



INCORPORATING SUSTAINABILITY AND THE SDGS INTO CORE BUSINESS



**The GSMA Sustainability Assessment
Framework**



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 a holistic agenda that can deliver a sustainable future for the planet and people, and advancing sustainable and responsible business models across the mobile industry.

About the GSMA

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 the industry-leading MWC events held annually in Barcelona, Los Angeles and Shanghai, as well as the Mobile 360 Series of regional conferences.

For more information, please visit the GSMA corporate website at www.gsma.com

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<https://www.gsma.com/betterfuture/sustainable-leadership>



The Center for Business and the Environment at Yale University

The Yale Center for Business and the Environment (CBEY) engages in a wide range of activities to train business and environment leaders of tomorrow and address pressing global resource issues. This is accomplished through:

- **EDUCATION:** Applied learning programs that stretch student experience at the intersection of environmental science, management and business innovation;
- **RESEARCH AND INSIGHTS:** Opportunities for collaborations between industry leaders, students and faculty to conduct deep analysis and develop applied solutions to sustainability challenges; and
- **OUTREACH:** Connecting leading companies, NGOs and policymakers with extensive networks of sustainability professionals, students and faculty.



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EXECUTIVE SUMMARY

Twenty years ago, less than three per cent of the world's population had a mobile phone; now two-thirds of the world's population have a mobile subscription and more than 3.3 billion people worldwide have access to the mobile internet.¹

Therefore, the mobile industry has found itself at the forefront of many of today's sustainability challenges. Increasingly, it is important for mobile network operators (MNOs) to recognize their role in sustainable development, operate in a responsible manner and learn from peers and other stakeholders on the appropriate methods to address social and environmental needs.

To facilitate learning within the sector, the GSMA has developed the Sustainability Assessment Framework in collaboration with Yale University. Designed to measure corporate responsibility and sustainable development activities specific to the MNO sector, the Framework is intended to provide MNOs with examples of best

practice across the sector as well as a roadmap to address material social and environmental issues that a company might face.

The Framework is constructed to assess not only performance of the MNO operations themselves, but also the interaction of the company with society and leadership of the company on these global challenges and opportunities.

This paper presents the Framework structure and the results from the first assessment of the 25 companies represented on the GSMA Board. We used the results to highlight learning opportunities and to propose a series of "next steps" to extract additional value from the Framework going forward.

¹GSMA 2018 Mobile Economy Report, <https://www.gsma.com/mobileeconomy/wp-content/uploads/2018/05/The-Mobile-Economy-2018.pdf>

INTRODUCTION

In September 2015, 193 countries ratified the United Nations 17 Sustainable Development Goals highlighting the importance of environmental and social challenges and opportunities facing the world today. Across the breadth of these Goals, from the alleviation of poverty to addressing climate change, the importance of mobile technology, and therefore the role of mobile network operators (MNOs), is apparent. In markets around the world, operators have embraced the need to deliver technology, information and infrastructure to address environmental and social challenges, and yet there is relatively little information available to make sense of these efforts and compare the activities of MNOs.

The GSMA has developed a Sustainability Assessment Framework (“Framework”) to better understand the landscape of operator efforts in social and environmental sustainability. The Framework, designed in collaboration with Yale University, is intended to illuminate sustainability efforts across the mobile industry in a comparable and leading-edge manner. The Framework is specifically designed to achieve these objectives:

Connecting CEOs to best practice indicators

One of the challenges of sustainability has been communicating its relevance to core business

strategy. While many recognize the synergies between the expansion of mobile networks and services into new markets and the social benefits of data and infrastructure access, it can sometimes be difficult to link these financial and social objectives under a single set of indicators. The Framework attempts to bridge this gap by communicating indicators for sustainability performance in an executive level dashboard demonstrating comparisons to peers and best practice for operations, leadership and shared value.

Alignment with emerging investor expectations

One of the primary drivers behind corporate sustainability today are investors. Investors have increasingly looked to companies for greater disclosure and performance against social and environmental risks while also looking for market opportunities in sustainability that companies might be able to exploit. This increasing interest is driven in large part by an increasing consensus of data showing a positive correlation between strong environmental, social and governance (ESG) management and performance and financial performance².

Although the positive relationship is becoming clearer, the exact indicators and metrics that drive these correlations have not yet been

² Both academic and practitioners report positive correlations between corporate sustainability and financial performance. Friede et al. (Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210-233) conducted a meta-analysis of over 2000 academic studies and found that almost half showed a positive correlation while only -10% showed a negative correlation with the remainder showing mixed or neutral results. An earlier meta-analysis by Orlitzky et al (Orlitzky, M., F.L. Schmidt & S.L. Rynes. 2003. Corporate social and financial performance: A meta-analysis. *Organization studies*, 24(3), 403-441) had a similar finding with the authors concluding: “corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility is likely to pay off.” Recent empirical studies continue to establish this positive relationship between sustainability and financial performance. Eccles et al (Eccles, R.G., I. Ioannou & G. Serafeim. 2014.

established³. However, different investor types seek different types of sustainability information from companies. While an impact investor may seek information on environmental or social benefits that result from a company's actions, a long-term institutional investor may seek reduced exposure to chronic risks such as climate change or human rights violations.

The Framework has been developed with evolving investor expectations in mind by evaluating company response to material risks, the benefits or shared value of companies on society and leadership of companies that could lead to greater market access. Our objective is to better connect sustainability performance to the priorities of Chief Financial Officers and Investor Relations teams within MNOs.

Clarifying the sustainability of the global mobile industry

A key value of the Framework is to compile the performance and practices of MNOs around the world. The objective is to better understand, at a sector-wide level, the impact of MNOs on social and environmental sustainability. How many companies are assessing shared value impacts? How many targets are currently in place for reducing greenhouse gas emissions? The answers to these types of questions will provide a clearer vision of the role and benefits of the sector to sustainable development. It will also allow MNOs to identify the significant gaps, at a sector-level, that still need to be addressed.



The impact of corporate sustainability on organizational processes and performance. *Management Science*, 60(11), 2835-2857, show that "High Sustainability" companies significantly outperform other companies in both stock market and accounting results. Oxford University researchers and Arabesque Partners reviewed 190 academic studies then examined the business case for corporate sustainability – and found significant quantitative evidence that strong standards and top-tier ESG performance result in better operational results, lower costs of capital, and improved stock price performance (Clark, G. L., A. Feiner & M. Viehs. 2015. From the stockholder to the stakeholder: How sustainability can drive financial outperformance. Available at SSRN 2508281)

Additional studies on environmental and financial performance include:

- Trudel, R., & J. Cotte. 2009. Does it pay to be good?. *MIT Sloan Management Review*, 50(2), 61;
- Borgers, A., J. Derwall, K. Koedijk & J. Ter Horst. 2013. Stakeholder relations and stock returns: On errors in investors' expectations and learning. *Journal of Empirical Finance*, 22, 159-175;
- Cai, L. & C. He. 2014. Corporate environmental responsibility and equity prices. *Journal of Business Ethics*, 125(4), 617-635;
- Dimson, E., O. Karakas & X. Li. 2015. Active ownership. *Review of Financial Studies*, 28(12), 3225-3268; and
- Gottsman, L. & J. Kessler. 1998. Smart screened investments: environmentally screened equity funds that perform like conventional funds. *The Journal of Investing*, 7(3), 15-24

and Herring, 2009). Other studies find a positive correlation between corporate social performance and financial performance:

- Herring, C. 2009. Does diversity pay?: Race, gender, and the business case for diversity. *American Sociological Review*, 74(2), 208-224;
- Shahzad, A. M., & M. P. Sharfman. 2015. Corporate social performance and financial performance: Sample-selection issues. *Business & Society*, 0007650315590399; and
- Gartenberg, C.M., A. Prat & G. Serafeim. 2016. Corporate Purpose and Financial Performance.

³ Esty, D.C. and Cort, T. (2017) Corporate Sustainability Metrics: What Investors Need and Don't Get. *Journal of Environmental Investing*, 8(1).

Empowering a learning network

MNOs are approaching today's social and environmental opportunities and challenges in a number of different ways. There is no one solution. As a result, there are numerous examples of best practice across regions and issue areas. By compiling these examples and evaluating them, we aim to illuminate opportunities for companies to learn from each other. Even the most advanced companies in sustainability can learn from their peers and the Framework has been developed to provide a roadmap to identify these peer learning opportunities.

Align with and complement existing assessment methodologies

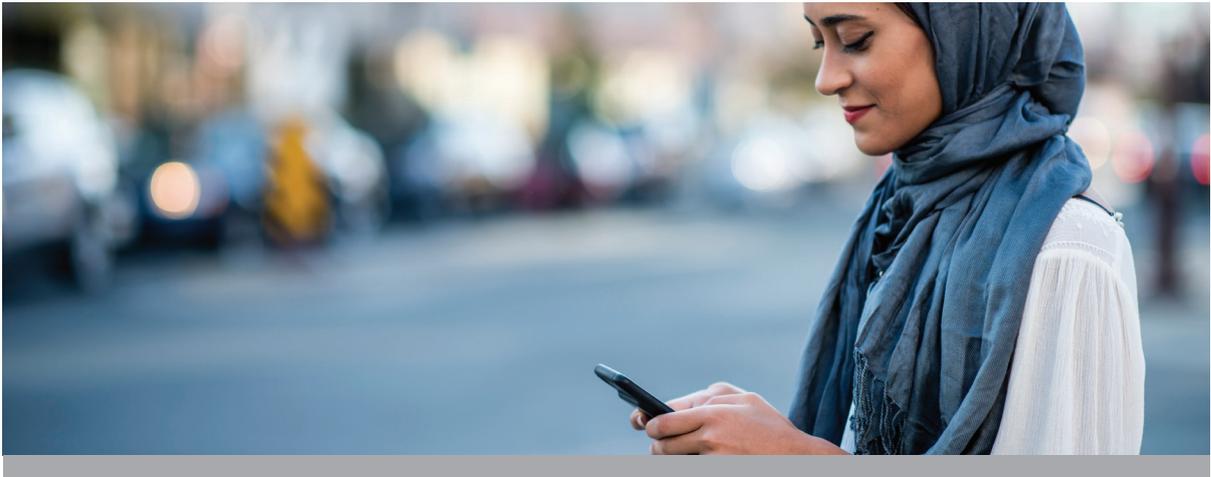
There are a wide range of assessment methodologies, guidelines and standards on various aspects of sustainable companies available in the market today. These include robust standards developed in consultation with numerous stakeholders such as the Sustainability Accounting Standards Board (SASB), Integrated Reporting (<IR>) and the Global Reporting Initiative (GRI). It also includes rigorous sets of ESG data such as those compiled by CDP, RobecoSAM, Sustainalytics, MSCI and many others. Our intention was not to duplicate these guidelines, but to refine and complement them by constructing the Framework in a manner that uniquely reflects the material issues and strategic direction of the MNO sector.



FRAMEWORK STRUCTURE AND METHODOLOGY

The Sustainability Assessment Framework is structured around three Pillars of strategic relevance. Within each Pillar are three scoring elements:





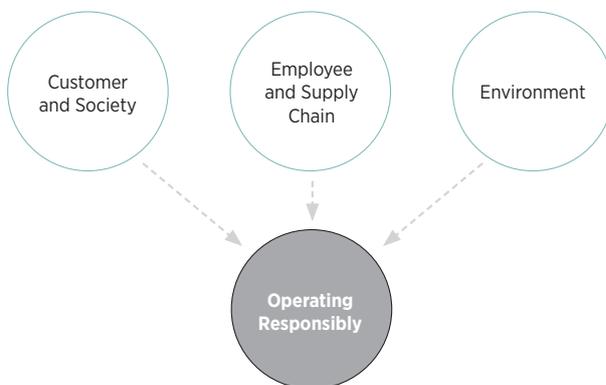
Operating Responsibly

The Operating Responsibly Pillar focuses on the company's systems to improve performance on sustainability issues within its own operations and within its supply chain. The scoring elements in this Pillar are comparable to the indicators identified by the GRI and SASB standards, although they have been tailored specifically to the mobile sector.

For each issue area within the Pillar, companies are scored based on the presence of management practices such as policies, management systems,

accountability and governance, metrics and targets.

The Framework also assesses trends in performance for each issue area as well as identifying any significant missteps such as fines or accidents. Material issues are grouped together into the three scoring elements (Customer and Society; Employee and Supply Chain; Environment) and include issue areas such as privacy, conflict minerals, employee safety and greenhouse gas emissions.



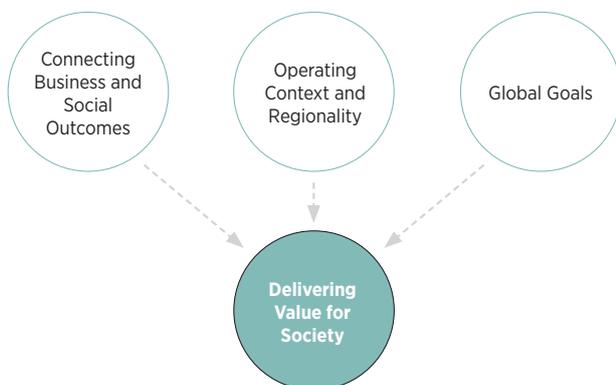


Delivering Value for Society

The Delivering Value for Society Pillar assesses the shared value⁴ of the company with society. The Framework tests this alignment through three lenses (scoring elements): Connecting Business and Social Outcomes; Operating Context and Regionality; and Global Goals.

The connection between business and societal outcomes seeks examples of how MNOs have created beneficial social impacts through their core business activities – for example creating financial infrastructure to grow community economic well-being through mobile network growth.

The Operating Context and Regionality scoring element assesses the location of the MNO markets and gives credit to those companies that are operating and creating social value in more challenging regions. Specifically, we give credit to companies with significant operations and shared value efforts in non-OECD countries. The final scoring element, Global Goals, seeks alignment between the company’s strategy and the UN Sustainable Development Goals (SDGs). We see the SDGs as an important indicator of social norms and needs and therefore we specifically look to the manner in which an MNO aligns with and attempts to fulfill the SDGs through their products and services.



⁴Porter, M. E., & Kramer, M. R. (2019). Creating shared value. In *Managing Sustainable Business* (pp. 327-350). Springer, Dordrecht.

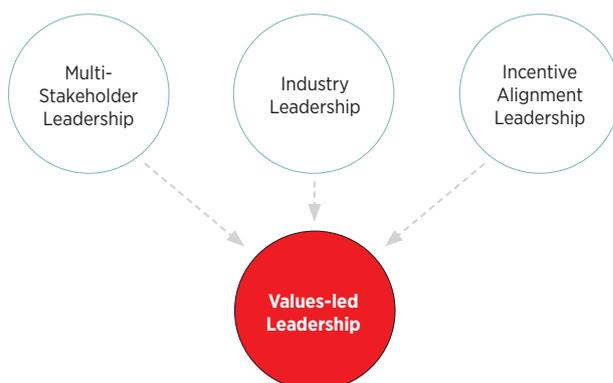


Values-led Leadership

The final Pillar tests three different types of leadership. The first is leadership through participation in multi-stakeholder initiatives targeted at social or environmental benefits. The second is leadership in the industry as evidenced by collaboration with governments to address wider national or regional environmental and social challenges. Finally, we look at internal leadership by testing whether the company has committed to align incentives for its employees, managers and executives with environmental and social outcomes.

Combined, these three pillars are intended to present an evolution in the strategic positioning of a company. To best align sustainability with the

company's strategic goals and with the expectations of investors, companies should demonstrate strong risk identification and management, alignment with the market as defined by wider social norms and leadership to best position the company to take advantage of opportunities presented by sustainability. This Framework is not designed to be a strictly linear evolution. For example, a company might show strong leadership on sustainability issues, but have relatively undeveloped internal control processes. The three pillars are independent of each other to allow for this reality and also to allow better identification of learning opportunities within any Pillar.



2018 Inaugural Assessment

In 2018, the GSMA undertook an inaugural assessment of the 25 MNOs represented on the GSMA Board. These companies are:

AMERICAN MOVIL
AT&T

BHARTI AIRTEL

CHINA MOBILE

CHINA TELECOM

CHINA UNICOM

DEUTSCHE TELEKOM

CK HUTCHISON HOLDINGS

ETISALAT

KDDI CORPORATION

KPN

KT

MILLICOM

MTN

MTS

NTT DOCOMO

ORANGE

SK TELECOM

TELEFONICA

TELENOR

TELIA

TURKCELL

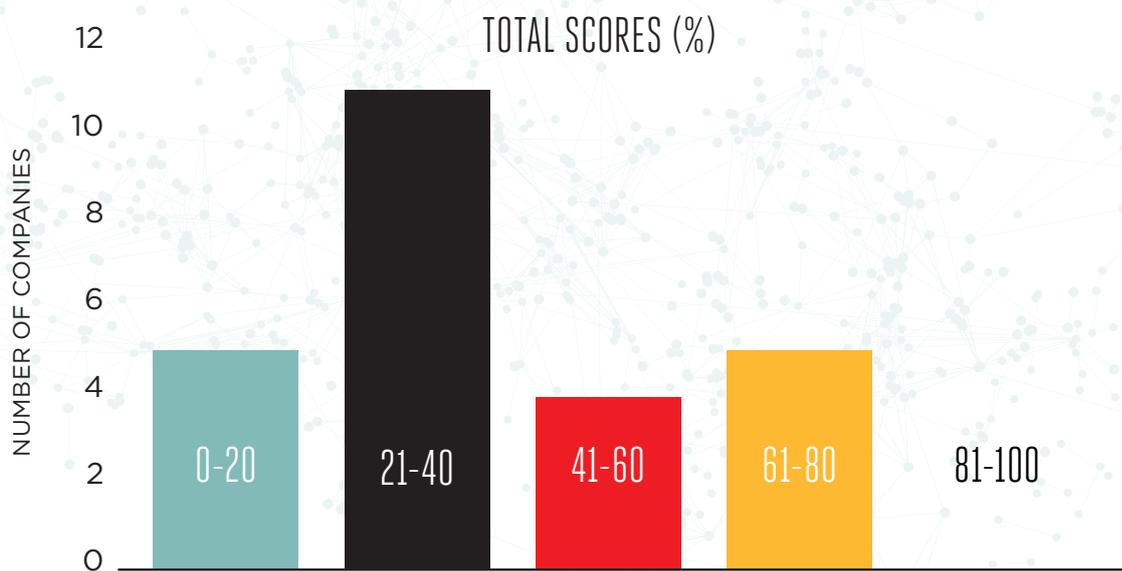
VERIZON

VODAFONE

ZAIN

Companies were assessed based exclusively on publicly disclosed data including company sustainability reports and associated webpages. The assessment was conducted in May and June of 2018 and was based on 2017 company disclosures.

RESULTS AND KEY TAKEAWAYS



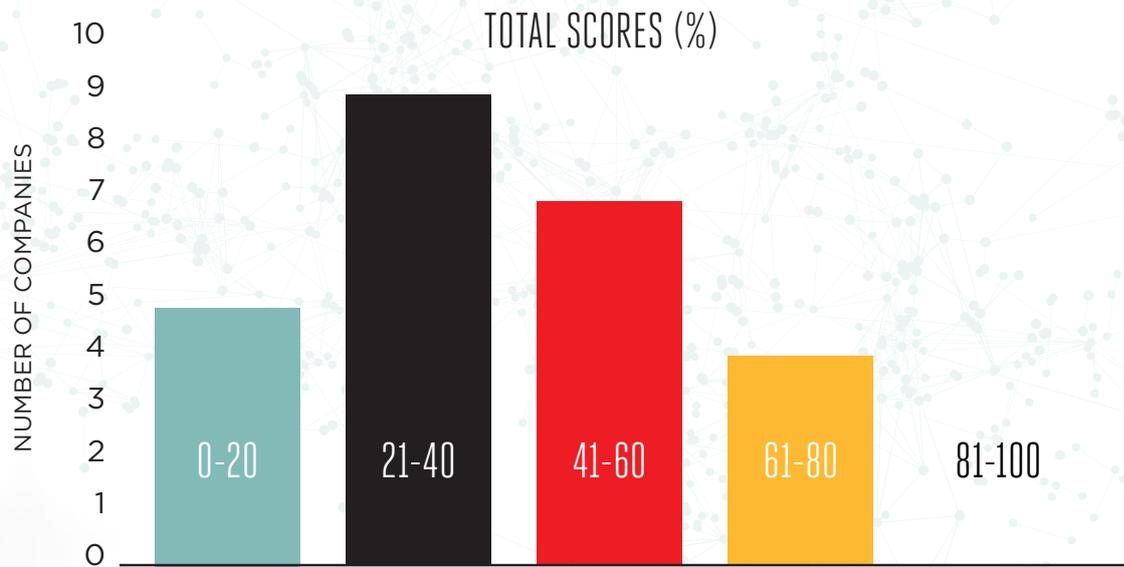
The results show a wide distribution ranging from six to 65%. At the higher end, the results indicate that even leaders in the sector have room to find additional improvements in their approach to sustainability. At the lower end, the results demonstrate a long tail of companies that do not appear to be engaged with the sustainability agenda representing a sector-wide opportunity to align around key challenges.

Interestingly, there is a wide variety of strengths in different companies. So even companies at the

lower end of the total score range show individual examples of best practices. This speaks to the fact that there are learning opportunities for peer companies across the sector and not just from the overall leaders on sustainability.

The top scoring companies in the Framework consistently show strength in the Operating Responsibly Pillar. This suggests that although the three Pillars are somewhat independent, it is important for MNOs to get their own house in order to support leadership in other areas.

Operating Responsibly

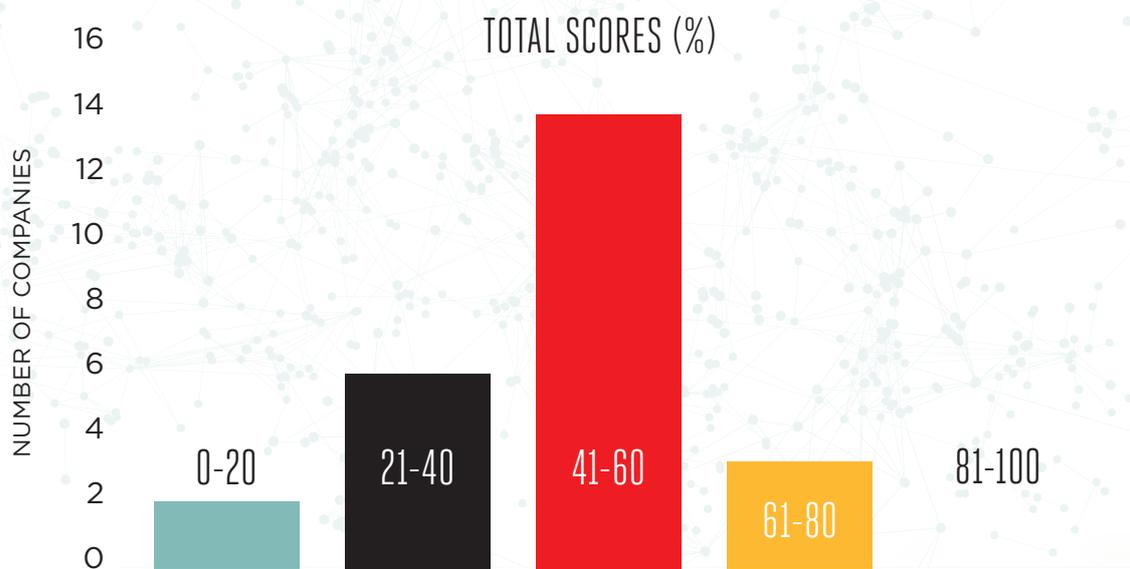


Leaders in the overall assessment tend to perform well on the Operating Responsibly Pillar. This suggests that the effort of identifying material aspects of sustainability and putting in place the management systems, metrics and controls to improve performance allows greater insight and/or momentum to shared value and leadership efforts.

The Operating Responsibly scores also indicate that although MNOs are setting policies, metrics and management controls for material sustainability issues, there is significantly less effort to set targets for performance. For example, 96% of the surveyed companies document a

policy for one or more of the material issues assessed and 100% disclose performance metrics against one or more issues. But only 75% have established a target for one or more issue area. This is evident in the treatment of climate change where 100% of companies report some kind of climate change metric, but 64% have set some type of climate change target. There are likely a variety of reasons that MNOs are not setting targets from lack of confidence in the performance data to difficulty in defining the desired outcome. Regardless of the reasons, setting targets, and to a lesser degree accountability, appear to be areas for potential improvement across the sector.

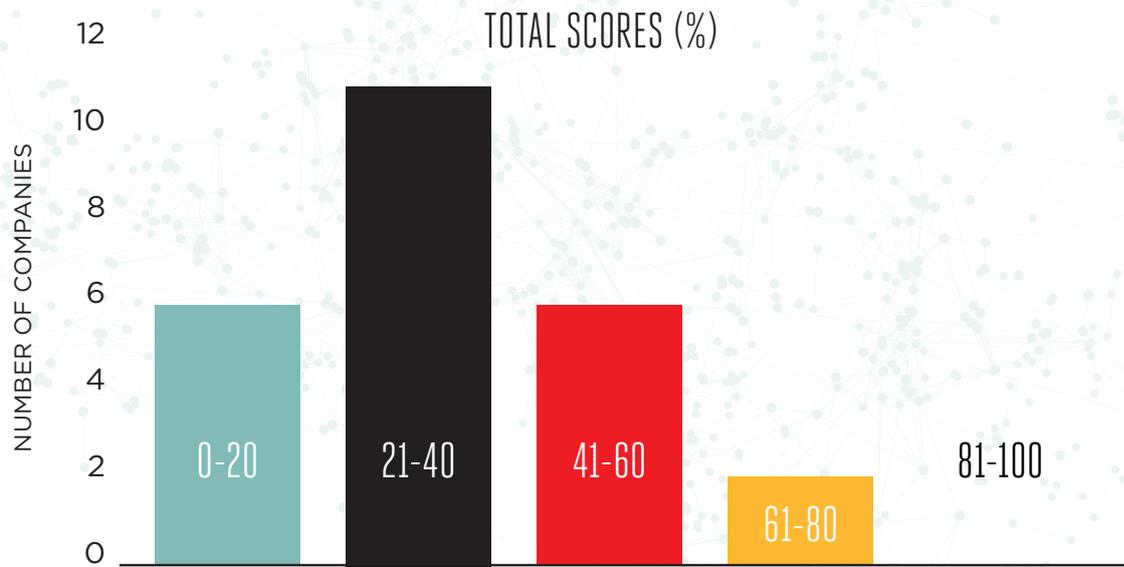
Delivering Value for Society



The scores in the Delivering Value for Society Pillar show a higher mean than the overall Framework scores suggesting that aligning business operations with social value is an area of strength for the sector. This confirms the transformative power of mobile to empower communities and economies. It also demonstrates that MNOs are largely conscious of this connection and speak openly about how to best create value from this alignment.

However, while many different initiatives exist across countries and regions, only very few operators are clear how efforts that were initially isolated pilots have become fully integrated into company-wide strategy. This suggests that there are opportunities for operators to scale existing initiatives further across the business and take steps to integrate them into the core product and service offering.

Values-led Leadership



The Values-led Leadership scores are driven primarily by a wide range of multi-stakeholder initiatives (MSI). Approximately 96% of operators reported participation in at least one MSI effort, such as the Joint Audit Corporation or Telecommunications Industry Dialogue, with a third of these (32%) reporting consistent application of MSI and/or partnerships on material issues. We have also noted an increasing number of public-private partnerships between MNOs and multilateral organizations to achieve the SDGs.

However, this strong showing in MSI leadership is balanced by relatively little discussion of internal leadership. Namely, many of the companies fail to disclose how financial incentives for employees, managers or executives is tied to performance on sustainability issues. It is unclear if this is the result of a lack of incentive mechanisms or a lack of disclosure. In either case, this represents an area for potential improvement in the sector.

NEXT STEPS AND LONG-TERM VALUE OF THE FRAMEWORK

The Framework is intended to be a lever to greater improvement on sustainability within the sector. We have identified a number of opportunities for the Framework and how it can help operators to collaborate, learn and communicate on sustainability issues going forward.

Executive dashboards



One of the greatest values of the Framework is to communicate sustainability performance at an executive level. We will develop and distribute Executive Dashboards for GSMA members as a key tool in this communication. The dashboards, designed to show comparable and relevant

performance against peers and best practice for each of the three Pillars, will be a tool for executives to assess which areas of sustainability are a priority for their company and how the company currently performs against those priorities.

Financial correlation testing



As discussed, the correlation between sustainability management and performance and financial performance has been increasingly established. The Framework has been designed to align with investor interests on sustainability risks and opportunities and therefore, there is

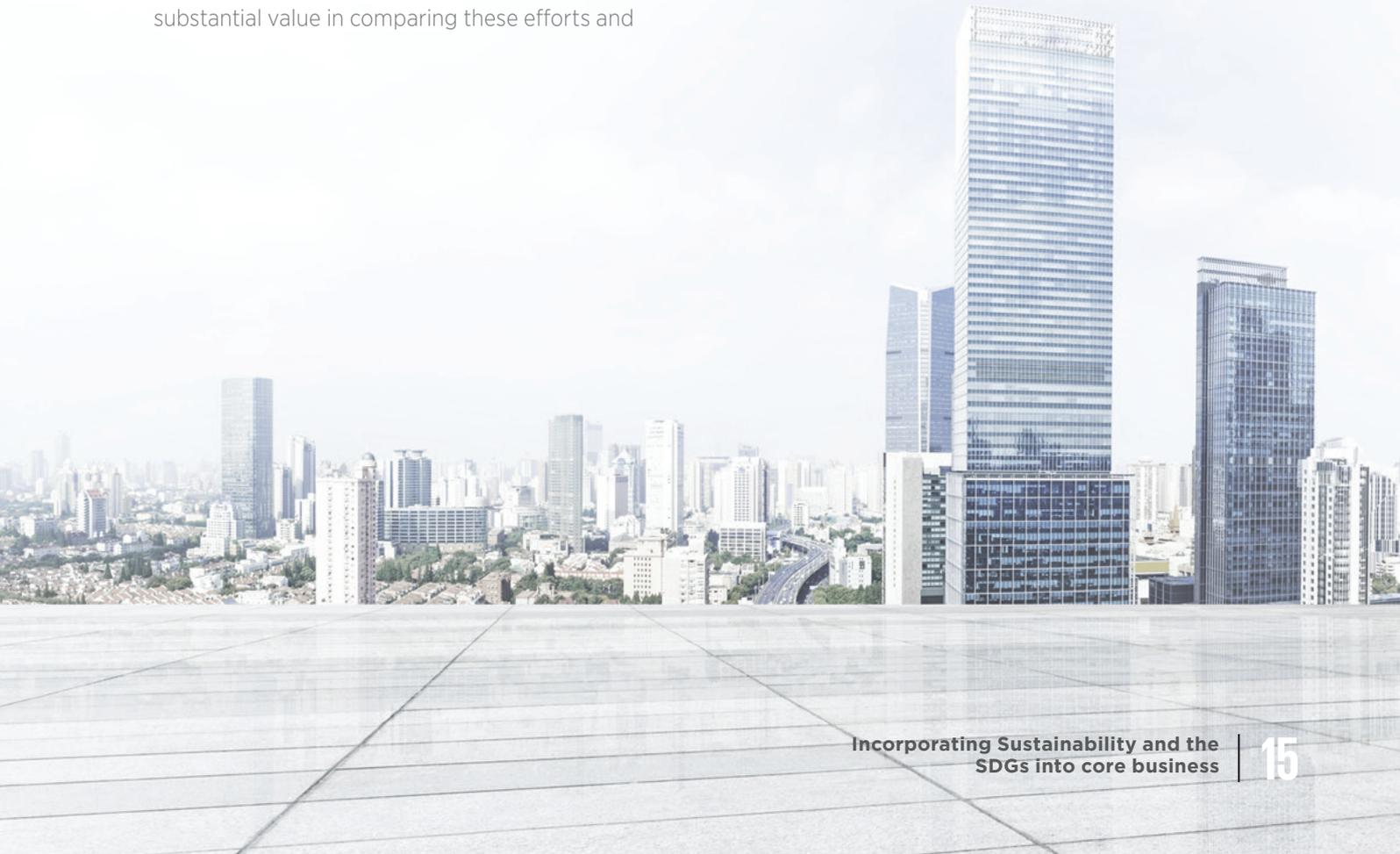
hope to establish a correlation between Framework scores and financial performance. This needs to be tested and will likely require larger sets of data to establish statistically significant correlations.

Corollary research



The initial results of the Framework analysis suggests that there are broad trends in the sector that need to be explored. For example, many operators are engaged in social and economic impact analysis to better understand their shared value initiatives. There may be substantial value in comparing these efforts and

assessing sector-wide impact. Similar trends are apparent in the Operating Responsibly and Values-led Leadership Pillars that require additional research to better understand the efforts of companies in the context of the entire industry.



Guide to Good Practice



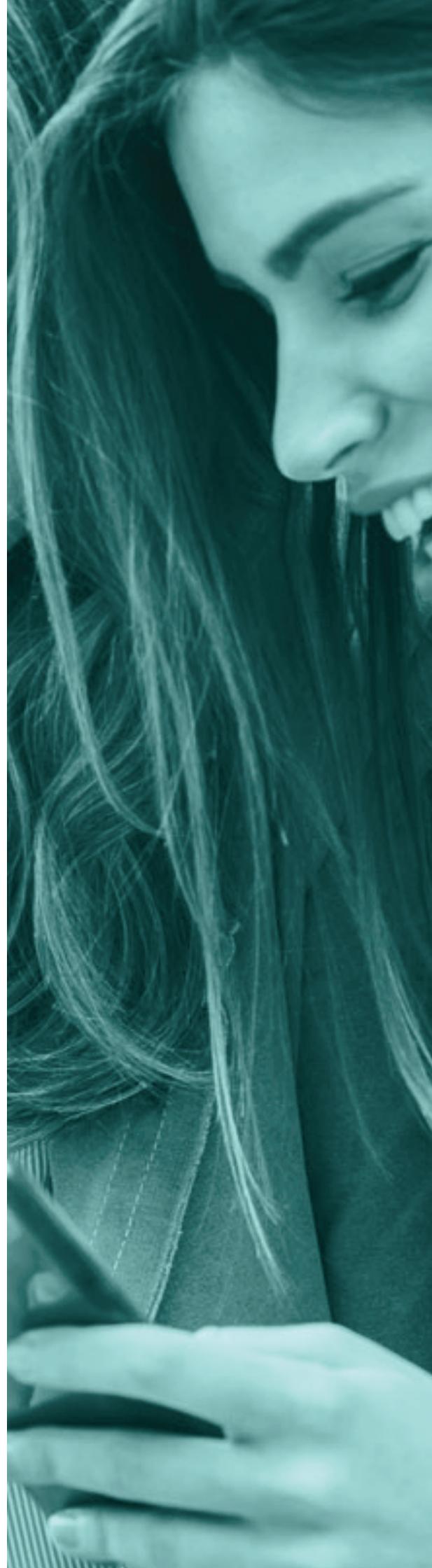
In order to facilitate learning opportunities from the Framework assessment, the GSMA will develop a Guide to Good Practice for Operating Responsibly, targeted at companies that are still early in their adoption of sustainability systems. This Guide will pull from the examples of

leading efforts in the industry to draw a roadmap of mechanisms, tools, guidelines and case studies that are already available. The intent is to provide a resource to companies interested in improvement in order to create efficiencies by following the lead of established good practice.





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



GSMA HEAD OFFICE

Floor 2
The Walbrook Building
25 Walbrook
London EC4N 8AF
United Kingdom
Tel: +44 (0)20 7356 0600
Fax: +44 (0)20 7356 0601