
IFRS S1 Implementation

Sources of guidance

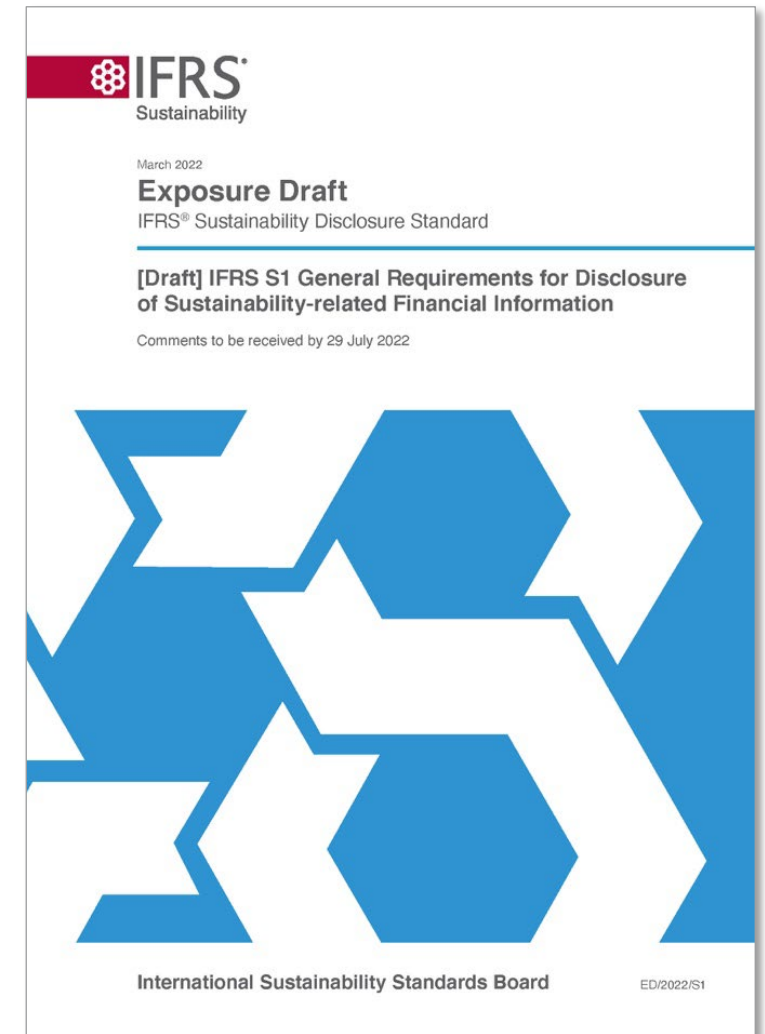
SASB Standards—

Telecommunications Services

7 June 2023

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

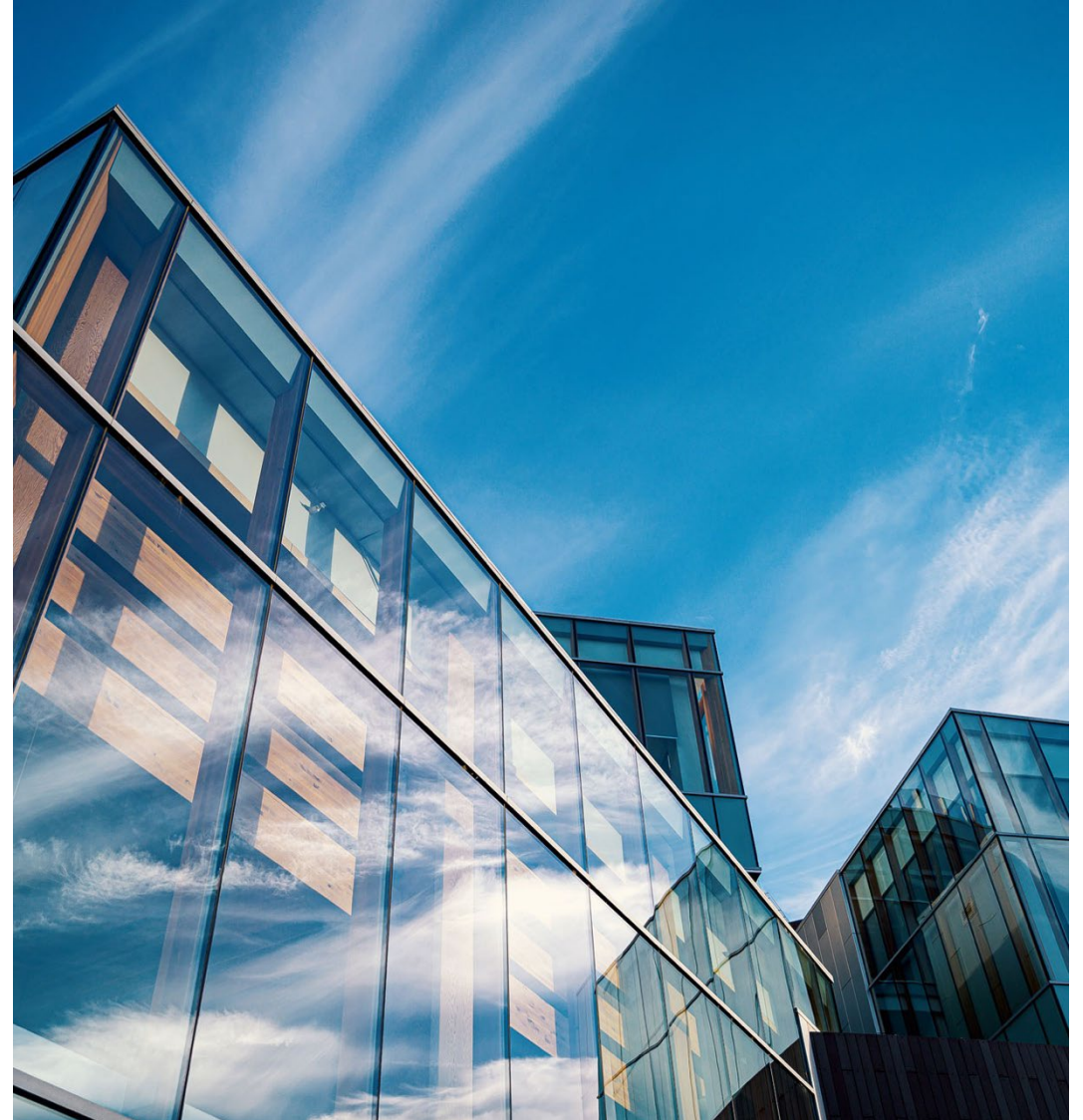
Get ahead

- 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

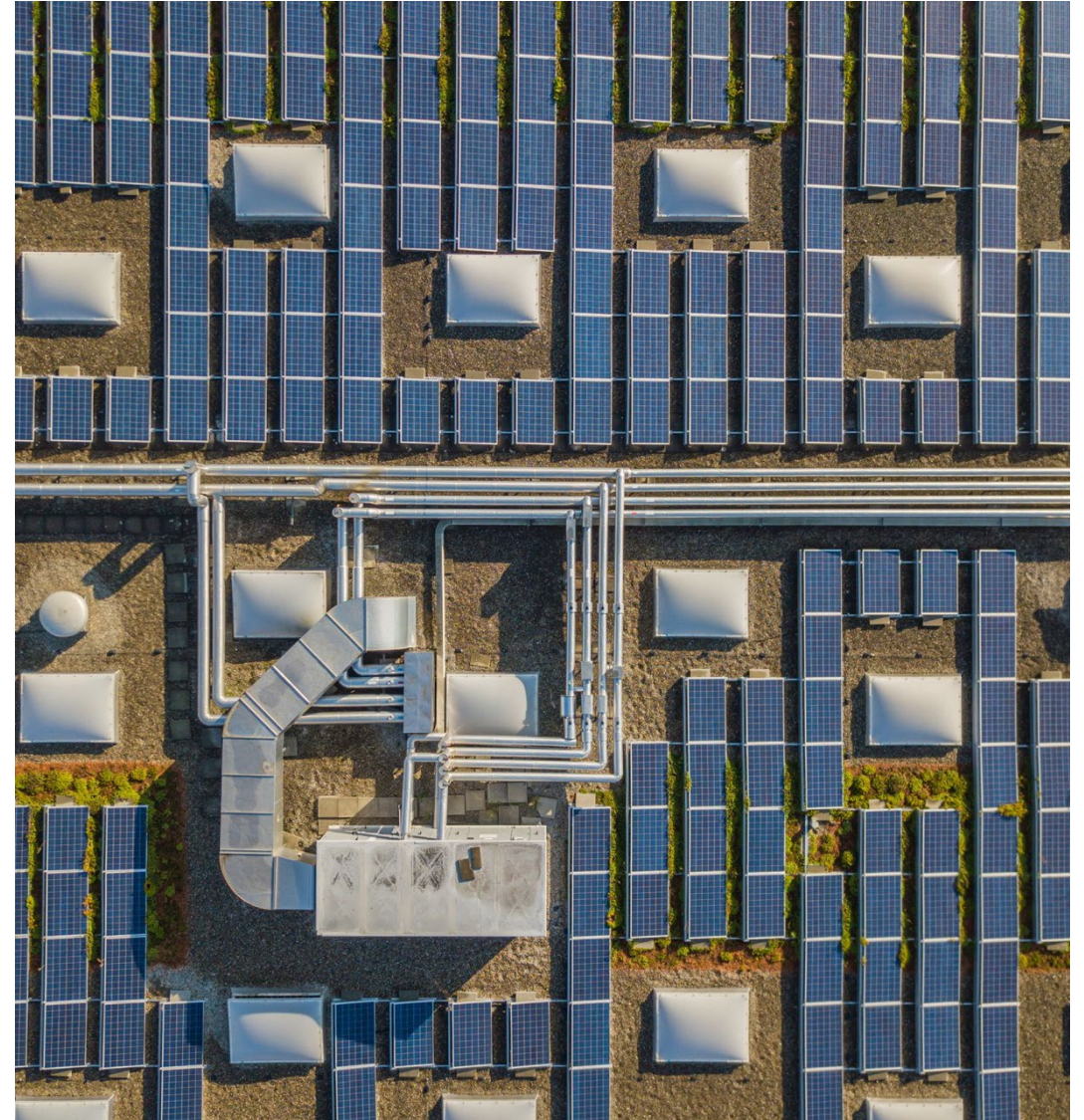
SASB Telecommunications Services Standard overview

Six sustainability Disclosure Topics:

Sustainability issue category	Disclosure Topic
Environmental capital	<ul style="list-style-type: none">• Environmental Footprint of Operations
Social capital	<ul style="list-style-type: none">• Data Privacy• Data Security
Business model and innovation	<ul style="list-style-type: none">• Product End-of-Life Management
Leadership and governance	<ul style="list-style-type: none">• Competitive Behavior & Open Internet• Managing Systemic Risks from Technology Disruptions

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

Accounting Metric	Category	Unit of Measure
(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)

Topics: Data Privacy and Data Security

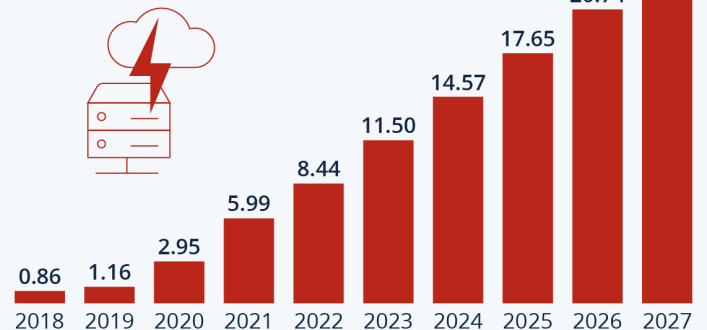
- Telecommunications companies handle large amounts of sensitive personal data, including location data
- Data breaches can have massive scope and impact
- Pressure from governments and law enforcement
- Sales to third parties including for advertising presents risks and opportunities

Government Data Requests Rise Globally

Your Data Is Shared and Sold... What's Being Done About It?

Cybercrime Expected To Skyrocket in the Coming Years

Estimated cost of cybercrime worldwide (in trillion U.S. dollars)



As of November 2022. Data shown is using current exchange rates.

Sources: Statista Technology Market Outlook, National Cyber Security Organizations, FBI, IMF



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

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

Topic: Data Security

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?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	Quantitative	Number, Percentage (%)
Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	Discussion and Analysis	n/a

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

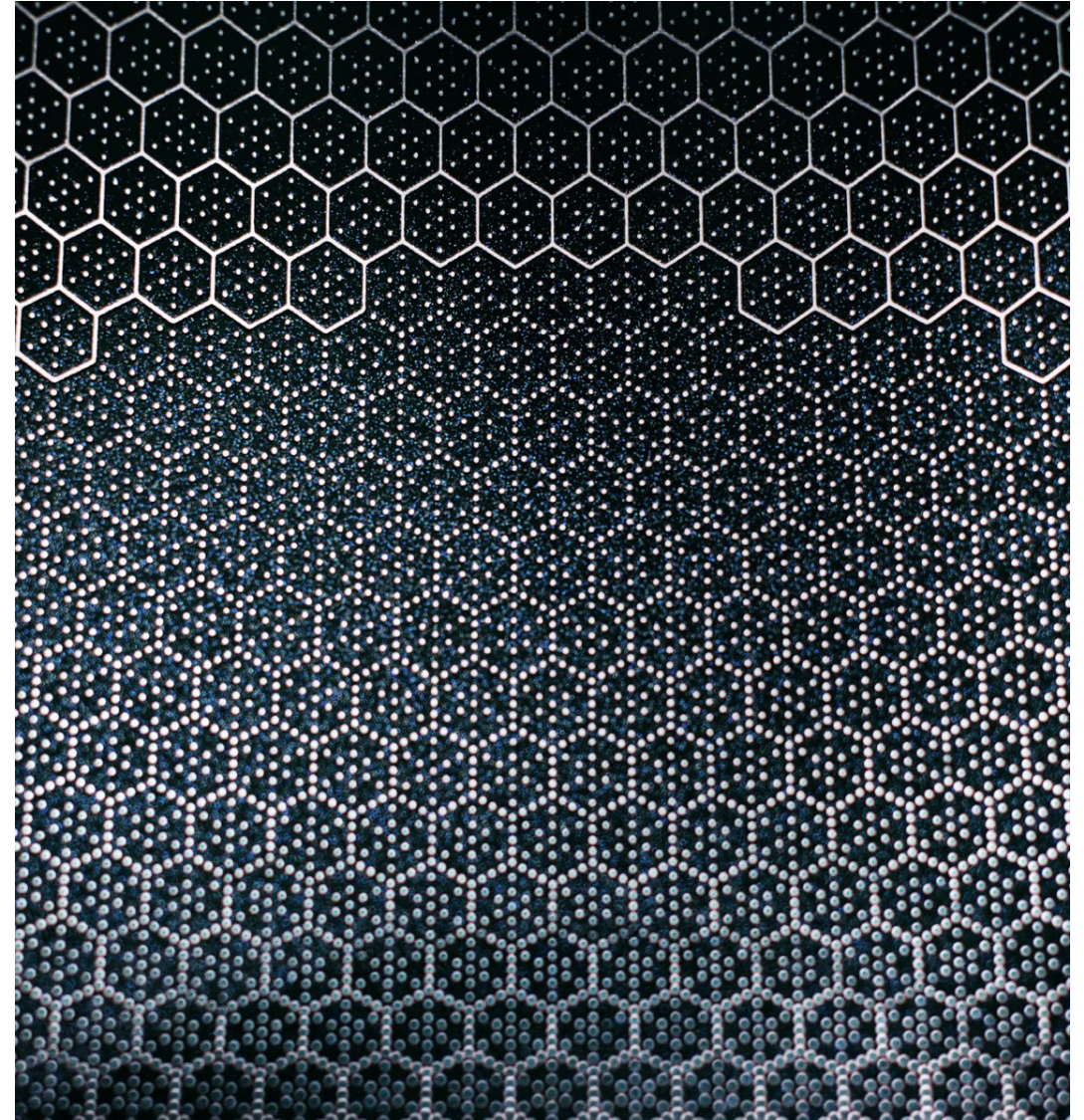
- How is the company improving materials efficiency and reducing waste, including through recycling?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled	Quantitative	Metric tons (t), Percentage (%)

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



Topic: Competitive Behavior & Open Internet

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

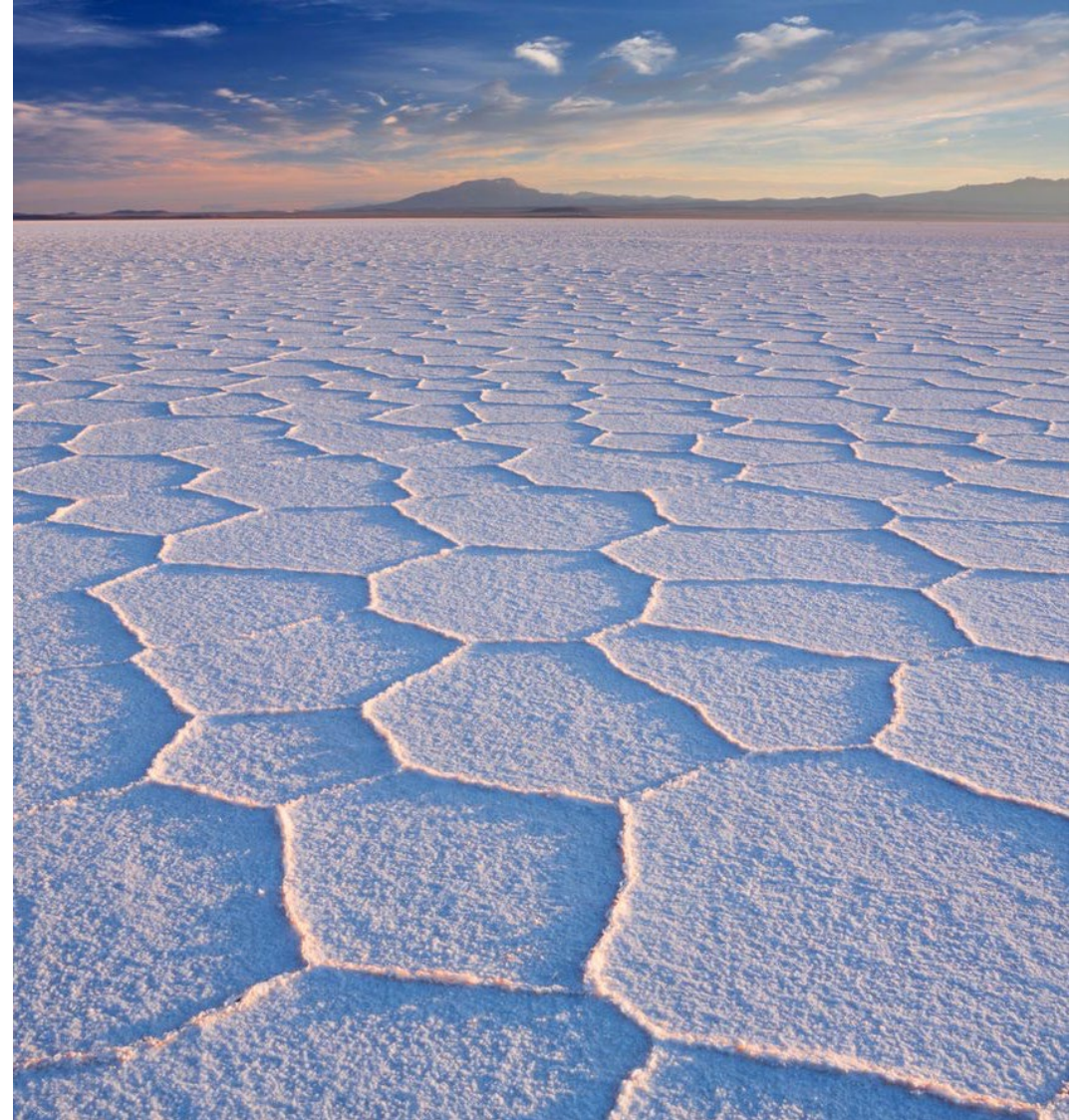
- How successful is the company in complying with regulations regarding anti-competitive behavior?
- How does the company balance risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Quantitative	Reporting currency
Average actual sustained download speed of (1) owned and commercially-associated content and (2) non-associated content	Quantitative	Megabits per second (Mbps)
Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices	Discussion & Analysis	n/a

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?

SASB Accounting Metrics

Accounting Metric	Category	Unit of Measure
(1) System average interruption frequency and (2) customer average interruption duration	Quantitative	Disruptions per customer, Hours per customer
Discussion of systems to provide unimpeded service during service interruptions	Discussion & Analysis	n/a

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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