IFRS S1 Implementation
Sources of guidance
SASB Standards—Telecommunications Services

7 June 2023

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Both S1 and S2 recognise the value of industry-specific sustainability disclosures

- S1 requires companies to consider SASB industry standards, in the absence of an ISSB Standard, to identify sustainability risks or opportunities and disclosures.
- S2 requires industry-specific disclosures and provides illustrative climate-related metrics from SASB industry standards.
Adopt the SASB Standards
Get ahead

• S1 requires companies to consider SASB Standards in the absence of a specific ISSB Standard
• 77 industry-based disclosure standards
• Provide investors with comparable information on the sustainability factors most relevant to financial performance and enterprise value
• Developed through rigorous, market-informed, due process
• Used by 2,500+ companies in 70 jurisdictions; 56% outside the US
Technology & Communications (TC)

- Electronic Manufacturing Services & Original Design Manufacturing (TC-ES)
- Hardware (TC-HW)
- Internet Media & Services (TC-IM)
- Semiconductors (TC-SC)
- Software & IT Services (TC-SI)
- Telecommunication Services (TC-TL)
Telecommunications Services industry activities

- Wireline/broadband
- Cable/satellite
- Wireless/radio
SASB Telecommunications Services
Standard overview

Six sustainability Disclosure Topics:

<table>
<thead>
<tr>
<th>Sustainability issue category</th>
<th>Disclosure Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental capital</td>
<td>• Environmental Footprint of Operations</td>
</tr>
<tr>
<td>Social capital</td>
<td>• Data Privacy</td>
</tr>
<tr>
<td></td>
<td>• Data Security</td>
</tr>
<tr>
<td>Business model and innovation</td>
<td>• Product End-of-Life Management</td>
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<tr>
<td>Leadership and governance</td>
<td>• Competitive Behavior &amp; Open Internet</td>
</tr>
<tr>
<td></td>
<td>• Managing Systemic Risks from Technology Disruptions</td>
</tr>
</tbody>
</table>
Topic: Environmental Footprint of Operations

- Energy costs already account for ~5% of operating expenditures
- In markets with low grid coverage providers must often generate their own power, further increasing costs
- Rapid growth in traffic associated with faster network speeds offsets energy efficiency
- Increasing supply side costs
- Telecom operators account for 2-3% of total global energy demand – reputation and regulatory risks
Topic: Environmental Footprint of Operations

Channels of Financial Impact

- **Cost**: Increasing the efficiency of operations has an immediate impact on margins through lower operating costs
- **CapEx**: Investments in infrastructure and long-term energy planning are a significant component of capital budgets

Questions for Management

- What is the company’s strategy to optimize energy use?
- How is the company planning for the likelihood of increased network traffic and cost of energy over time?

SASB Accounting Metrics

<table>
<thead>
<tr>
<th>Accounting Metric</th>
<th>Category</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable</td>
<td>Quantitative</td>
<td>Gigajoules (GJ), Percentage (%)</td>
</tr>
</tbody>
</table>
Topics: Data Privacy and Data Security

• Telecommunications companies handle large amounts of sensitive personal data, including location data
• Data breaches can have massive scope and impact
• Pressure from governments and law enforcement
• Sales to third parties including for advertising presents risks and opportunities
Topic: Data Privacy

Channels of Financial Impact

- **Revenue**: There are revenue opportunities attached to sale/use of data for secondary purposes. However, companies could face erosion of their customer base and brand value as a result of privacy incidents.

- **Extraordinary Expenses/Contingent Liabilities**: privacy incidents can generate substantial one-time costs and liabilities such as regulatory settlements or consumer lawsuits.

Questions for Management

- What is the company’s approach to collecting and using customer data?
- Does the company sell data to data brokers or other third parties? If so, how does it balance the use of customer data with legal risks and maintaining trust?
- How does the company respond to requests for customer information from law enforcement?

SASB Accounting Metrics

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<tr>
<th>Accounting Metric</th>
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<tbody>
<tr>
<td>Description of policies and practices relating to behavioral advertising and customer privacy</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
</tr>
<tr>
<td>Number of customers whose information is used for secondary purposes</td>
<td>Quantitative</td>
<td>Number</td>
</tr>
<tr>
<td>Total amount of monetary losses as a result of legal proceedings associated with customer privacy</td>
<td>Quantitative</td>
<td>Reporting currency</td>
</tr>
<tr>
<td>(1) Number of law enforcement requests for customer information, (2) number of customers whose information was requested, (3) percentage resulting in disclosure</td>
<td>Quantitative</td>
<td>Number, Percentage (%)</td>
</tr>
</tbody>
</table>
Channels of Financial Impact

- **Revenue**: Cyber incidents may harm ability to attract and retain customer. Loss of IP could affect future revenue.

- **Cost**: New regulations could increase compliance expense

- **CapEx**: Investments in new systems/upgrades to combat increasingly sophisticated threats

- **Extraordinary Expenses/Contingent Liabilities**: Litigation and regulatory actions on data security could result in significant liabilities or fines

Questions for Management

- How does the company identify and address data security risks across its network and products?
- What is the protocol for customer notification in the case of a data security breach?
- What internal processes does the company employ to protect and defend itself from cyberattacks?

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<tr>
<td>(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected</td>
<td>Quantitative</td>
<td>Number, Percentage (%)</td>
</tr>
<tr>
<td>Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Topic: Product End-of-Life Management

- Telcos often partner with device manufacturers on sale and return of devices
- Growing problem of e-waste points – likely increase in risk and regulation
- Potential revenue upside in recovery of sensitive and rare materials
Topic: Product End-of-Life Management

Channels of Financial Impact

- **Revenue**: Recycling/resale/refurbishment of devices presents revenue opportunities
- **Cost**: Compliance with e-waste regulatory requirements (take-back programs, mandatory recycling, etc.); potential efficiencies from re-use
- **Extraordinary Expenses**: Fines for non-compliance

Questions for Management

- How is the company improving materials efficiency and reducing waste, including through recycling?

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<tr>
<td>(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled</td>
<td>Quantitative</td>
<td>Metric tons (t), Percentage (%)</td>
</tr>
</tbody>
</table>
Topic: Competitive Behavior & Open Internet

- Capital intensity leads to consolidated industry that often trends towards natural monopoly
- Highly regulated industry – important relationships with government
- One third of telcos will enter an “adjacent business” such as financial services, software/IT, utilities or media in search of new revenue streams
- Principles like “net neutrality” have strong public support and are often subject to regulation
- Risks and opportunities with net neutrality and related practices like zero rating and paid peering
**Channels of Financial Impact**

- **Revenue**: Reductions in market share/pricing power from antitrust actions; reputation/brand risk attached to breaches of “net neutrality” principles; opportunity for competitive positioning related to zero rating and other related actions

- **Extraordinary Expenses/Contingent Liabilities**: Antitrust settlements, blocked mergers, actions and fines are frequent; “net neutrality” suits possible in the future depending on jurisdiction and new regulations

**Questions for Management**

- How successful is the company in complying with regulations regarding anti-competitive behavior?
- How does the company balance risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices?

**SASB Accounting Metrics**

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<tr>
<td>Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations</td>
<td>Quantitative</td>
<td>Reporting currency</td>
</tr>
<tr>
<td>Average actual sustained download speed of (1) owned and commercially-associated content and (2) non-associated content</td>
<td>Quantitative</td>
<td>Megabits per second (Mbps)</td>
</tr>
<tr>
<td>Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
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</table>
Topic: Managing Systemic Risks from Technology Disruptions

- Extensive infrastructure and expensive equipment spread over wide distances is vulnerable to damage, weather, theft, etc.
- Climate change may increase physical risks to network infrastructure
- Loss of connectivity and service can have significant impacts on economies and societies
Topic: Managing Systemic Risks from Technology Disruptions

Channels of Financial Impact

• **Revenue**: Revenue loss in connection with service outages; potential for growth with a strong reputation for network reliability

• **Extraordinary Expenses**: Unplanned capital expenditures to repair compromised and damaged equipment, fines for failure to have sufficiently resilient networks/responses

• **Cost of Capital**: Companies with robust measures to manage critical incidents are likely to reduce risk exposure

Questions for Management

• How does the company prevent and respond to service interruptions?

• What is the level of capital investment the company has made into improving the reliability and quality of its service network?

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<tr>
<td>(1) System average interruption frequency and (2) customer average interruption duration</td>
<td>Quantitative</td>
<td>Disruptions per customer, Hours per customer</td>
</tr>
<tr>
<td>Discussion of systems to provide unimpeded service during service interruptions</td>
<td>Discussion &amp; Analysis</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Corporate use – Telecommunication Services industry

55 organizations since 2021

Asia Oceania 16
Europe 20
Latin America & the Caribbean 4
Middle East & Africa 2
North America* 13

To access full list of reporters, please visit: https://www.sasb.org/company-use/sasb-reporters/

* Note: Excludes Mexico, which is part of Latin America & the Caribbean.
SASB Reporters TC-TL (sample)
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