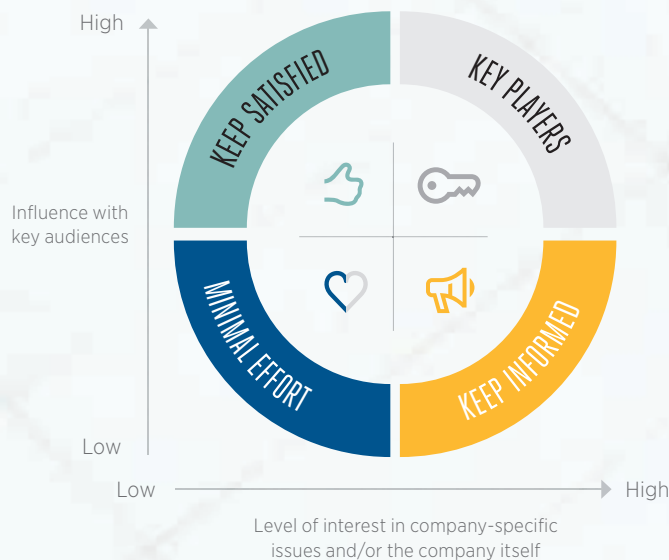
It is not possible to engage with all stakeholders at the same time, but as an ongoing process you can build on the initial scope of engagement over time. It is sensible to start with a manageable number of stakeholders, ensuring that all significant voices are included.

A useful starting point is to map out which stakeholders to include based on their influence with key audiences for the business (including other stakeholder groups), and by their level of interest in your sector or specific issues relevant to your company. Figure 5 shows a sample stakeholder map that helps to prioritise the effort and type of engagement to pursue with different stakeholders.

### 1. SET ENGAGEMENT OBJECTIVES

It is important to define the aims of the engagement. These may be narrow, such as gathering opinions on a specific issue, or more expansive, such as determining the materiality of a wide range of responsibility issues across a variety of stakeholder groups.

**Figure 5: A typical stakeholder map**



### 2. CONDUCT ENGAGEMENT

The first step is to contact the stakeholders you aim to engage with and explain the objectives of the consultation. With the first consultation, you should check your existing understanding of issues and stakeholders' views, as well as establish any new or emerging issues. It is sensible to base the dialogue on a set of interview questions or a standard questionnaire to ensure consistency.

Common methods for engaging stakeholders include:

- One-to-one meetings/interviews/roundtables focus groups;
- Surveys and questionnaires;
- Telephone or email contact; and
- Stakeholder panels or workshops.

### 3. PLAN ONGOING ENGAGEMENT

Aim to manage expectations by agreeing on the frequency of ongoing contact and how you will feed back the results of the engagement. You should also plan how the results will feed into company processes.

#### 4. PRIORITISE MATERIAL ISSUES

Your engagement will deliver a long list of issues that are important to stakeholders. The next step is to decide which of these are your material issues. This assessment should be based on your Operating Responsibly strategy, the importance of the issues to achieving business success and the level of stakeholder concern (see Section 2 – Strategy for more on materiality).

The process should not end after your first formal engagement. It is useful to revisit your assessment of stakeholder groups and material issues periodically to check no new stakeholder groups or issues have emerged that require further engagement or attention from the company.

##### EXAMPLES OF SOME STANDARD STAKEHOLDER GROUPS AND TYPICAL ENGAGEMENT METHODS:

- **Employees:** performance appraisals, work councils, trade unions, employee surveys;
- **Investors:** analyst briefings, investor roadshows, annual reports;
- **Suppliers:** supplier relations, quality control processes;
- **Customers:** satisfaction surveys, focus groups, complaints processes;
- **Governments and regulators:** health, safety and environment management systems, public affairs and lobbying processes; and
- **Local communities:** community investment projects, complaints registers.



##### FURTHER INFORMATION:

The 2015 Stakeholder Engagement Standard (AA1000SES) published by AccountAbility provides a benchmark for high-quality engagement. It is a generally applicable framework for the assessment, design, implementation and communication of quality stakeholder engagement.

<http://www.accountability.org/standards> ➤



## Responding to material issues

Once your material issues have been determined, you need to work out the best way to respond.

### WHO WILL RESPOND TO STAKEHOLDERS?

To maintain the goodwill and trust of stakeholders, you need to show how the company has responded to the findings of your engagement. Aim to allocate responsibility for the company's response at the most senior level possible. Leadership involvement and responsibility is more likely to deliver coherent action from your business and will help integrate engagement findings into strategy and action.

### DEVELOP YOUR RESPONSES

How the company responds to stakeholder concerns will depend on the issue, but it is sensible to try using wider business processes to deliver your response. For example, if gender diversity is raised as an issue,

it makes sense to use existing human resources systems to deliver a company response. This might be through reviewing recruitment processes, developing mentoring programmes or providing unconscious bias training. Responding in this way helps embed action on an issue into core business processes. It is also useful to set measures to record your progress in responding to the issue, which is discussed in more detail in Section 5 – Performance management.

### COMMUNICATE WHAT YOU ARE DOING

It is important to communicate both internally and externally how the company is dealing with the responsibility issues raised through engagement. Communicating internally will help employees understand the company's approach to important issues, which raises awareness and builds support for the company's action. External communication shows stakeholders that the company is taking the issues seriously and has a plan to address them.

If you fail to tell stakeholders about your company's response to the issues they are concerned about they are unlikely to agree to being involved in stakeholder engagement again.

"I want to ensure that our employees understand, and can relate to Telia Company's purpose of bringing the world closer. I encourage everyone to engage with customers and other stakeholders, to understand our role in society, and to feel the satisfaction of making impact personally, in their way. It is my responsibility to maximize the positive impact we can have, and all Telia employees can take leadership and do the same."

**Johan Dannelind**, President and CEO, Telia Company

## Good practice **and beyond**

### UPDATE YOUR STAKEHOLDER MAP

Because stakeholder groups and responsibility issues change over time, you should revisit and update your stakeholder map periodically. It is possible to include stakeholders in this process as they may be able to identify new stakeholder groups not included previously, which can enhance your understanding of your stakeholder network.

### REVIEW THE INFLUENCE OF DIFFERENT STAKEHOLDER GROUPS

A company will have many stakeholder groups and engagement will generally involve only a selection of these. Although it is obvious to connect with stakeholders that have greater influence and perhaps represent a wider group of stakeholders, it is also important to target less powerful stakeholder groups. These might be smaller, less sophisticated stakeholder organisations with fewer resources,

for example, individual community members, small special interest groups or organisations representing future generations. It is also worth seeking organisations that represent or speak on behalf of less visible or disempowered stakeholders.

### CONTRIBUTE TO SECTOR INITIATIVES

Participating in sector initiatives can expand the scope of stakeholder engagement. Working with trade bodies or issue-specific initiatives linked to your sector can help reach a larger number of stakeholders, often internationally, and provide relevant information for your company. An example is the [GSMA Connected Women Commitment](#). Launched in 2016, the initiative supports mobile operators in low- and middle-income countries to reduce the gender gap in mobile internet and mobile money by 2020. Another example is the [GSMA We Care initiative](#), which brings together mobile operators in Latin America to tackle country-specific social issues that can be helped through collective industry action.

A multi-stakeholder approach is often used involving government representatives, regulators, civil society and UN agencies.

### DEVELOP LOCAL ENGAGEMENT

Developing local engagement processes allows companies with international operations to gain insight into local concerns. This helps promote local action to address local concerns, as well as provide information that feeds into corporate-level understanding. Introducing a company-wide requirement for business units to undertake local stakeholder engagement and report findings can help create a uniform process across the company.

Working with trade bodies or issue-specific initiatives linked to your sector can help to reach a larger number of stakeholders.





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## CASE STUDY: STAKEHOLDER ENGAGEMENT AT ORANGE

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Orange is committed to an iterative, structured dialogue with all of its stakeholders through its five Principles of Action (Behaving ethically and fighting corruption; Respecting and enforcing respect of human rights; Raising internal awareness on responsibility issues; Refining our CSR policies to meet stakeholder expectations; Assessing digital technology's impact on our lives).

### *Why we engage with our stakeholders*

"Companies need to open up and reach out to the increasingly connected world around them because businesses will only grow, endure and earn acceptance if they know how to listen to and talk to the stakeholders in their ecosystem. That is why we have set up structured channels for conversations with our stakeholders. These conversations help us zero in on the issues that each of our stakeholders really care about on an individual and collective level, and direct our decisions and commitments accordingly.

### *How we engage*

Our drive to share value across Orange and society has shaped our method to engage with stakeholders. This method encompasses the three principles in the AA1000 standard, namely inclusivity (we identify stakeholders that are active locally), materiality (the issues we address are topical for Orange and our ecosystem) and responsiveness (we map out and roll out short-, medium- and long-term action plans).

### *Our engagement in action*

We have embarked on numerous conversations in our host countries since 2009. Some issues relate to society as a whole ('Women and ICT', 'Children and technology, etc.) and others apply more specifically to the Group. Operations in France, India, Jordan, Romania, Russia, Senegal and Poland, for instance, have organised discussions with stakeholders on diversity and equal opportunities. While operations in France, Egypt, Poland and Spain are also involved in dialogue on the circular economy.

### *Integrating the findings into our strategy*

This active listening approach helps us identify social and environmental issues and prioritise the risks associated with them. We endeavour to spot the opportunities to focus our innovation on opening up fresh growth prospects for Orange, while fostering economic and social development in our host countries. We plot the feedback from these conversations on our materiality matrix and rank them to show our priority areas for action."

More information on stakeholder dialogue at Orange, including details on engagement activities and material issues, is available in their 2017 Integrated Annual Report:

(<https://rai2017.orange.com/en/>)

and 2017 CSR Review:

([www.orange.com/en/Human-Inside/Reporting](http://www.orange.com/en/Human-Inside/Reporting))

For more information on AA1000, see:

<http://www.accountability.org/standards>

## SECTION 4

# GOVERNANCE

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How does governance relate to **Operating Responsibly** and how should it be integrated in your approach?



What **do we mean?**



Corporate governance is the system by which a company is directed and controlled. It consists of policies, processes and company structures for decision-making and the supervision of business activities. It also establishes the responsibility of a company's board of directors and senior executives for business performance and behaviour.

Historically, corporate governance focussed on financial matters and a company's primary duty to its shareholders. Increasingly, however, a wide range of stakeholders are demanding that boards of directors should also be accountable for their company's social, ethical and environmental impacts — and their long-term sustainability.

Supporting this, recent Harvard University research<sup>12</sup> has shown that there is a legal foundation for company directors to consider other stakeholders beyond shareholders. Likewise, Principle 4 of the G20/OECD Principles of Corporate Governance<sup>13</sup>

state that governance frameworks “should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.”



<sup>12</sup> R. Eccles and T. Youmans (2015), “Materiality in Corporate Governance: The Statement of Significant Audiences and Materiality”, Harvard Business School Working Paper Summaries, <https://hbswk.hbs.edu/item/materiality-in-corporate-governance-the-statement-of-significant-audiences-and-materiality>

<sup>13</sup> OECD (2015), “G20/OECD Principles of Corporate Governance”, <https://doi.org/10.1787/9789264236882-en>.

## GOVERNANCE

Stakeholder demands on companies can include:

- Details of how the board considers and acts on the risks and opportunities relating to Operating Responsibly;
- Understanding incentives (and sanctions) for board members and executives to ensure responsible operations;
- How company policies and initiatives support social, environmental and ethical objectives and align with international standards; and
- Clarity on CEO and executive management responsibility for Operating Responsibly.

There is no single way in which companies should approach governance. Specific requirements and common practice vary from region to region and country to country. For example, there are differences in requirements for worker representation on boards and the independence of board members, as well as separating the role of CEO and Chair.

Also, as company ownership by institutional investors grows, including those following Socially Responsible Investment (SRI) standards (see page 8), different perspectives and expectations are becoming established, particularly with respect to taking a long-term view on company performance.

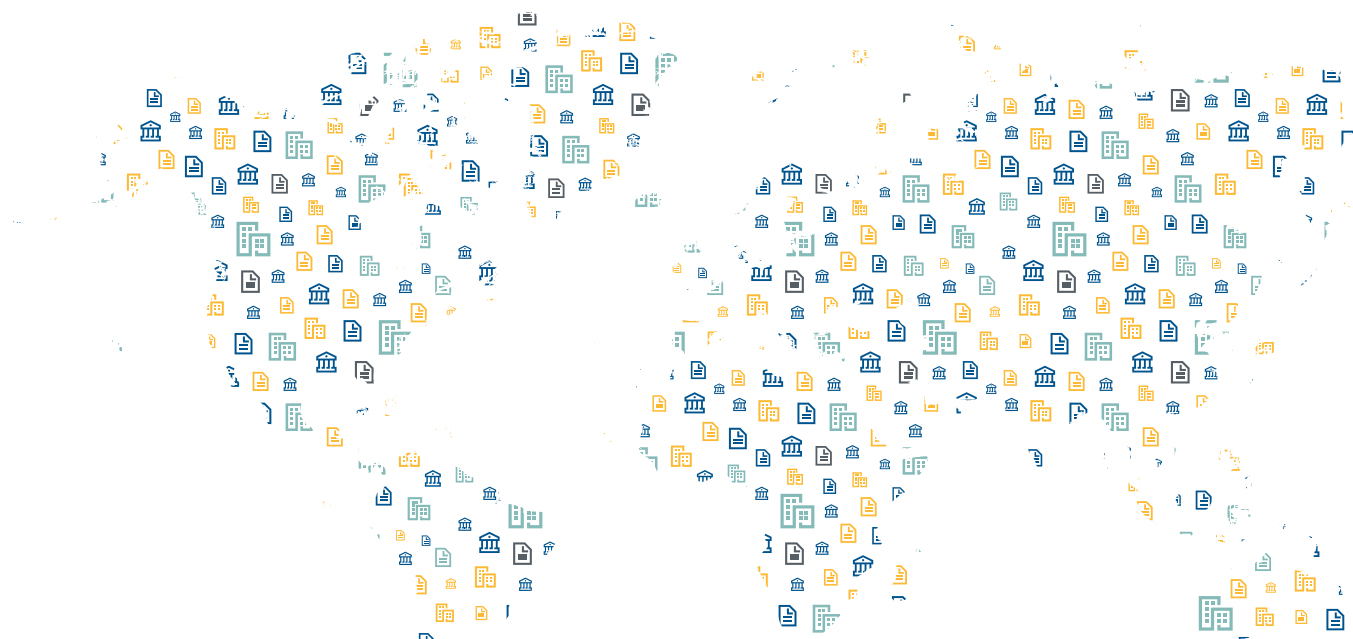
## Guidance and regulations

In response to numerous high-profile corporate scandals and governance failures, a wide range of national and international guidance and legislation has been developed. Understanding current and emerging guidance and legislation relating to your company and its operating environment is essential, including requirements linked to social, environmental and ethical issues.

While some guidance on governance is international, such as the OECD Principles of Corporate Governance, most is developed at a national level. For companies operating in multiple countries, it is important to understand how the group approach to governance will have impact at an operating company level.

Some significant examples of national legislation and guidance include:

- Companies Act 2006, UK Corporate Governance Code 2018 (UK);
- Sarbanes-Oxley Act 2002, New York Stock Exchange Corporate Governance Standards (USA); and
- King Report on Corporate Governance I, II, III and, most recently, IV 2016 (South Africa).



## Operating Responsibly as part of board activity

### ESTABLISH RESPONSIBILITY

Ultimate responsibility for a company's management and performance on environmental, social and ethical issues should lie with the board of directors — at the same level as financial responsibility. This helps to incorporate responsibility issues into wider business strategy and decision-making. The Edelman Trust Barometer 2018 shows that 64 per cent of respondents think CEOs should lead change and not wait for government.

A common approach is to establish a board committee with responsibility for social, environmental and ethical issues. This allows for more in-depth discussion and decision-making at the highest level than would be possible in full board meetings. An alternative approach is to expand the remit of an existing board committee, such as the audit committee. With either option, the terms of

reference of the committee, including its relationship to the board of directors, should be made clear.

### CLARIFY LINES OF COMMUNICATION

For a board of directors and its committees to have effective oversight of Operating Responsibly, they must receive relevant information from company management. A senior executive, supported by a suitable department or resources, should hold responsibility for providing timely information to the board. They should also proactively raise Operating Responsibly issues that require attention. Ideally, Operating Responsibly should be added to existing responsibilities.

For example, the board delegates responsibility to functional or regional managers alongside their other duties.

### PROVIDE BOARD-LEVEL TRAINING

Board members may not be familiar with some of the Operating Responsibly issues facing your company. Opportunities for briefing board members should be sought, for example, giving an overview of responsibility issues in their general induction and providing training on specific or emerging issues.

### TRANSPARENCY AND ACCOUNTABILITY

Companies should publicise the responsibilities of the board and board committees in relation to Operating Responsibly. It may not be appropriate to disclose details of board-level discussions, but good practice includes summarising topics discussed at board or committee meetings, and possibly key actions agreed.

"At Millicom, we recognise that the success of our business goes hand-in-hand with the long-term sustainable growth of our communities...and every time we look at how we can build a better digital future for people, Responsible Leadership is what guides our decision-making."

**Rachel Samrán**, EVP Chief External Affairs Officer, Millicom



GOVERNANCE

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## Developing company policies

An important part of ensuring good governance is having policies in place that cover the main aspects of Operating Responsibly. Policies should cover the company's most material issues (see Section 2 — Strategy). Examples include policies on environmental protection, health and safety, data protection and privacy, and human rights. When developing policies make sure they are well researched, taking account of stakeholder feedback, risk analysis and benchmarking against other operators.

### DEFINE GOOD PRACTICE GOALS

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Leadership is critical as companies often behave in the way they are led. This is why the tone from the top is important for Operating Responsibly. A company's values and its commitment to operate responsibly must be endorsed by senior leadership and flow through all of its communications.

When implementing policies and setting goals, it is important to be clear about what you are trying to achieve and by when. In the early stages, general objectives are sufficient as specific and measurable targets can be developed later on (and this can be an objective in itself). An example of a good practice goal might be 'to raise awareness of modern slavery in procurement processes.'

### ROLLOUT

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It is not possible to do everything at once. It is important to define when and how widely your policies will be implemented across the company. In international companies, for example, it is logical to rollout policies in the home country first followed by international operations later. In this way, lessons from the initial rollout can be applied to countries with smaller operations or fewer resources. It is also important to consider how far you can deliver your policies in areas where your company only influences operations, such as joint ventures. These areas may not be covered initially and the approach should be agreed with your partners.

### BUILD SUPPORT

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It is important to explain carefully the rationale and requirements of any new policies to staff, suppliers and others affected by them. This is likely to require internal and external communications and support may need to be provided in certain areas (see Training, next page). Many organisations work to identify and mobilise a group of 'champions' — interested and motivated individuals within different functions, locations or operating companies — to support the rollout of policies and act as local contact points.

## TRAINING

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It is likely that some aspects of your Operating Responsibly strategy and policies will expose management and staff to new concepts. You should assess training needs around the organisation and these may need to be met through a mix of general training to explain your overall approach, and specialist training for functions that need new or specific skills to be successful. It is also important to build Operating Responsibly messaging that flows through all training and corporate communications to demonstrate a consistent approach and reinforce the right tone from the top.

An example might be training required by procurement managers and quality auditors to provide the skills needed to deliver ethical performance within your supply chain. General training might be in the form of information on Operating Responsibly and relevant policies within induction processes for all new staff.

## CONTROL MECHANISMS

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Suitable control mechanisms are also needed to show how well a policy is being implemented and whether the company is adhering to it. Ideally, these should be integrated in existing processes for tracking other areas of performance. Involve your internal audit team when deciding how to track compliance.



## Good practice **and beyond**

### LINKING REMUNERATION TO OPERATING RESPONSIBLY

Performance-related pay is common in corporate remuneration. It is good practice for a portion of performance-related pay to be linked to performance in Operating Responsibly. This is especially relevant for board members and senior executives who are in the best position to influence performance on responsibility issues. How these incentives will cascade through the company also needs to be defined and communicated. Clarity is also needed on how responsibility goals will be measured and how different levels of performance are linked to remuneration (read more in Section 5 – Performance management).

It is good practice for a portion of performance-related pay to be linked to Operating Responsibly performance.



### SET UP A STAKEHOLDER PANEL

With a suitable governance framework in place, it is good practice to consider how stakeholder views on responsibility issues can be heard by the board. One approach is to create a stakeholder panel or advisory board with suitable terms of reference and a defined relationship with the board. It can be helpful to involve a specialist consultancy to set up a panel and even act as the secretariat (read more in Section 3 – Stakeholder engagement).

### ALIGN WITH THE SDGS

It can be helpful, and add credibility, if governance arrangements (and policies) explicitly recognise relevant international frameworks, such as the UN Sustainable Development Goals (SDGs). Leading companies are reviewing where they can have the greatest impact on delivering specific Goals and in which parts of their operation. They are also acting as agents for wider action and partnership involving other companies, civil society organisations and governments.

### EXPAND AND REVIEW POLICIES

Alongside the rollout of company policies, you should also plan to develop and adopt new policies that cover emerging issues. For example, few mobile operators had human rights policies 10 years ago while today many do. This is a direct response to increasing awareness of human rights issues and the development of international guidance, such as the United Nations Guiding Principles on Business and Human Rights.

In a rapidly changing technology sector, it is inevitable that risks and opportunities will shift rapidly. Regular reviews of stakeholder attitudes and potential changes to legislation will reveal new issues that need to be managed within your governance framework.

## CASE STUDY: TELIA COMPANY'S APPROACH TO CORPORATE GOVERNANCE



Telia's approach to governance is clearly laid out in its Annual and Sustainability Report 2017. Telia clearly expresses that the best way to deliver long-term value creation for the company's shareholders is by embedding responsible business practices throughout the company.

### Statement of materiality and significant audiences

Telia Company AB is registered in Sweden and is bound by the Swedish Companies Act (2005:551). The act requires the Board of Directors to govern the company in a way that is profitable and creates value for its shareholders. It is Telia Company's firm belief that the best way of ensuring sustainable growth and profitability is integrating sustainable, responsible business practices into all parts of business and strategy, to create long term shared value for the company, its stakeholders and society.

Telia Company has adopted a stakeholder-based approach to identify and manage the most material business aspects, including related risks and opportunities. The approach involves engaging with significant stakeholder groups to understand Telia Company's current and future impact on its stakeholders, the environment and society.

Material aspects guide how Telia Company develops and drives its business strategy, including how the company contributes to the fulfilment of the UN Sustainable Development Goals. Telia Company monitors and discloses the progress on these

material aspects through this combined Annual and Sustainability Report.

### Significant stakeholder groups include:

- Shareholders and investors
- Consumers
- Business customers
- Employees
- Suppliers
- Society

The Annual General Meeting is the primary forum for shareholder engagement. Telia Company continuously engages with other stakeholder groups in many ways.

Telia Company is committed to a number of international guidelines on human rights, labour rights, anti-corruption and environmental responsibility.

### These include:

- The UN Universal Declaration of Human Rights
- The core conventions of the International Labour Organization (ILO)
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact
- The UN Guiding Principles on Business and Human Rights
- The Children's Rights and Business Principles

These guidelines form the foundation of the Code of Responsible Business Conduct which is approved by the Board. The requirements set by the Code, which go beyond legal compliance and apply to all employees, lay out how to engage with stakeholders in a way that ensures the highest degree of ethical business practices and behaviour.

More information on governance arrangements at Telia can be found at:

**<https://annualreports.teliacompany.com/en/governance/>**

## SECTION 5

# PERFORMANCE MANAGEMENT

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As a critical part of delivering against strategy, what are the main elements of performance management?



What do we mean?



Managing responsibility performance is about achieving and demonstrating control over your material issues. To do this effectively requires clear lines of responsibility for each issue and the right management systems.

The processes and controls that deliver good performance management are central to Operating Responsibly and getting it right demands a lot of effort — it is the engine that delivers your strategy. There is no ‘one-size-fits-all’ system and the right approach for your company should be designed to fit with your existing operational structure and culture. Things to consider include:

### MANAGEMENT RESPONSIBILITY

For each material issue, determine who in your organisation is responsible for delivering performance — from the department to the executive level. This is an important component of a joined-up approach to governance (see Section 4). Some issues will cross traditional department boundaries or be relevant to multiple functions, so a carefully considered approach is needed.

### PERFORMANCE EVALUATION

It is often said that ‘you can’t manage what you don’t measure’. Establishing the right indicators to track performance and developing accurate systems for collecting data is critically important. Measure the wrong things and you will be unable to deliver the change needed to meet your strategic goals and policy commitments. Measure too many things and you will easily get lost in too much information.

## PERFORMANCE MANAGEMENT

## TARGETS

Armed with useful measures and a clear understanding of baseline performance, it is possible to set improvement targets. Meaningful targets should stretch the organisation to deliver change, but they should also be achievable. As far as possible, targets should be SMART (Simple, Measurable, Achievable, Relevant and Time-bound).

Meaningful targets should stretch your organisation to deliver change, but they should also be achievable.



## MANAGEMENT SYSTEMS

Many companies seek external certification to management system standards to help manage specific issues. Using management systems that are based on a 'plan-do-check-act' cycle can help establish or improve the processes needed to deliver continuous improvement and achieve your targets. External certification can help build credibility, giving confidence that your approach delivers robust

management data and provides the business with an accurate view of performance. There is no single external standard that covers all aspects of Operating Responsibly. The closest is the ISO 26000 Guidance on Social Responsibility, which is guidance rather than a certifiable management system standard. To date, the ISO 26000 guidance has not been widely adopted as many organisations find its requirements too onerous.

Two of the most commonly used standards are ISO 14001 for Environmental Management Systems (plus additional standards for specific environmental issues, such as energy management) and OHSAS 18001/ISO 45001 for Occupational Health and Safety Management Systems.

## FURTHER INFORMATION:



More information can be found at:

<https://www.iso.org/management-system-standards.html>



## Metrics and measurement

There are many sources of guidance to help companies set appropriate metrics and measures to track their responsibility performance. Many of these are relevant to most large companies, including mobile operators, and it makes sense to use the experience of such initiatives as well as that of other companies.

Examples of general measures include those relating to diversity and equal opportunity or occupational health and safety, many aspects of which are relevant to mobile operators. A good source of wide-ranging guidance is the Global Reporting Initiative (GRI) ([www.globalreporting.org](http://www.globalreporting.org)), which sets out a range of indicators and data specifications for reporting responsibility performance in its Global Reporting Standards (read more in Section 6 – Telling your story).

Currently, there is no definitive guidance on responsibility issues and metrics for mobile operators. One of the best sources of information to help develop performance measures is what other mobile operators have already published.

Of course, such benchmarking should not be the sole basis for selecting relevant measures for your company, because what is material for one company may not be for another.

There may be good reasons why the precise form of a measure used by one organisation may not be directly relevant to another. However, where a selection of companies in the same sector use a similar approach it is generally useful to adopt it as this helps with sector comparability and learning.

International operators should also consider the significance of national or regional differences. This can influence the selection of measures so they are relevant both company-wide and to local operations.

The table presented on the next page (Table 2) shows examples of some common measures adopted by GSMA members in their publicly reported information.



## PERFORMANCE MANAGEMENT

**Table 2:** The table below provides examples of aspects and measures that are used by some mobile operators when reporting their performance on material issues. It is not a complete list, but provides an indication of the types of measures being used to define and capture performance.

ISSUE	ASPECTS	EXAMPLE PERFORMANCE METRICS (UNIT)
Customer service	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Handling of customer complaints</li> </ul>	<ul style="list-style-type: none"> <li>Net Promoter Score, by country, brand, etc. (number)</li> <li>Complaints by topic, resolved (number)</li> </ul>
Child online safety	<ul style="list-style-type: none"> <li>Education and awareness raising</li> <li>Initiatives to tackle online child exploitation</li> </ul>	<ul style="list-style-type: none"> <li>Operations with controls applied in line with minimum age policy (%)</li> <li>Children reached by child online safety training (number)</li> <li>Operations blocking child sexual abuse content (%)</li> </ul>
Digital inclusion	<ul style="list-style-type: none"> <li>Adapted price plans, low-cost handsets</li> <li>Training and awareness raising to support customers with fewer digital skills</li> </ul>	<ul style="list-style-type: none"> <li>Rate reduction for beneficiary groups (e.g. handicapped, veterans, low-income pensioners) (number of recipients by group) and reduction amount (\$ value)</li> <li>Users of mobile financial services (number)</li> <li>Recipients of internet literacy training for the retired (number)</li> </ul>
Privacy and freedom of expression <sup>14,15</sup>	<ul style="list-style-type: none"> <li>Data protection and cyber-security systems</li> <li>Transparency on government information requests</li> <li>Fines and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Incidents of theft or loss of personal data, by country (number)</li> <li>Responses to government institution data requests (number)</li> <li>Fines relating to data protection/privacy issues (number and \$ value)</li> </ul>
Anti-bribery and corruption (ABC)	<ul style="list-style-type: none"> <li>Identifying and resolving breaches</li> <li>Internal training</li> <li>Independent channel for whistleblowing</li> </ul>	<ul style="list-style-type: none"> <li>Allegations of bribery and corruption, investigations completed and outcomes (number)</li> <li>Calls to whistleblowing line (number)</li> <li>Employees attending ABC training (number)</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>Modern-day slavery</li> <li>Grievance mechanisms</li> <li>Supplier screening</li> </ul>	<ul style="list-style-type: none"> <li>Human rights incidences identified (e.g. human trafficking, child labour, forced labour) (number)</li> <li>Staff accessing grievance procedures (number)</li> <li>New suppliers screened using human rights criteria (%)</li> </ul>
Tax transparency <sup>16</sup>	<ul style="list-style-type: none"> <li>Tax policy, strategy and payments</li> </ul>	<ul style="list-style-type: none"> <li>Payments to governments, including taxes paid, by country/region/type (\$ value)</li> <li>Taxation rate (%)</li> </ul>
Mobile mast health	<ul style="list-style-type: none"> <li>Site emissions</li> <li>Research, education and collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Sites audited (number) and compliance with emissions norms (%)</li> <li>Investment in research into mobile mast health impacts (\$ value)</li> </ul>

<sup>14</sup> New legislation on data protection has been introduced in a number of countries recently, strengthening the focus on disclosures in this area. UNPRI summarises these in its “Stepping up Governance on Cybersecurity” publication, <https://www.unpri.org/download?ac=5134>

<sup>15</sup> Many companies produce separate transparency reports.

<sup>16</sup> Many organisations now publish a standalone report about tax strategy and payments.

ISSUE	ASPECTS	EXAMPLE PERFORMANCE METRICS (UNIT)
Employee diversity	<ul style="list-style-type: none"> <li>Workforce demographics and diversity</li> <li>Equal pay</li> <li>Local recruitment</li> </ul>	<ul style="list-style-type: none"> <li>Management diversity, including executive committee and board (% women)</li> <li>Employees with disability (%)</li> <li>Local employees (%)</li> </ul>
Employee health and safety	<ul style="list-style-type: none"> <li>Health and safety incidents</li> <li>Training for employee safety, health and well-being</li> </ul>	<ul style="list-style-type: none"> <li>Fatalities by employee type, including contractors and sub-contractors per country (number)</li> <li>Rates of injury frequency and severity (e.g. number of injuries per million employee hours worked)</li> <li>Health and safety training hours (number)</li> </ul>
Supply chain responsibility	<ul style="list-style-type: none"> <li>Supplier screening</li> <li>Policies and reporting<sup>17</sup></li> </ul>	<ul style="list-style-type: none"> <li>Supplier audits (tier I, II and III) (number) and high-risk suppliers audited (%)</li> <li>Corrective action plans completed within three months (%)</li> <li>Procurement contracts with provisions to ensure the lawful provenance of raw materials (%)</li> <li>Suppliers with policy on conflict minerals (%)</li> </ul>
Supplier capacity development	<ul style="list-style-type: none"> <li>Increasing supplier capacity for environmental or health and safety performance</li> <li>Diversification and competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers that participate in environmental or health and safety training programmes (number and %)</li> <li>Diverse suppliers invited to participate in sourcing events per year (number)</li> <li>Spend on minority/women-owned suppliers, total (\$ value) and proportion (%)</li> </ul>
Waste and e-waste	<ul style="list-style-type: none"> <li>Collection and disposal of waste</li> <li>e-waste and hazardous waste</li> <li>Waste returned by customers</li> </ul>	<ul style="list-style-type: none"> <li>Hazardous and non-hazardous waste, by disposal method (tonnes)</li> <li>Electrical items (handsets, accessories, other equipment) recycled or remanufactured (number)</li> <li>Cable recycled or retired (tonnes/metres)</li> </ul>
Climate change adaptation	<ul style="list-style-type: none"> <li>Exposure to climate risk<sup>18</sup></li> <li>Scenarios-based disclosures</li> </ul>	<ul style="list-style-type: none"> <li>(For example) Assets deemed vulnerable to extreme weather events (flooding, severe storms, etc.) (number or %)</li> </ul>
Climate change mitigation	<ul style="list-style-type: none"> <li>Energy use</li> <li>Greenhouse gas (GHG) emissions</li> <li>Energy efficiency and emissions mitigation</li> <li>Renewable energy use</li> </ul>	<ul style="list-style-type: none"> <li>Absolute and relative GHG emissions (scope 1, 2 and 3), by country (tonnes CO<sub>2</sub>-e, tonnes CO<sub>2</sub>-e /kWh)</li> <li>Energy use (electricity and fuel), total and by country (kWh)</li> <li>Power usage effectiveness (PUE)<sup>19</sup> ratio for data centres (number)</li> <li>Renewable energy consumption, total (kWh) and proportion (%), by country</li> </ul>

<sup>17</sup> Publicly traded companies in the US are required to submit an annual conflict minerals disclosure report ("Form SD") to the Securities and Exchange Commission.

<sup>18</sup> This is a new area of reporting being driven by investors through the Task Force on Climate-related Disclosures: <https://www.fsb-tcfd.org/>

<sup>19</sup> Power usage effectiveness (PUE) is a ratio that describes how efficiently a computer data centre uses energy; specifically, how much energy is used by the computing equipment (in contrast to cooling and other overhead). An ideal PUE is 1.0. PUE was published in 2016 as a global standard under ISO/IEC 30134-2:2016.



## Getting organised

### RESPONSIBILITY FOR PERFORMANCE MANAGEMENT

Assigning responsibility for performance management needs careful thought and should be set in the context of your approach to governance. In many cases there will be a logical approach that relates to existing management structures. For example, if there are many risks in the supply chain it is logical for human rights responsibilities to sit within the procurement function.

Setting up a single department to drive all aspects of Operating Responsibility performance rarely makes sense in the long run. For most companies it is useful to have a distinct department in the early stages of Operating Responsibility as strategy, policies and systems are being developed. However, in the long run it can send the wrong message to other departments or managers that Operating Responsibility is someone else's job.

Eventually, it is best if the responsibility to deliver your strategy is embedded within all functions and operating companies rather than being controlled by one department that needs to inspire action around

the business. Regardless of the model adopted, successful companies usually set up a cross-functional steering committee because so many aspects of Operating Responsibility performance cut across traditional departmental boundaries.

### INTEGRATE WITH MANAGEMENT AND REPORTING SYSTEMS

To avoid duplication and ensure efficiency, it is important to link your approach to performance management with existing systems and processes. For reporting, the frequency and level of detail needed will vary across the business. For example, information needs will differ for those responsible for day-to-day management, for senior executive and board-level briefings, and for corporate affairs or communications teams responsible for external reporting or marketing.

Good practice requires designing a coordinated approach that avoids a disconnect between management systems, financial control mechanisms, accountability processes and reporting arrangements. If your company has a balanced scorecard,

or other system for monitoring performance, it is sensible to include responsibility targets for material issues within this.

In some areas, measurement and target setting will require a technical, quantitative approach based on defined metrics, for example, with environmental performance. In other areas, more qualitative or process-based goals will be needed, particularly while exploring how to improve performance for a particular issue. In particularly contentious areas, it can be useful to involve stakeholders while developing suitable performance management measures.



## Good practice **and beyond**

### BUILD DATA COLLECTION SYSTEMS

Ensuring accurate and trustworthy data is an important part of performance management. To support this, data quality and control systems are needed along with internal and external audit procedures.

To help ensure quality, some companies initially limit the scope of their data collection to sources they directly control. As an example, companies using the Greenhouse Gas Protocol<sup>20</sup> often start measuring Scope 1 emissions (from sources owned or controlled by the company) and Scope 2 emissions (from the generation of purchased electricity).

As systems mature, responsible businesses usually expand to Scope 3 emissions (sources not owned or controlled by the company). An example of Scope 3 emissions for a mobile operator is emissions from mobile technology used by consumers.

### INTEGRATE WITH NEW PRODUCT DEVELOPMENT

As your approach to Operating Responsibly matures, you will be able to shift your focus from controlling risk to creating opportunity. Many companies start this transition when they embed Operating Responsibly in their innovation processes. Developing products and services that improve customers' lives is a significant example of how Operating Responsibly can create new revenue streams while contributing to sustainable development.

GSMA Mobile for Development brings together mobile operators, technology innovators, the development community and governments to investigate how mobile can deliver socio-economic benefits in emerging markets.

As an example, GSMA Mobile for Development brings together mobile operators, technology innovators, the development community and governments to investigate how mobile can deliver socio-economic benefits in emerging markets. It identifies opportunities and develops innovations in financial services, health, agriculture, digital identity, energy, water, sanitation, disaster resilience and gender equality.  
([www.gsma.com/mobilefordevelopment](http://www.gsma.com/mobilefordevelopment))



<sup>20</sup> <https://ghgprotocol.org>

## SCIENCE-BASED TARGETS

Companies are increasingly looking to expert organisations for help in setting science-based targets that align with external frameworks, such as the Sustainable Development Goals (SDGs).

The most common example of science-based targets relates to climate risk. Scientific consensus is clear that governments and companies must act now to reduce global greenhouse gas (GHG) emissions to limit climate change to below 2°C, which will avoid the most serious impacts of climate change.

The global Science Based Targets initiative ([www.sciencebasedtargets.org](http://www.sciencebasedtargets.org)) states, “targets adopted by companies to reduce GHG emissions are considered ‘science-based’ if they are in line with the level of decarbonisation required to keep global temperature increase below 2°C compared to pre-industrial temperatures.”

Setting and achieving science-based targets is critical in helping companies contribute to the SDGs and create business value. Ambitious targets encourage companies to be lean, efficient and durable, saving costs in the process. The concept of science-based targets can be applied to other SDG indicators and help show a company’s commitment and contribution to the SDGs.

### SCIENCE-BASED TARGETS:



The Stockholm Resilience Centre’s work on Planetary Boundaries provides a framework for setting science-based targets across a number of global sustainability challenges, such as climate change, biodiversity and nutrient flows.

Find out more at:

<http://www.stockholmresilience.org/research/planetary-boundaries.html>



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## CASE STUDY: SETTING STRATEGIC GOALS AT VODAFONE

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In the Q&A below, Vodafone's Tom Salisbury, Senior Sustainable Business Manager, outlines how the Group established a new global sustainable business strategy and associated targets, and how these were embedded across the business.

### **Q: How did Vodafone Group rollout its strategy to its country operations?**

**A:** In 2015–16, Vodafone set out to redefine its approach to sustainability. Our aim was to ensure even closer alignment between the Group's commercial goals and the maximum possible social and environmental benefit achievable as a consequence of those goals. We also set out to address the aspects of our operations — such as privacy, human rights and our economic contribution to society — that are the source of greatest public concern and where we are well-placed to help inform public debate through our corporate transparency programme. The new strategy includes a series of global targets, which have been cascaded across the business. Although the targets were set at a global level, they are delivered by our business, in conjunction with our local markets.

### **Q: What lessons have you learned from developing and rolling out relevant goals?**

**A:** Throughout the process of setting our strategy and defining our goals, extending our understanding of the business priorities was vital. We worked closely with many other functions (including human resources and commercial) as well as our local markets in order to identify the ways in which we could deliver impact through our business. This enabled us to build a strong business case and commercial rationale, which was crucial to ensure buy-in and ownership.

### **Q: How have you integrated goals into a wide range of business functions?**

**A:** Our strategy is designed to ensure the delivery of our targets and priorities takes place through the business. We worked with different areas of the business to develop our global approach and continue to work with them to shape the delivery of the programmes that will ultimately deliver progress. Performance measurement for the targets is integrated within the key KPIs for each function. For example, our employee gender diversity metrics are reported to the senior leadership team on a monthly basis alongside other core human resources performance metrics.

### **Q: Can you highlight an area where the strategy and performance approach are working well?**

**A:** This year we announced a new target to support 10 million young people to access digital skills, learning and employment opportunities. As part of this, Vodafone launched its Future Jobs Finder platform, which is a smartphone-based service offering young people a free gateway to gaining new digital skills and discovering opportunities for employment in the growing digital economy. The platform was developed through different teams within Vodafone collaborating with psychologists, training providers and young people. Performance is constantly monitored, with data being used to continuously improve the platform's user experience.

The Future Jobs Finder is available in 12 languages, and has been completed by over a quarter of a million unique users since launching in March 2018.



## SECTION 6

# TELLING YOUR STORY

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How can communicating your approach to **Operating Responsibly** help build trust-based relationships with stakeholders?



What **do we mean?**



You have developed a strategy, engaged stakeholders to determine your material issues, and considered how to manage and measure your performance. But how will anyone know what you are doing if you don't tell your story? Adopting a transparent and honest approach to communicating how you are tackling your material issues can provide many benefits that support your approach to **Operating Responsibly**.

More and more, companies are reporting their performance on social, environmental and ethical issues, also known as non-financial disclosure. This has been driven by a mix of growing legislation on non-financial disclosure from large companies, increasing demands from stakeholders, and greater awareness of how transparency can help protect company reputation and build trust.

As with any communication, it is important to get the right information to the right stakeholders using the right channel. An annual corporate responsibility or sustainability report is one of the most common ways of communicating your approach and performance. It should cover your commitment and performance, successes and highlights, and be honest about areas where you need to improve.

Corporate responsibility reporting is now mainstream corporate practice. The 2017 KPMG Survey of Corporate Responsibility Reporting<sup>21</sup> found that 75 per cent of 4,900 global companies published a corporate responsibility report. Similar research from the Governance and Accountability Institute<sup>22</sup> showed that 85 per cent of the S&P 500 Index released a sustainability report in 2017, up from 20 per cent in 2011.

**85%** OF THE S&P 500 RELEASED  
A **SUSTAINABILITY REPORT**  
IN **2017**

<sup>21</sup> KPMG (2017), "The Survey of Corporate Responsibility Reporting 2017", [www.kpmg.com/crreporting](http://www.kpmg.com/crreporting)

<sup>22</sup> <https://www.ga-institute.com/press-releases/article/flash-report-85-of-sp-500-indexR-companies-publish-sustainability-reports-in-2017.html>

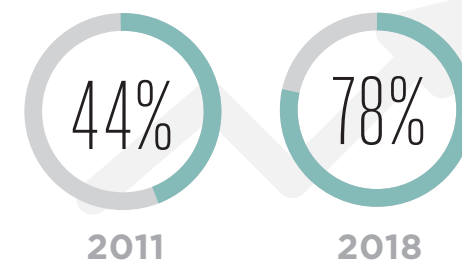
## TELLING YOUR STORY

Companies also use other communication channels, such as their corporate website and, increasingly, their annual financial report to communicate their commitment to Operating Responsibly. The same trend of increasing non-financial disclosure is clear within annual reporting. KPMG's 2017 survey showed that 78 per cent of large companies include responsibility information in their annual reports, up from 44 per cent in 2011.

**What are the benefits of reporting?**

- Promotes stronger relationships with stakeholders by enhancing understanding of your business — benefitting your brand, shareholder confidence and consumer opinion;
- Enhances both existing and potential employees' awareness of a company's approach to being a responsible corporate citizen;

- Operational benefits from measuring, collecting and reporting responsibility information and data can help streamline management systems or integrate responsibility into business processes;
- Supports investment and access to capital — reporting provides socially responsible investors with details of a company's responsibility commitment and performance, which are considered in their investment decisions; and
- Provides the basis for ongoing dialogue with stakeholders, as many companies use their report as a starting point for engagement and integrate stakeholder feedback into their reports.

**LARGE COMPANIES INCLUDING RESPONSIBILITY INFORMATION IN THEIR ANNUAL REPORTS**

## Legislation and reporting standards

### EXPANDING LEGISLATION

For many years, reporting on social, environmental and ethical issues was a voluntary activity supported by a number of standards and frameworks. More recently, however, there has been a growing trend towards mandatory non-financial reporting in a number of countries.

One of the most recent examples is the EU Directive (2014/95/EU) on disclosure of non-financial and diversity information.<sup>23</sup> The new Directive covers around 6,000 large organisations — those with more than 500 employees — and from 2018 requires annual reports to include information on environmental protection, social and employee matters, human rights, anti-bribery and corruption, and diversity.

At a country level, the United Nations Sustainable Stock Exchanges Initiative has identified that 14 G20 countries and 32 of the 50 largest country economies have at least one regulation covering an aspect of environmental, social and governance disclosure.<sup>24</sup>



<sup>23</sup> [https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en)

<sup>24</sup> United Nations Sustainable Stock Exchanges (SSE) Initiative (2016), "2016 Report on Progress", [www.sseinitiative.org](http://www.sseinitiative.org).

## REPORTING STANDARDS

There are numerous voluntary frameworks and standards that provide guidance to companies on reporting their social, environmental and ethical issues. Some of the main examples are outlined here.

### Global Reporting Initiative (GRI)

[www.globalreporting.org](http://www.globalreporting.org)

The GRI Sustainability Reporting Standards are the most widely used global standards for sustainability reporting. They represent global best practice for reporting on economic, environmental and social issues. The Standards place materiality at the heart of the reporting process to help companies report on their most important issues and impacts.

The GRI Standards include three 'Universal Standards', used by all reporting organisations, and 'Topic-specific Standards' that are used to report on an organisation's material economic, environmental and social impacts. Topic-specific Standards include a range of performance metrics and disclosure requirements that need to be reported.

### Sustainability Accounting Standards Board (SASB)

[www.sasb.org](http://www.sasb.org)

Applicable only to US-listed companies, SASB is an independent standard-setting organisation dedicated to enhancing disclosure of material

sustainability information to meet investor needs. The SASB has developed sustainability accounting standards for 79 industries in 11 sectors that help companies disclose financially material information to investors.

### The United Nations Global Compact

[www.unglobalcompact.org/participation/report/](http://www.unglobalcompact.org/participation/report/)

Companies that commit to the Global Compact are required to submit an annual Communication on Progress (COP). The minimum requirements for a COP are a statement of continued support from the chief executive, a description of practical action or plans to implement the Ten Principles, and a measurement of outcomes.

### The OECD Guidelines for Multinational Enterprises

[www.oecd.org/corporate/mne](http://www.oecd.org/corporate/mne)

The OECD guidelines provide recommendations on topics such as human rights, employment and industrial relations, environment and combatting bribery. They also provide guidelines for "timely and accurate information disclosure on all material matters."

### CDP

[www.cdp.net](http://www.cdp.net)

CDP is an investor-driven disclosure programme that enables companies, cities, states and regions to measure and manage their environmental impacts.

Through CDP, over 650 investors with assets of USD 87 trillion request information from over 6,300 companies. CDP's disclosure programmes cover companies' climate, water and forest impacts.

### International Integrated Reporting Framework

[www.integratedreporting.org](http://www.integratedreporting.org)

Integrated reporting (a combination of annual financial and non-financial reporting) is gaining traction in corporate reporting. Aimed primarily at investors, but also relevant to other stakeholders, an integrated report is defined as "a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."

More detail on the International Integrated Reporting Framework is provided in the 'Good practice and beyond' section on page 55.

650 INVESTORS WITH ASSETS  
OF \$87<sup>TRN</sup> REQUEST INFORMATION FROM  
6,300 COMPANIES



## Getting it done

Planning and delivering a credible corporate responsibility report can be time consuming and resource intensive. Some of the key steps are outlined below:

### 1. Get leadership support

As with other areas of Operating Responsibly, reporting needs the full support of company leadership. This will help to secure suitable budget and resources and build company-wide support.

### 2. Set up a reporting team

The reporting process will gather information from many departments so setting up a cross-functional team is useful. At the least, establish contact points in each department to support the reporting process. Consider other roles too, such as a report writer and graphic designer.

### 3. Set the scope of your report

Consider the following when defining your approach to reporting:

- Who are your priority audiences? Corporate responsibility reporting is not a one-size-fits-all approach, so think about which audiences you can serve best with your report.

- What will be covered in the report? If you are new to reporting, stakeholders will not expect a fully comprehensive report as you are likely to extend your scope in future reports.
- What standards or guidelines? The GRI Sustainability Reporting Standards are likely to be the most suitable starting point for developing or improving your corporate responsibility report. If you are planning to report responsibility issues within your annual report, it is sensible to review the International Integrated Reporting Framework or, in the US, the SASB standards.
- What are your limitations? Most companies have uncertainties around some of their social, environmental and ethical issues. It is seen as positive and builds credibility if you acknowledge areas where you need to do more work.
- How will you publish the report? There are many formats for corporate responsibility reporting from stand-alone printed reports to online only, and full reports to shorter stakeholder-specific summaries. The best format will depend on the stakeholders you want to reach and the best communication channel to reach them.

### 4. Consider what to report

It is essential you cover your material issues in your reporting to show you are tackling areas where your company has the biggest impact. Other elements to report include:

- Your policies and management systems;
- Governance arrangements and accountability for Operating Responsibly;
- Your stakeholder engagement processes and findings;
- Targets and objectives; and
- Your performance, including successes and areas where you need to improve, providing a balanced view of your performance.

More advanced companies also show how Operating Responsibly is included in or linked to their wider business strategy and goals. As with most aspects of Operating Responsibly, the aim should be to improve your reporting year on year. Stakeholders are likely to accept a simple first report with a commitment to improve over time.



## Assurance

Independent assurance of your report can help develop trust and credibility in your approach to Operating Responsibly. It shows that the report and data have been subjected to independent review. Most reporters will benefit from the scrutiny of an assurance process, although less mature reporters may feel concerned about undertaking external assurance while they are getting to grips with the process of reporting.

### BACKGROUND AND DEFINITIONS

The International Auditing and Assurance Standards Board (IAASB) defines an assurance engagement as “an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.”<sup>25</sup>

Assurance of corporate responsibility data is increasingly becoming accepted practice, particularly among large companies. The 2017 KPMG survey of Corporate Responsibility Reporting shows that two-thirds (67 per cent) of the largest 250 companies used assurance in their reporting. It is anticipated that this trend will continue and not just among the world’s largest companies.<sup>26</sup>

### APPROACH

When used appropriately, an assurance process can not only provide confidence that ‘the things in the report are right’, but also that the ‘right things have been reported’. However, some companies only seek assurance for a narrowly defined subject matter, for example, focussing on the accuracy of one or two datasets.

It is therefore important to think carefully about where assurance can add the greatest value for your company and the users of the report, and to take expert advice (internally or externally) when defining your objectives. Assurance can be provided by a range of bodies, from professional accountants to suitably qualified, specialist organisations or consultancies.

### ASSURANCE STANDARDS

Using a suitable external assurance standard will add rigour and can increase the credibility of the work. Two commonly adopted standards are ISAE 3000<sup>27</sup> and AA1000AS provided by AccountAbility.<sup>28</sup>

**67%** OF THE  **WORLD'S**  
**LARGEST 250 COMPANIES** BY REVENUE  
**USED ASSURANCE**  **IN THEIR**  
**REPORTING**

<sup>25</sup> IFAC (2003), “International Framework for Assurance Engagements (Revised 2008)”, [www.ifac.org](http://www.ifac.org)

<sup>26</sup> KPMG (2017), “The KPMG Survey of Corporate Responsibility Reporting 2017”, [www.kpmg.com/crreporting](http://www.kpmg.com/crreporting)

<sup>27</sup> International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information: [www.ifac.org](http://www.ifac.org)

<sup>28</sup> AA1000AS (2008), [www.accountability.org](http://www.accountability.org)

## Good practice and beyond

### LINK YOUR REPORTING AND STAKEHOLDER ENGAGEMENT

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A common objective of stakeholder engagement is to get feedback on your reporting. This can highlight opportunities to deliver information more effectively, either the type of information or data provided, or the way it is presented or published. It makes sense to reflect stakeholder expectations and concerns in your reporting, even if these are critical or challenging. It can help build the credibility of your approach to Operating Responsibly and shows a commitment to transparency.

### REFLECT THE SDGS

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Showing how a company's approach to Operating Responsibly supports the UN Sustainable Development Goals is a growing part of reporting. Not only does this help to show your company's commitment, it also helps to raise awareness of the SDGs.

### INTEGRATING NON-FINANCIAL PERFORMANCE IN YOUR ANNUAL REPORT

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There is a growing belief among companies and investors that financial reporting on its own cannot capture a company's long-term value and performance. A more complete and rounded corporate narrative that includes non-financial elements is needed. As a result, the concept of integrated reporting is gaining momentum supported by the 2014 International Integrated Reporting Framework.

The framework includes many similar elements to standard financial reporting requirements, such as a strategic report, operating context, governance and business performance. Where it differs is in the three 'fundamental concepts' that underpin integrated reporting. These are:

- Reflecting short-, medium- and long-term value creation horizons;
- Using six capitals as a way to express value creation: financial, human, manufactured, social, intellectual and natural capital; and
- The value creation process: inputs (capitals) > company business model > outputs (capitals).

Although many companies include some form of non-financial information in their annual reports, true integrated reporting needs to reflect an integrated approach to value creation. This requires a review of how a company creates, diminishes or destroys value over the short-, medium- and long-term across six forms of capital – financial, manufactured, intellectual, human, social and natural — which cover financial, social, environmental and ethical issues. For companies that already include social and environmental issues in their business strategy, and communicate what this means for their operations and business performance, integrated reporting can be a logical next step.

## Further information and resources

The following is a list of resources and websites that are relevant to Operating Responsibly and have been mentioned or referenced in this document.

### GSMA resources:

#Better future – the mobile industry’s purpose  
[www.gsma.com/betterfuture](http://www.gsma.com/betterfuture)

Mobile’s support for the SDGs – SDG impact report  
[www.gsma.com/betterfuture/2018sdgimpactreport](http://www.gsma.com/betterfuture/2018sdgimpactreport)

Sustainable and responsible business leadership:  
 Maximising the positive impact of mobile on people and the planet  
[www.gsma.com/betterfuture/sustainable-leadership](http://www.gsma.com/betterfuture/sustainable-leadership)

Mobile for Development: Proving the power of mobile in emerging markets  
[www.gsma.com/mobilefordevelopment](http://www.gsma.com/mobilefordevelopment)

The mobile economy: The state of the mobile economy worldwide  
[www.gsma.com/mobileeconomy](http://www.gsma.com/mobileeconomy)

Public policy for mobile, including the mobile policy handbook  
[www.gsma.com/publicpolicy](http://www.gsma.com/publicpolicy)

[gsma.com/betterfuture/sustainable-leadership](http://gsma.com/betterfuture/sustainable-leadership)

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### Voluntary frameworks:

UN Sustainable Development Goals  
[www.un.org/sustainabledevelopment/](http://www.un.org/sustainabledevelopment/)

UN Universal Declaration of Human Rights  
[www.un.org/en/universal-declaration-human-rights/](http://www.un.org/en/universal-declaration-human-rights/)

International Labour Organization’s Declaration on Fundamental Principles and Rights at Work  
[www.ilo.org/declaration/lang--en/index.htm](http://www.ilo.org/declaration/lang--en/index.htm)

OECD Guidelines for Multinational Enterprises  
[mneguidelines.oecd.org](http://mneguidelines.oecd.org)

UN Global Compact  
[www.unglobalcompact.org](http://www.unglobalcompact.org)

### Standards and guidance:

G20/OECD Principles of Corporate Governance  
[doi.org/10.1787/9789264236882-en](https://doi.org/10.1787/9789264236882-en)

Accountability – Principles-based standards, including for stakeholder engagement and assurance engagements  
[www.accountability.org/standards/](http://www.accountability.org/standards/)

International Organization for Standardization – Management system standards for quality, environment and safety  
[www.iso.org/management-system-standards.html](http://www.iso.org/management-system-standards.html)

Global Reporting Initiative – Global standards for sustainability reporting  
[www.globalreporting.org](http://www.globalreporting.org)

CDP – Disclosure programme on climate, water and forest impacts  
[www.cdp.net](http://www.cdp.net)

International Integrated Reporting Council – Framework for integrated financial and non-financial reporting  
[www.integratedreporting.org](http://www.integratedreporting.org)

International Standard on Assurance Engagements (ISAE) 3000 Revised  
[www.ifac.org/publications-resources](http://www.ifac.org/publications-resources)



For more information please visit the GSMA website at  
<https://www.gsma.com/betterfuture/sustainable-leadership>

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