ESG Metrics for Mobile

The case for operators and their senior decision-makers
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
The current state of ESG and why it’s important

The ‘Alphabet Soup’ of ESG
There are approximately 600 global ESG reporting standards contributing to the fragmentation of ESG disclosures and an increasing reporting burden on companies.

ESG performance
Mobile operators recognise that by placing greater focus on their performance, they can build stronger relationships with stakeholders and create financial value.

9/10 of investors say that strong ESG performance now has a significant and direct impact on analyst recommendations.

86% of managers say that a focus on ESG has been critical to building trust with their stakeholders in uncertain times, and... such as climate change will be key to driving and protecting their company’s long-term value.

...76% say addressing major global challenges
Across all sectors, ESG remains high on CFO and CEO agendas

CEOs also see a clear link between ESG performance and future business growth:

Q: Which of the following issues are the most critical risks to your future growth strategy?

- Increasing geographical tensions, trade conflicts, protectionism and sanctions: 18%
- Acceleration of climate change impacts and increasing pressures to build sustainability: 17%
- Increasing competition from non-traditional competitors: 13%
- Increasing political intervention in markets: 12%
- Changing demographics and permanent changes in economic growth trajectories: 12%

Q: On which of the following capital strategy issues is your company placing the greatest attention and resources today?

- Investing in existing business to accelerate organic growth and value creation: 21%
- Investing in digital transformation: 20%
- Investing in sustainability: 13%
- Optimizing balance sheets, improving capital structure: 11%
- Improving working capital management to release cash: 11%

Source: EY 2022 CEO Outlook Survey. Only Top 5 responses shown.
There is a clear imperative for companies to measure and improve their ESG performance

<table>
<thead>
<tr>
<th>Societal Focus</th>
<th>Investor Focus</th>
<th>Management Focus</th>
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<tbody>
<tr>
<td>87% of survey respondents agree that stakeholders, not shareholders, are most important to long-term company success</td>
<td>90% of investors attach greater importance to companies’ ESG performance than they did before the global pandemic</td>
<td>83% of managers say companies that focus on ESG and long-term value will be more resilient in the face of increasing uncertainty</td>
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<tr>
<td>86% of employees prefer to support or work for companies that care about the same issues they do</td>
<td>89% of investors say they would like it to be mandatory for companies to report ESG performance against a set of globally consistent standards</td>
<td>70% of CFOs believe that ESG is a significant part of their role, up from 63% last year</td>
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<td>76% of consumers say they will end their relationship with companies that treat the environment, employees or the community poorly</td>
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Across all sectors, ESG remains high on CFO and CEO agendas

A survey of over 1,000 corporate finance leaders from across 26 countries found that:

7 out of 10 believe that ESG is a significant part of their role (up from 63% last year)

3 out of 4 believe the transition to enhanced reporting models that encompass both financial and ESG reporting has accelerated

3 out of 4 believe there is a need for globally consistent ESG standards, and that these standards must be mandatory

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.

"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
Companies must demonstrate to investors that their ESG performance is credible and authentic

Investors are looking to establish the **authenticity** and **integrity** of a company’s approaches to ESG, evaluating whether the organization has moved from carefully crafted ESG statements to **real action**.

- **53%** want to know whether important ESG business leaders, such as the CSO, have enough power and influence at the very top of the company.
- **48%** evaluate whether there are extensive and meaningful metrics to assess ESG performance.
- **42%** investigate whether the board has direct oversight of ESG performance.
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.

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

- 96% of mobile operators report on emissions
- 96% report on energy consumption
- 92% on digital inclusion initiatives
- 84% report on waste management
- 60% report on Scope 3 emissions
- 52% on renewable energy consumption
- 20% on affordability of devices or data plans
- 52% report on e-waste management

¹ Global Corporate Reporting Survey (EY, 2021)

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.
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 objective
Create industry alignment and respond to the need for more effective approaches to measuring and communicating ESG performance for the mobile sector.
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**

<table>
<thead>
<tr>
<th>INDUSTRY-SPECIFIC</th>
<th>EMISSIONS</th>
<th>DIGITAL INCLUSION</th>
<th>DIGITAL INTEGRITY</th>
<th>SUPPLY CHAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions</td>
<td>Network coverage</td>
<td>Data protection</td>
<td>Sustainable supply chain</td>
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<tr>
<td>Science-based targets</td>
<td>Population covered by mobile network</td>
<td>Customer data incidents</td>
<td>Sustainable procurement policy</td>
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<tr>
<td>Scope 1, 2 and 3 emissions</td>
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<td>Supplier assessments</td>
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<table>
<thead>
<tr>
<th>ENERGY</th>
<th>AFFORDABILITY</th>
<th>DIGITAL RIGHTS</th>
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<tbody>
<tr>
<td>Energy consumption</td>
<td>Device and subscription affordability</td>
<td>Digital rights policy</td>
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<tr>
<th>WASTE REDUCTION</th>
<th>DIGITAL SKILLS</th>
<th>ONLINE SAFETY</th>
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<tr>
<td>Materials repaired/reused</td>
<td>Digital skills programmes</td>
<td>Online safety measures</td>
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<tr>
<td>Waste generated</td>
<td></td>
<td></td>
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<tr>
<td>Materials recycled</td>
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**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

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

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

- **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.
The KPIs were developed according to the following selection criteria:

- **Meaningful**
- **Decision-useful**
- **Comparable**
- **Feasible**
- **Best indicator for the topic**

The metrics

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.
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.

**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.

**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.
ESG Metrics for Mobile
Realising value for society through common industry KPIs

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

#BetterFuture #ESG