



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 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



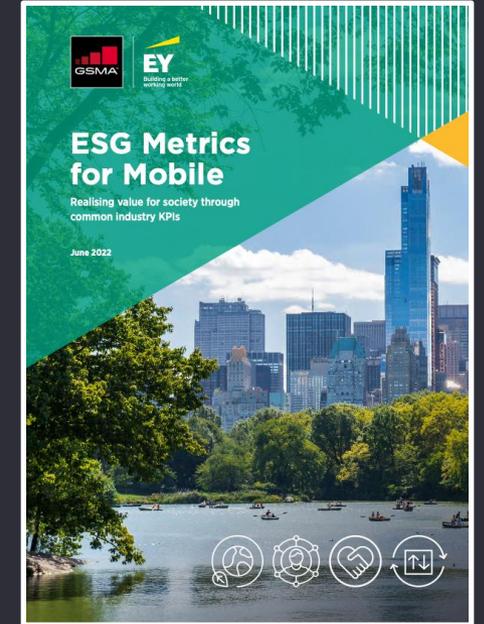
The Opportunity

- 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



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.



Mobile operators recognise that by placing **greater focus** on their

ESG
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%



...76% say **addressing major global challenges**

of managers say that a focus on ESG has been critical to **building trust** with their stakeholders in uncertain times, and...

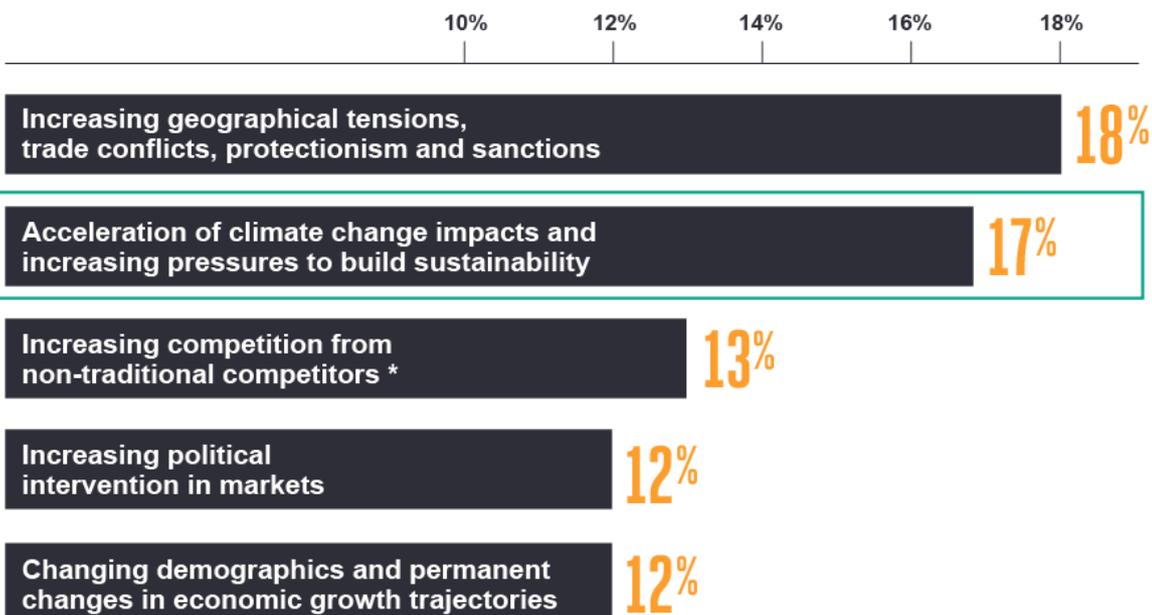
such as climate change will be key to driving and protecting their company's **long-term value**.



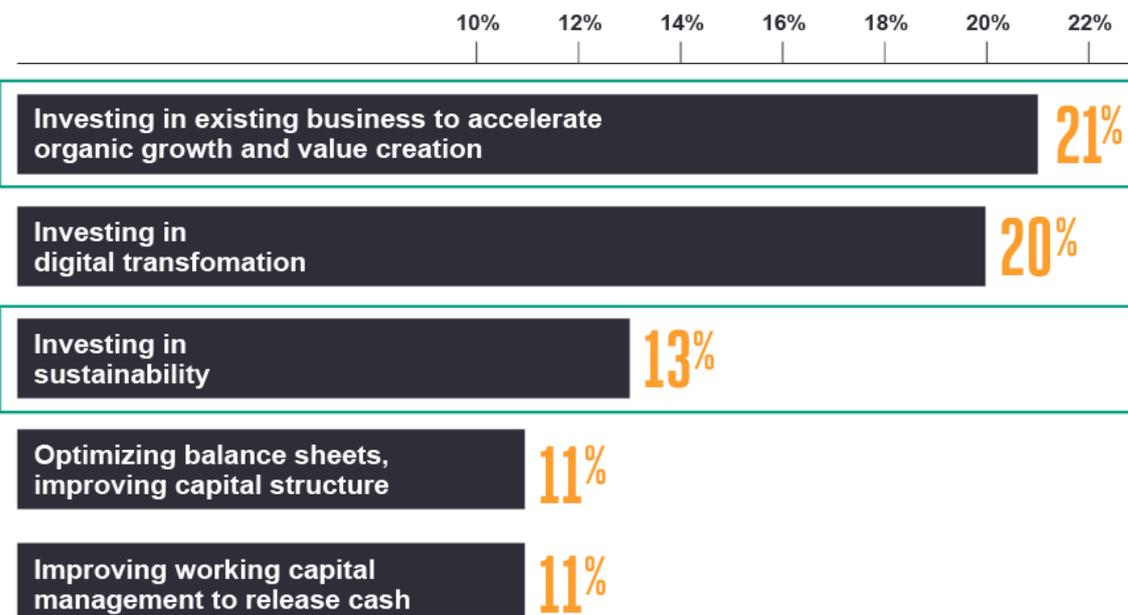
Across all sectors, ESG remains high on CFO and CEO agendas

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?



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



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

Societal Focus



of survey respondents agree that stakeholders, not shareholders, are most important to long-term company success³



of employees prefer to support or work for companies that care about the same issues they do⁴



of consumers say they will end their relationship with companies that treat the environment, employees or the community poorly⁴

Investor Focus



of investors attach greater importance to companies' ESG performance than they did before the global pandemic⁵



of investors say they would like it to be mandatory for companies to report ESG performance against a set of globally consistent standards⁶

Management Focus



of managers say companies that focus on ESG and long-term value will be more resilient in the face of increasing uncertainty⁷



of CFOs believe that ESG is a significant part of their role, up from 63% last year.⁸

Sources: 3. 2020 Edelman Trust Barometer; 4. Consumer Intelligence Series (PWC, 2021); 5. Institutional Investor Survey (EY, 2021); 6. Sixth Global Institutional Investor Survey (EY, 2021); 7. Long-Term Value and Corporate Governance Survey (EY, 2022); 8. CEO Imperative Study (EY, 2019)

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)

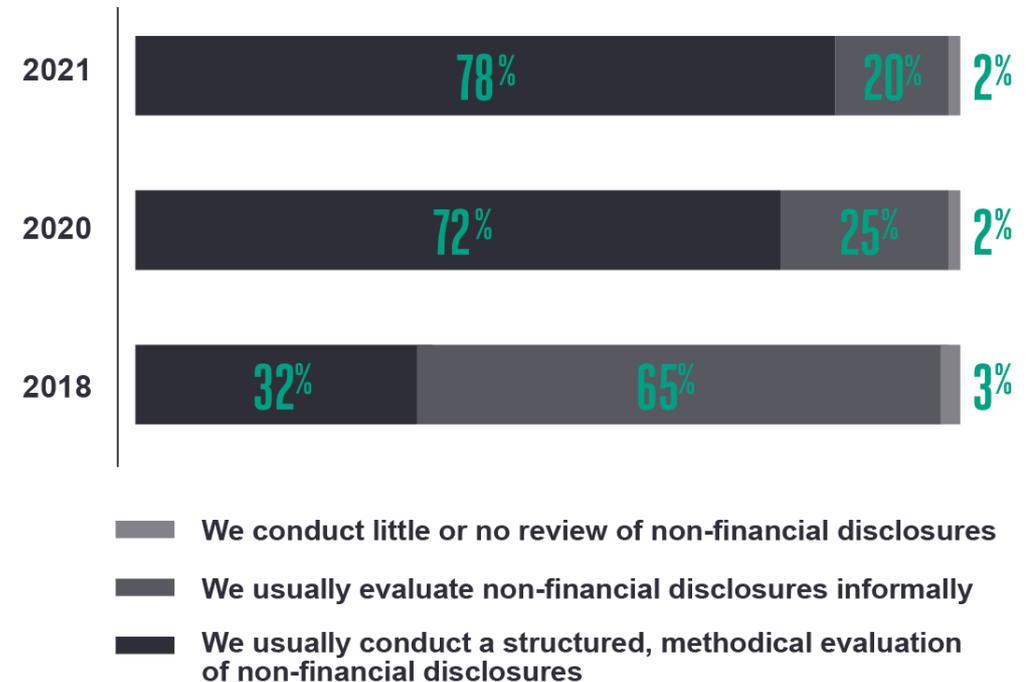
Today, the majority of investors place high value on non-financial disclosures and are rigorous in their evaluation of ESG performance

“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



Note: excludes 'neutral' responses

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.”

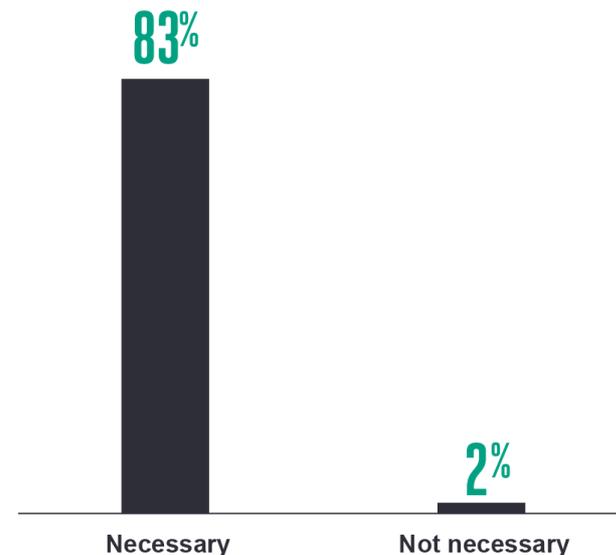
BlackRock’s Global Executive Committee

“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)

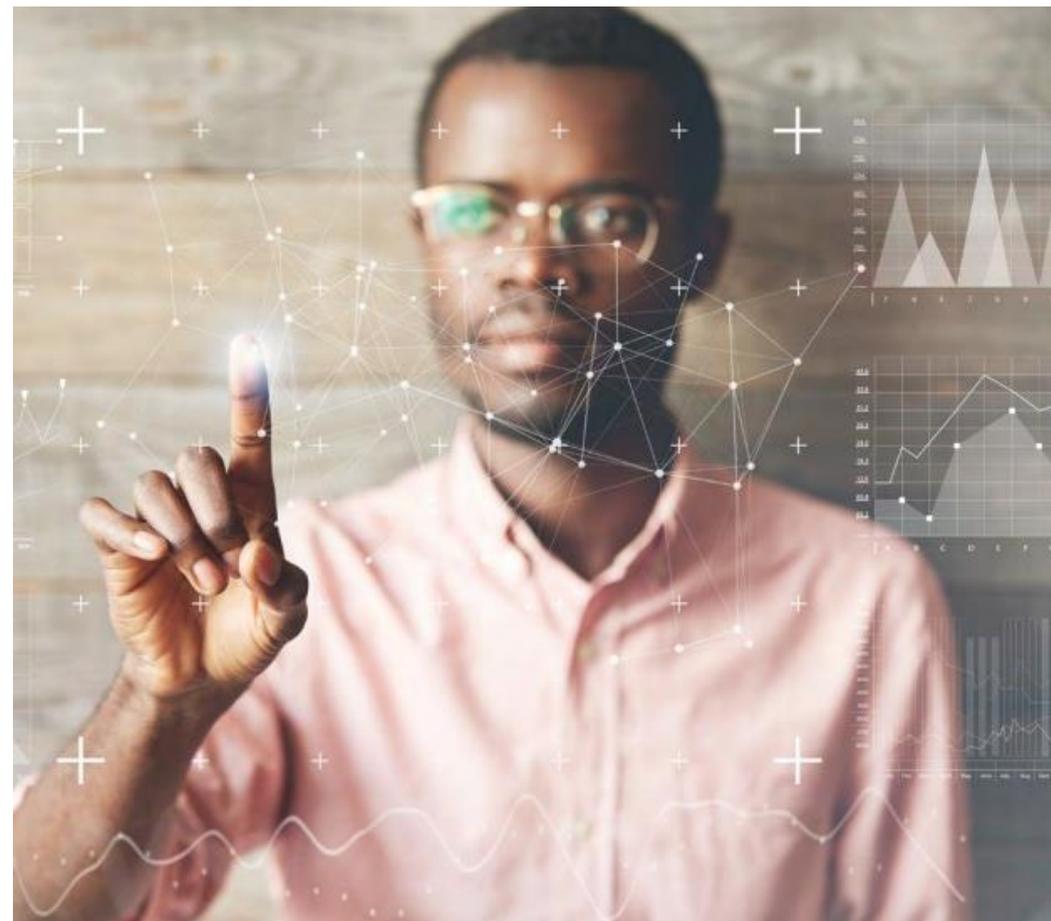
Companies must demonstrate to investors that their ESG performance is credible and authentic

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

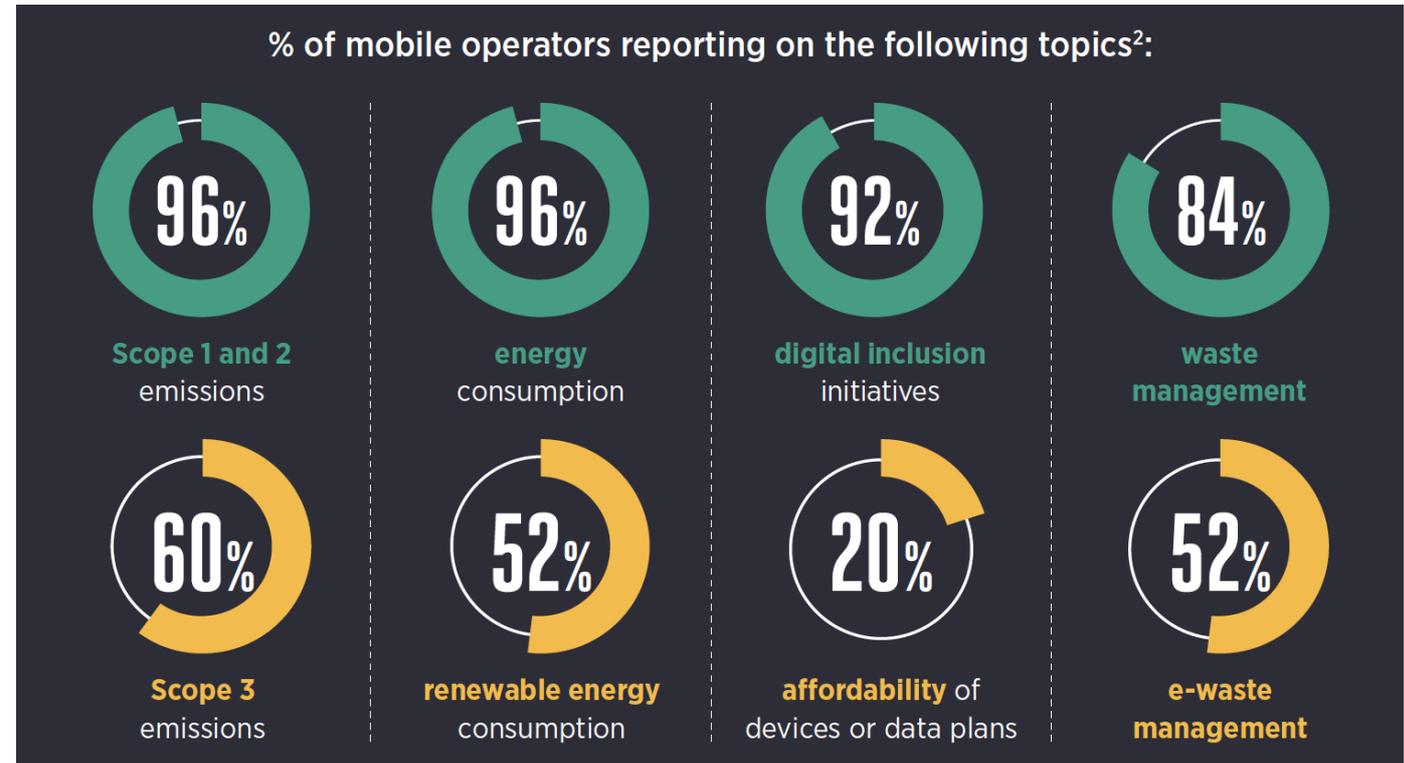
50% of investors say that the usefulness of company ESG reporting is compromised by **the lack of focus on the material issues that *really matter***.¹

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:



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.

The objective

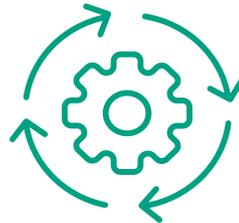
Create industry alignment and respond to the need for more effective approaches to measuring and communicating ESG performance for the mobile sector

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**.



Company



Industry-Specific

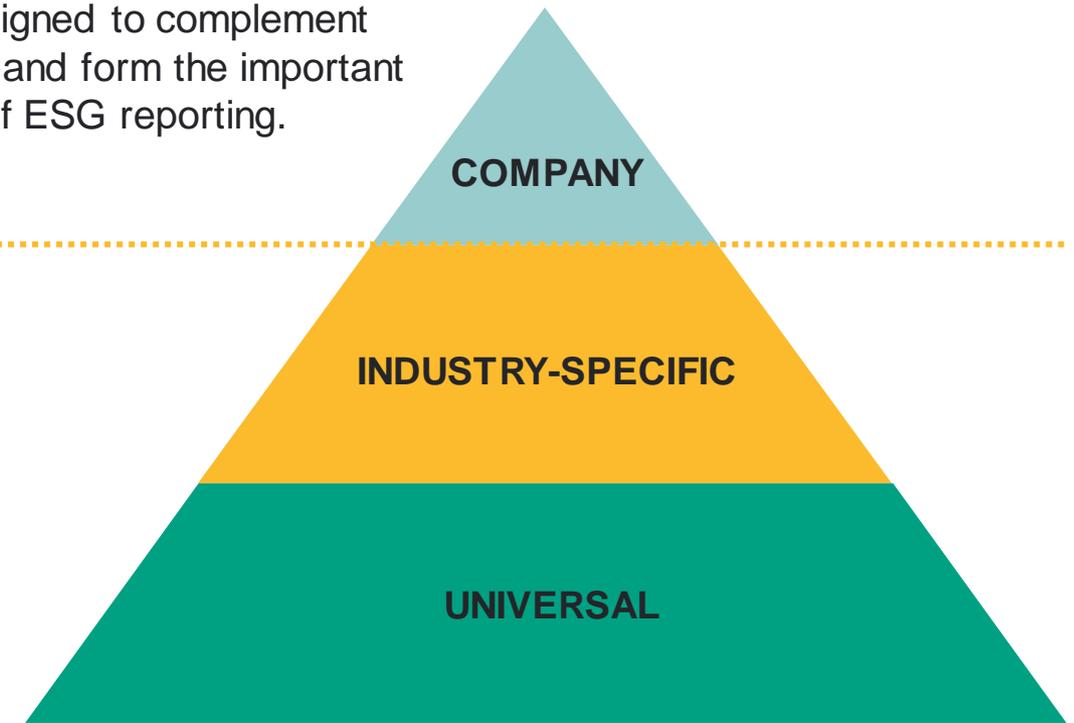


Universal

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	 DIGITAL INCLUSION	 DIGITAL INTEGRITY	 SUPPLY CHAIN
INDUSTRY-SPECIFIC	Emissions	Network coverage	Data protection	Sustainable supply chain
	<ul style="list-style-type: none"> Science-based targets » Scope 1, 2 and 3 emissions 	<ul style="list-style-type: none"> » Population covered by mobile network 	<ul style="list-style-type: none"> » Customer data incidents 	<ul style="list-style-type: none"> » Sustainable procurement policy » Supplier assessments
	Energy	Affordability	Digital rights	
	<ul style="list-style-type: none"> » Energy consumption 	<ul style="list-style-type: none"> » Device and subscription affordability 	<ul style="list-style-type: none"> » Digital rights policy 	
	Waste reduction	Digital skills	Online safety	
	<ul style="list-style-type: none"> » Materials repaired/reused » Waste generated » Materials recycled 	<ul style="list-style-type: none"> » Digital skills programmes 	<ul style="list-style-type: none"> » Online safety measures 	
			<ul style="list-style-type: none"> » Yes/no questions » KPIs 	

Stakeholder Capitalism Metric Themes

 PLANET <ul style="list-style-type: none"> Climate change (GHG emissions and TCFD implementations) Nature loss Fresh water availability 	 PROSPERITY <ul style="list-style-type: none"> Employment and wealth generation Innovation of better products and services Community and social vitality
 PRINCIPLES OF GOVERNANCE <ul style="list-style-type: none"> Governing purpose Quality of governing body Stakeholder engagement Ethical behaviour Risk and opportunity oversight 	 PEOPLE <ul style="list-style-type: none"> Dignity and equality Health and well-being Skills for the future

UNIVERSAL

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Metrics



The KPIs include those that are more established and focused on **enterprise value**, such as emissions and energy consumption



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



Also **stakeholder value** or 'impact' KPIs, e.g. device and subscription affordability and digital skills training



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.



Metrics build on universal reporting frameworks and **align to existing standards** (e.g. GRI and SASB)

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.

Executive summary	Introduction	The value of the KPIs	The industry ESG framework	Environment KPIs	Digital Inclusion KPIs	Digital Integrity KPIs	Supply chain KPIs	Next steps	Detailed guidance											
Environment KPIs																				
				<table border="1"> <thead> <tr> <th>Topic</th> <th>Core metrics</th> <th>KPI code</th> <th>Alignment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Emissions</td> <td> <u>Science-based targets</u> 1.1 Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050. </td> <td>GSMA-ENV-01</td> <td>Stakeholder Capitalism Metrics; TCFD Recommendations; CDSB R01, R02, R03, R04 and R06; SASB 110; SBTs initiative</td> </tr> <tr> <td> <u>Scope 1, 2 and 3 emissions</u> 1.2a Scope 1 and 2 GHG emissions i. Absolute Scope 1 and 2 emissions (tonnes CO₂e) ii. Absolute Scope 1 and 2 emissions (tonnes CO₂e) per </td> <td>GSMA-ENV-02</td> <td>GRI 305:1-3, TCFD, GHG Protocol (modified)</td> </tr> </tbody> </table>	Topic	Core metrics	KPI code	Alignment	Emissions	<u>Science-based targets</u> 1.1 Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	GSMA-ENV-01	Stakeholder Capitalism Metrics; TCFD Recommendations; CDSB R01, R02, R03, R04 and R06; SASB 110; SBTs initiative	<u>Scope 1, 2 and 3 emissions</u> 1.2a Scope 1 and 2 GHG emissions i. Absolute Scope 1 and 2 emissions (tonnes CO ₂ e) ii. Absolute Scope 1 and 2 emissions (tonnes CO ₂ e) per	GSMA-ENV-02	GRI 305:1-3, TCFD, GHG Protocol (modified)					
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The value

These stakeholders agreed that aligning behind globally-relevant industry KPIs will create value for both operators and investors



Disclosure



Dialogue



Decision-making

Improved...



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



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.



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



ESG Metrics for Mobile

Realising value for society
through common industry KPIs

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

#BetterFuture #ESG