ESG Metrics for Mobile

The case for investors and analysts
Overview: Aligning the mobile industry behind common ESG KPIs

The Challenge
• ESG reporting inconsistent and fragmented
• Differing ESG investing approaches and views on materiality
• Large reporting burden on companies

The Opportunity
• Common industry KPIs for increased consistency
• Disclosures on issues most material to the sector
• In-depth insights and understanding of industry
• Enhanced decision making and stakeholder dialogues

The Response
• Industry working group and consultations with experts and mobile ecosystem
• 10 industry KPIs allow operators to measure and improve performance
• White paper published June 2022

Next Steps
• Pilot of metrics in 2023
• Further development of framework
• See slide 16 for specific next steps for operators
Today, the majority of investors place high value on non-financial disclosures and are rigorous in their evaluation of ESG performance. "It is our conviction that companies that perform well on ESG are generally less risky, better positioned for the long term, and possibly better prepared for uncertainty." — Director of Sustainable Investing, ABN AMRO

78% of investors say they conduct a structured, methodical evaluation of nonfinancial disclosures — up from 32% in 2018.

Source: Global institutional investor survey (EY, 2021)
Today, the majority of investors place high value on non-financial disclosures and are rigorous in their evaluation of ESG performance.

“We believe that sustainability should be our new standard for investing.”
BlackRock’s Global Executive Committee

“We believe a company’s ESG score will soon effectively be as important as its credit rating.”
CEO, State Street Global Advisors

83% of investors see the need for a formal framework to measure and communicate intangible value

Note: excludes neutral responses

Assets under management with a focus on ESG impact are projected to climb to US$53tn by 2025. The figure already stands at US$37.8tn, up from US$22.8tn in 2016.

Source: Bloomberg Intelligence February 23, 2021

Source: Global institutional investor survey (EY, 2021)
Investors want industry leaders to identify which ESG metrics are most important, and for companies to report on them consistently and transparently

“I want companies to tell and share with us what they want to share with us. Let them tell their story and allow us to ask them questions.”
Principal, Responsible Investment

“The consistency piece is very important… while you sometimes need [qualitive narrative] for context, it has to be backed up with a solid data set that does not change from year to year.”
ESG executive

Noting that today, most money is managed by algorithms: “Investors want raw numbers. [Industry alignment on ESG metrics] would be huge – we need comparability and not cherry picking of numbers.”
Executive, Investor-focused non-profit

“In the end, transparent and reliable sustainability-related information will contribute to better, more informed, investment decisions.”
Director, Sustainable Investing

For institutional investors, aligning with what already exists – such as SASB and the Stakeholder Capitalism Metrics – is important. Investors need to see that [any new metrics] are material.”
Global Head, Sustainable Investing
Many operators find it challenging to fully report the information deemed to be material by the sector and its stakeholders.

50% of investors say that the usefulness of company ESG reporting is compromised by the lack of focus on the material issues that really matter.¹

The existence of around 600 global ESG reporting standards and an “alphabet soup” of standard-setters has contributed to fragmentation and an increasing reporting burden on companies.

There is an opportunity for the mobile industry to demonstrate leadership in the ESG space by converging around common, industry specific KPIs.

¹ Global Corporate Reporting Survey (EY, 2021)

Most operators report on the industry’s material topics, but not always in a way that is consistent:

- **Scope 1 and 2 emissions**: 96%
- **Energy consumption**: 96%
- **Digital inclusion initiatives**: 92%
- **Waste management**: 84%
- **Scope 3 emissions**: 60%
- **Renewable energy consumption**: 52%
- **Affordability of devices or data plans**: 20%
- **E-waste management**: 52%

² Included in this analysis are the 25 GSMA Board Members for the 2021-2022 period, who reflect the largest operator groups as well as smaller independent operators with global representation.
Momentum towards the harmonization of ESG standards is accelerating, but very few industries have worked collectively to align behind common KPIs

**Why now?**

In the last two years, momentum towards the harmonization of universal ESG standards has accelerated, as seen by the creation of the International Sustainability Standards Board (ISSB) and growing adoption of the WEF Stakeholder Capitalism Metrics.

The ISSB will soon consolidate existing standards and frameworks to provide a global sustainability reporting baseline. This will create greater comparability and consistency of reporting across all sectors and geographies.

To start on the path towards meaningful disclosures, many companies report against the World Economic Forum’s Stakeholder Capitalism Metrics. They are drawn from existing standards and disclosures and have been selected for their universality across industries.

### 2018

- 32 Market participants came together through the Embankment Project for Inclusive Capitalism (EPIC) to identify metrics that demonstrate long-term value to financial markets.

### 2019

- The Business Roundtable released its “Statement on the Purpose of the Corporation,” which was signed by 181 CEOs.

### 2020

- Five of the most important ESG framework- and standard-setting institutions released a joint statement of collaboration and a potential path forward to achieve a globally accepted comprehensive corporate reporting system.

### 2021

- The International Integrated Reporting Council and the SASB announced their intention to merge into a unified organization, the Value Reporting Foundation.

- Launch of the WEF-IBC Stakeholder Capitalism Metrics

- IFRS foundation trustees announce working group to accelerate convergence in global sustainability reporting standards.

### 2022

- The GSMA launches a new project to define industry specific ESG KPIs

- Industry KPIs outlined in GSMA and EY White Paper

- European Commission and SEC propose new regional reporting requirements
The objective
Create industry alignment and respond to the need for more effective approaches to measuring and communicating ESG performance for the mobile sector.

GSMA’s ESG project
What and with whom?

In 2021, the GSMA created a working group of MNOs, representing 45% of the world’s mobile connections, to build early consensus on how operators can best measure and demonstrate ESG value.

Together with partners from EY, Yale Center for Business and the Environment, investors, regulators, standard-setters, subject matter and ESG experts, they developed a reporting framework of 10 core industry-specific and actionable KPIs, released in 2022.
The GSMA and EY have identified and refined a proposed set of ESG KPIs through in-depth consultations with operators, investors and other experts.

Contributing organisations included:

**Mobile Operators:**
- airtel
- américa móvil
- T
- Globe
- Millicom
- MTN
- MTS
- orange
- Safaricom
- Singtel
- stc
- Telefónica
- telenor
- TELE2
- Telia Company
- TIM
- V
- vodafone
- Zain

**Industry Stakeholders:**
- esg book
- FCLTGLOBAL
- REFINITIV
- threshold
- UNDP
- World Benchmarking Alliance
- World Economic Forum
Metrics for Mobile: The industry ESG framework

The World Economic Forum’s Stakeholder Capital Metrics cover many of the issues that are material to the mobile industry. The proposed set of 10 core KPIs are designed to complement these universal metrics and form the important industry-specific layer of ESG reporting.

Three tiers of ESG reporting
We have defined a core set of simple, actionable metrics as a starting point for driving consistency and comparability across the industry.

**Mobile industry KPIs**

- **ENVIRONMENT**
  - Emissions
    - Science-based targets
    - Scope 1, 2 and 3 emissions
  - Energy consumption
  - Waste reduction
    - Materials repaired/reused
    - Waste generated
    - Materials recycled

- **DIGITAL INCLUSION**
  - Network coverage
    - Population covered by mobile network
  - Affordability
    - Device and subscription affordability
  - Digital skills
    - Digital skills programmes

- **DIGITAL INTEGRITY**
  - Data protection
    - Customer data incidents
  - Digital rights
    - Digital rights policy

- **SUPPLY CHAIN**
  - Sustainable supply chain
    - Sustainable procurement policy
    - Supplier assessments

**Stakeholder Capitalism Metric Themes**

- **PLANET**
  - Climate change (GHG emissions and TCFD implementations)
  - Nature loss
  - Fresh water availability

- **PROSPERITY**
  - Employment and wealth generation
  - Innovation of better products and services
  - Community and social vitality

- **PEOPLE**
  - Dignity and equality
  - Health and well-being
  - Skills for the future

- **UNIVERSAL**
  - Governing purpose
  - Quality of governing body
  - Stakeholder engagement
  - Ethical behaviour
  - Risk and opportunity oversight

- **YES/NO QUESTIONS**
  - KPIs
We have defined a core set of simple, actionable metrics as a starting point for driving consistency and comparability across the industry.

**Metrics**

- The KPIs include those that are more established and focused on **enterprise value**, such as emissions and energy consumption.
- Also **stakeholder value** or ‘impact’ KPIs, e.g. device and subscription affordability and digital skills training.
- Metrics build on universal reporting frameworks and align to **existing standards** (e.g. GRI and SASB).

Where relevant, a **denominator** is used for greater comparability.

The World Economic Forum’s **Stakeholder Capitalism Metrics** cover many issues deemed material to the mobile industry. Including, diversity and inclusion, business ethics, health and safety, and tax transparency.
Our proposed industry KPIs are designed to respond to investor needs by enhancing consistency, comparability and impact.
The metrics: alignment with existing standards

The industry metrics are intended to complement existing disclosures. Where possible, the metrics align with, or are adapted from, international ESG reporting frameworks and standards.

<table>
<thead>
<tr>
<th>Category</th>
<th>Topic</th>
<th>KPI</th>
<th>Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Emissions</td>
<td>1.1 Science-Based Targets (y/n)</td>
<td>Stakeholder Capitalism Metrics; Recommendations of the TCFD; CDSB R01, R02, R03, R04 and R06; SASB 110; Science Based Targets initiative</td>
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<tr>
<td></td>
<td></td>
<td>1.2 Scope 1, 2 and 3 Emissions</td>
<td>GRI 305:1-3, TCFD, GHG Protocol (modified)</td>
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<tr>
<td></td>
<td>Energy</td>
<td>1.3 Energy Consumption</td>
<td>GRI 302-1; SASB TC-TL-130a.1 (modified)</td>
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<tr>
<td></td>
<td>Waste Reduction</td>
<td>1.4 Materials Repaired or Reused</td>
<td>SASB TC-TL-440a.1 (modified)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.5 Waste Generated</td>
<td>GRI 306-3 (modified)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.6 Materials Recycled</td>
<td>SASB TC-TL-440a.1 (modified)</td>
</tr>
<tr>
<td>Digital</td>
<td>Network Coverage</td>
<td>2.1 Population Covered by Mobile Network</td>
<td>ITU Indicator 2.6</td>
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<tr>
<td>Inclusion</td>
<td>Affordability</td>
<td>2.2 Device and Subscription Affordability</td>
<td>GSMA Methodology</td>
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<tr>
<td></td>
<td>Digital Skills</td>
<td>2.3 Digital Skills Programmes</td>
<td>ITU Digital Skills Training Toolkit</td>
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<tr>
<td></td>
<td>Data Protection</td>
<td>3.1 Customer Data Incidents</td>
<td>SASB TC-TL-230a.1 (modified)</td>
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<tr>
<td>Digital</td>
<td>Digital Rights</td>
<td>3.2 Digital Rights Policy (y/n)</td>
<td>2020 Ranking Digital Rights Corporate Accountability Index</td>
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<tr>
<td>Integrity</td>
<td>Online Safety</td>
<td>3.3 Online Safety Measures (y/n)</td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td>Sustainable Procurement Policy (y/n)</td>
<td>ISO 20400:2017</td>
<td></td>
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<tr>
<td>Chain</td>
<td>4.1 Sustainable Procurement Policy (y/n)</td>
<td>ISO 20400:2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.2 Supplier Assessments</td>
<td>GRI 308-1; GRI 414-1 (partially)</td>
<td></td>
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</tbody>
</table>
The value
These stakeholders agreed that aligning behind globally-relevant industry KPIs will create value for both operators and investors

**Operators** in our working group indicated that, internally, the KPIs will:

- More efficient data collection and reporting
- Enhance strategic investment, capital allocation and new business opportunities
- Support dialogue with external stakeholders
- Underpin the ESG narrative
- Build recognition and trust with clients and customers

**Investors**, standard-setters and other industry stakeholders suggested that the KPIs will:

- More consistent information on ESG performance
- Deeper level of comparability and understanding of the industry
- More enhanced and meaningful dialogues with MNOs
- Better measure the resilience of operators’ business models
- Enable operators to take a proactive position in providing meaningful material disclosures
Next steps

**ENGAGE WITH INVESTORS AND OTHER STAKEHOLDERS**

Talk to investors about the new framework and help them understand which ESG issues are most material to your organisation.

Socialise the KPIs with policymakers, partners or customers in other industry verticals.

**TALK TO YOUR PEOPLE**

ESG reporting should be owned by the Board, CEO and CFO – with relevant inputs from functional teams. Ensure there is clarity around what ESG means for corporate strategy, how investments in sustainability contribute to performance, and how the KPIs can help measure success.

**ADOPT THE METRICS**

Measuring sustainability performance is critical for moving from strategy to execution.

Contact the GSMA for tools and support to report the new ESG Metrics for Mobile.
ESG Metrics for Mobile
Realising value for society through common industry KPIs

Find out more:
www.gsma.com/betterfuture/esg

#BetterFuture #ESG