

*Benchmarking tool*

# Telecoms sustainability scorecard

We benchmark the performance of 59 companies against seven sustainability related criteria.

Sustainability Insights Service

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**To be credible partners to customers on achieving net-zero, telecoms operators must demonstrate a commitment and progress in reducing their own scope 1, 2, and 3 emissions and embedding sustainability as a priority across the organisation.**

**Which companies are most mature in their sustainability journeys – and how did they get there?**



# Agenda

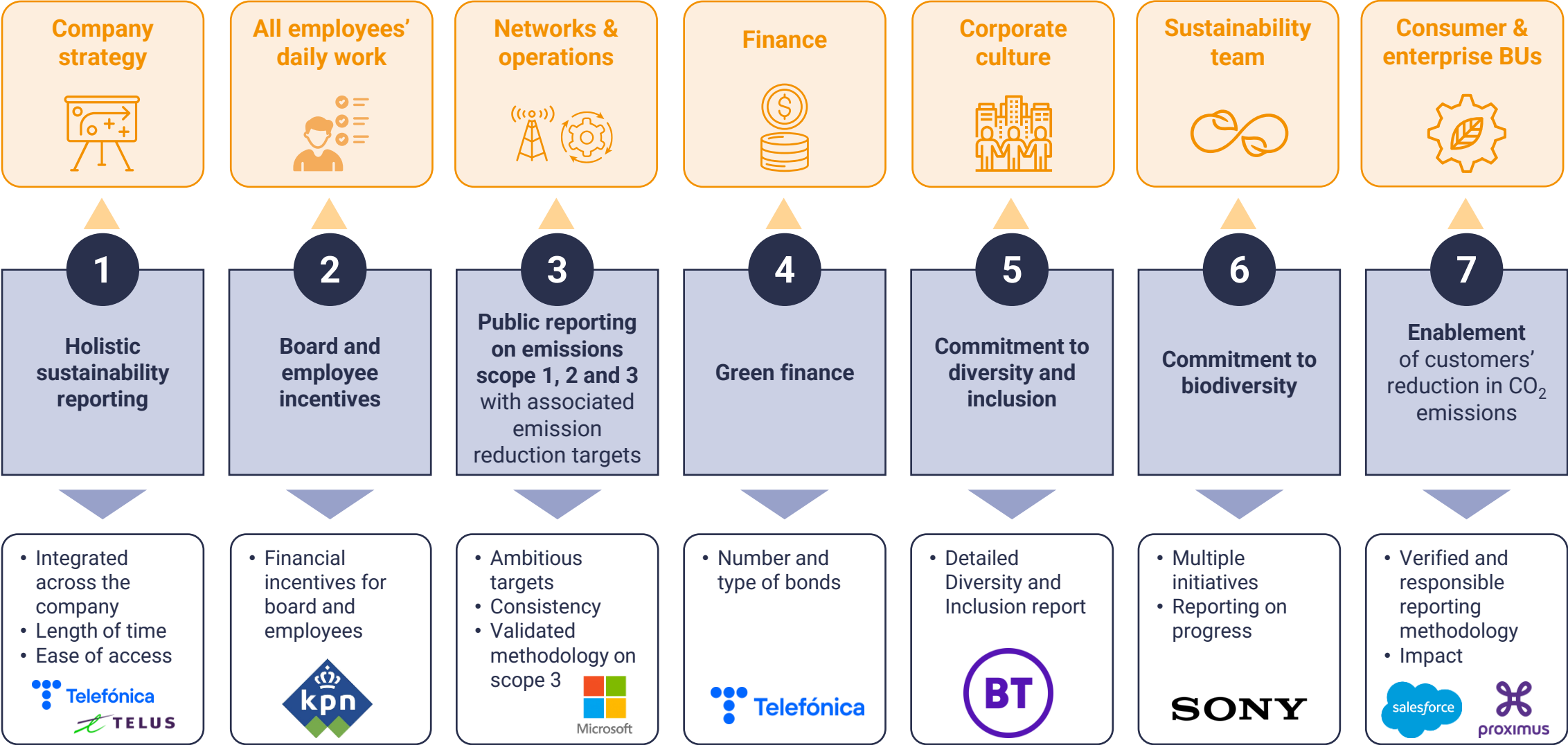
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# How do telcos compare with their peers on sustainability, and how can they accelerate their impact?

- This scorecard rates telecoms operators' and a selection of adjacent market companies' sustainability credentials
  - We include a handful of global technology, content, and infrastructure players to help telecoms operators to understand where their strengths and weaknesses lie compared to them
  - Through seven criteria, we evaluate 59 companies' sustainability reporting, commitments to net-zero, biodiversity, and social and governance targets, and their activities to enable customers to achieve net-zero ambitions
- The purpose of this scorecard is twofold:
  - To help telecoms operators **understand how they compare against their peers**
  - To **identify which levers they can pull to accelerate theirs and their customers' maturity in sustainability**, by taking inspiration from those that are further ahead in their journey
- It is accompanied by an excel tool with the full scorecard for all 59 companies

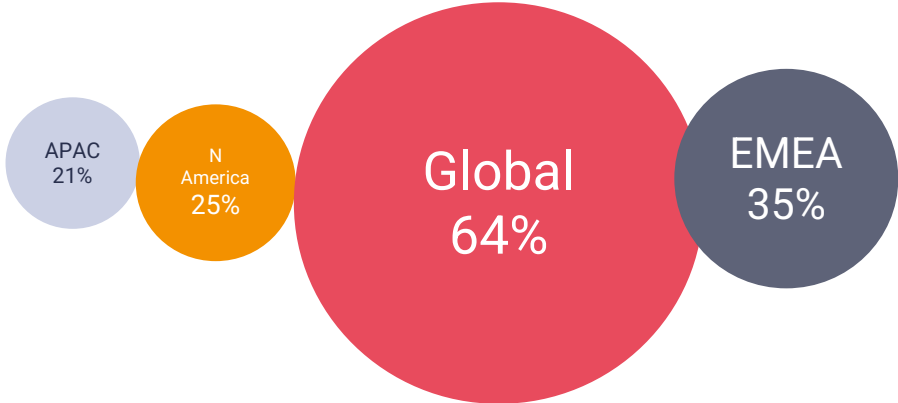
**Access the full  
sustainability  
scorecard in excel**

# Our 7 criteria aim to provide a holistic view of telcos' and their competitors' maturity in sustainability

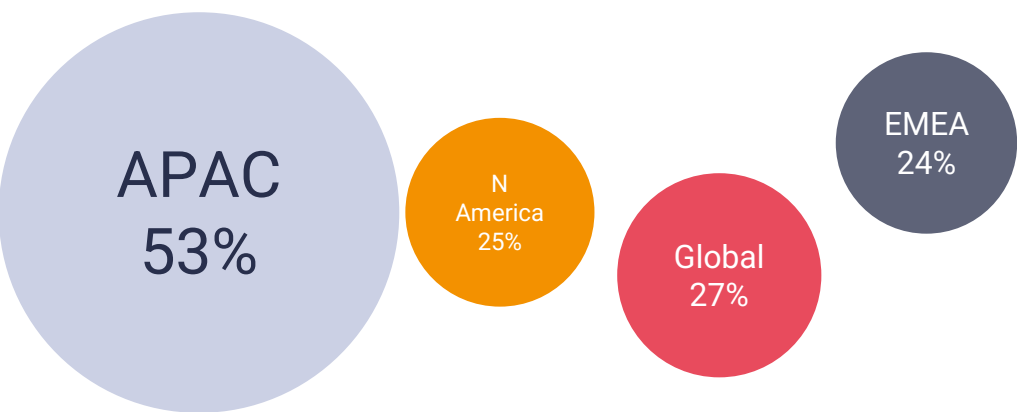


# Companies with a global footprint are generally more mature with their sustainability strategies

Percentage of companies by region that are in the top 20 scores



Percentage of companies by region that are in the bottom 20 scores



Breakdown by company type



# New in this update to the scorecard

## Revised scoring for criteria 2: Board and employee incentives

- Through discussions on our first edition of the scorecard, we felt that some companies scored highly in this category owing to high board level incentives linked to ESG targets, despite providing limited specific information about what those targets were. This made it difficult to be sure that the incentives actually encourage senior management to make decisions that will deliver a positive sustainability impact.
- A number of highly ranked companies were scored down by one mark in this category including Verizon, Deutsche Telekom and Apple.
- While reviewing this criteria, we found that some companies (including Telefónica and BT) were reporting more precisely than at the time of our last publication, so their scores have improved.

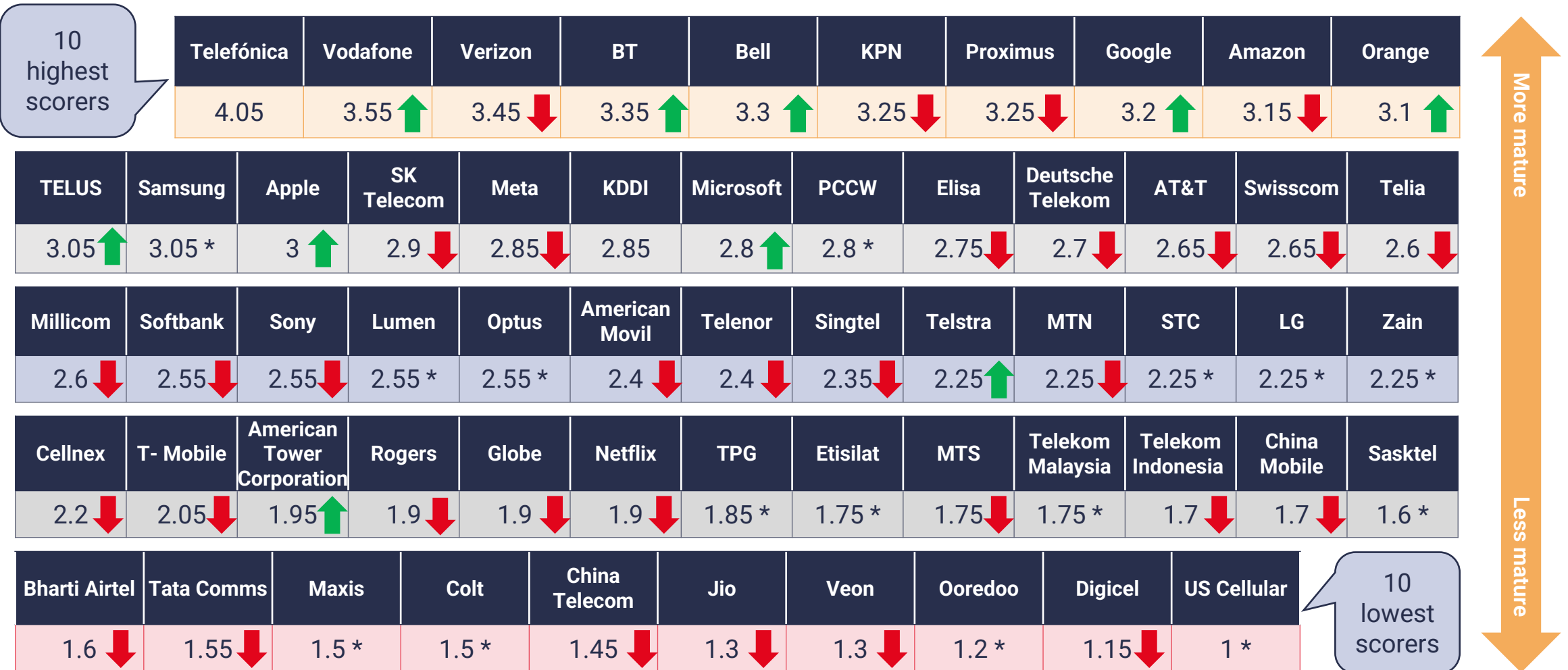
## Changed methodology for criteria 5: Commitments to diversity and inclusion

- Criteria 5 previously assessed 'external recognition of social initiatives', i.e. whether the company had been awarded by reputable industry bodies for their social and governance activities. However, it was difficult to establish how prestigious or coveted different awards are, and how rigorous their nomination criteria are. As a result, our scoring was not as objective as we hoped it would be.
- Our updated 'Commitment to diversity and inclusion' criteria assesses the statistics that companies have published relating to diversity and inclusion. Because we are looking for tangible data points, our scoring for this criteria should be significantly more objective.
- We recognise that in some instances companies face regulations that may restrict the depth of their reporting, but we cannot sacrifice objectivity.

## The result: Significant movement in the top 5

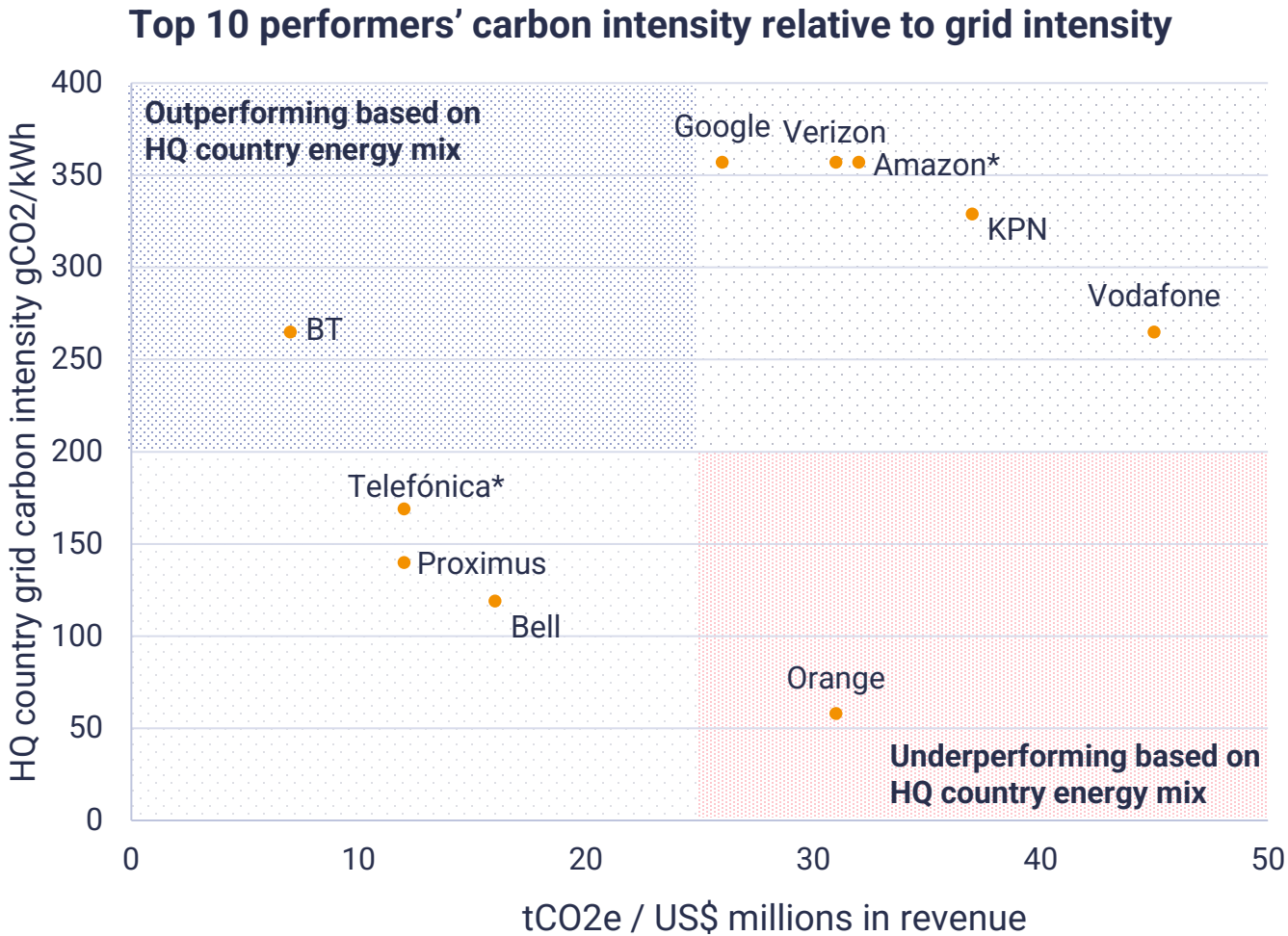
- This update has seen Proximus, KPN and SK Telecom all drop out of the top 5 in our scorecard. As a result of our updated methodology for Commitment to diversity and inclusion, all three of these companies moved from a score of 4, to a score of 2.
- The companies that moved into the top 5 (Vodafone, BT and Bell) all moved up by at least 2 for this criteria.
- KPN maintained a top score for Board and employee incentives, while Proximus scored 4 in that criteria.

# We ranked 59 companies across 7 criteria to assess their sustainability maturity, with 5 points as the maximum score





# Leaders in Scope 1 and 2 emissions should aim to be less carbon intensive than their national grids



Note: Telefónica and Amazon only report market-based scope 2 emissions. All other companies report location-based emissions.

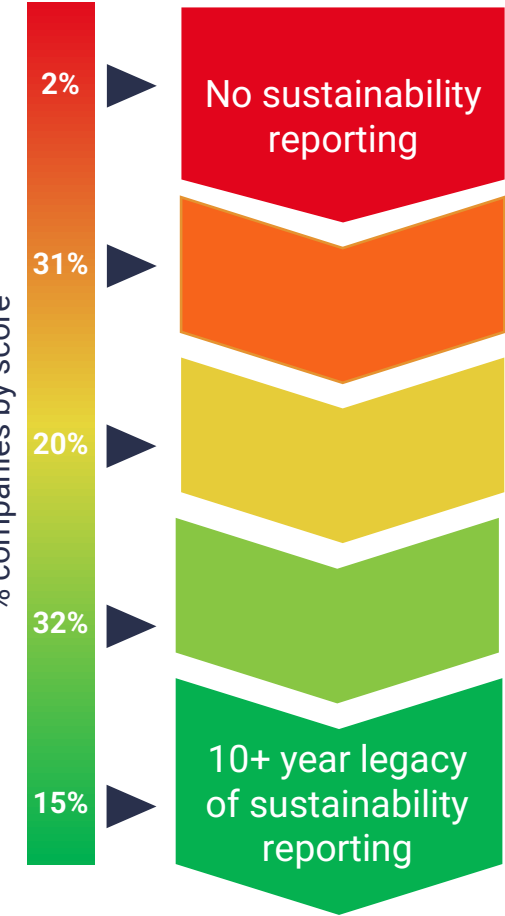
- Here we compare telcos' carbon intensity on location-based emissions (i.e. the actual energy consumption from the grid at the time of use) with the carbon intensity of the national grid in their HQ markets.
- The companies' carbon intensity is affected by their energy consumption, as well as the size of their revenues compared to their physical footprint – this works in Amazon's favour.
- Leading telcos should aim to achieve low carbon intensity compared with the actual mix of energy in their grids, outperforming through highly energy-efficient operations.
- Although France has the least carbon intensive grid (out of the top 10 HQ countries), Orange is more carbon intensive than a number of its peers. This is likely due to higher carbon intensity for opcos in Poland and Africa.
- BT has the lowest carbon intensity of its peers and Vodafone has the highest. BT has the second lowest total Scope 1 and 2 emissions after Proximus, which is impressive given the relatively carbon intensive UK grid. Vodafone's total Scope 1 and 2 emissions are the 4<sup>th</sup> highest in the top 10 but its graph position is driven by lower comparative revenues.

# Agenda

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# Criteria 1: Structured sustainability reporting

A history of publishing sustainability reports over a period of time shows a sustained commitment to sustainability. As part of a company's commitment through reporting, we are also looking for consistency in reported data and evidence of sustainability strategy being integrated across the organisation, rather than treated a separate issue.



**Characteristics of the top ranked companies**

- Published sustainability reports that have been audited by a third party for the last 10 years.
- Sustainability is embedded into the corporate strategy of the company.
- Report incorporates an internationally recognised sustainability framework (e.g. sustainability KPIs are tied to SDGs).



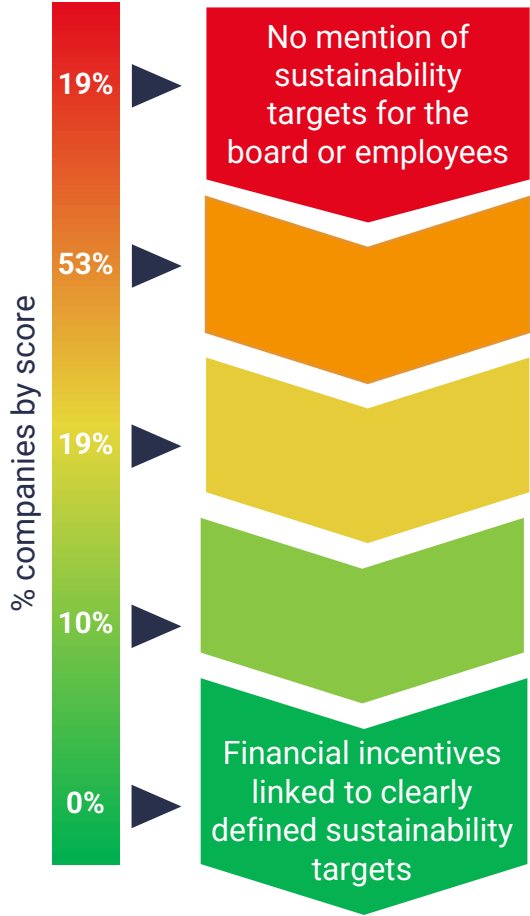
- Singtel has published a sustainability report since 2009.
- Sustainability is central to the message from Chairmen and Group CEO in Singtel's 2021 annual report.
- Singtel has incorporated the SDGs, as well as guidance from the SBTi and other frameworks into its sustainability reporting and goals.

Other top ranked companies:




# Criteria 2: Sustainability commitments and incentives

Evidence of board level incentives tied to ESG targets demonstrates that the organisation sees achieving sustainability targets as core to its long term competitiveness. Incentives for employees demonstrate that the organisation recognises achieving ambitious targets will require bottom up as well as top down initiatives.



**Characteristics of the top ranked companies**

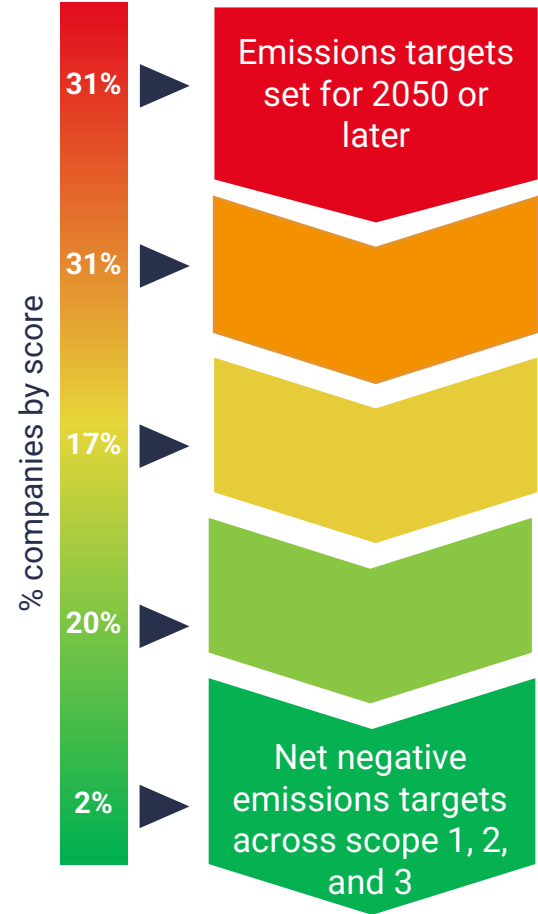
- Board level incentives are tied to achieving sustainability/diversity targets.
- Size of incentives is clear and target metrics are specific and measurable.
- ESG incentives are cascaded into all employees' short-term incentives.



- For the period of 2019-2021 long term incentives for the KPN board were tied to circularity targets.
- The circularity target accounted for 15% of the boards long term incentive, up from 12.5% (linked to energy efficiency) previously.
- Few companies specified cascading their incentives to all employees, resulting in no company achieving the top score for this criteria.

# Criteria 3: Public reporting on scope 1, 2 and 3 with associated emission reduction targets

While those in low-carbon energy markets can commit to earlier targets more easily, well-defined reporting frameworks – especially for scope 3 emissions – demonstrate an organisation’s commitment and increase confidence in its ability to meet its emissions targets.



**Characteristics of the top ranked companies**

- Has set a target to achieve net zero before 2040 and net negative carbon emissions across Scope 1 and 2, and 3 emissions (or has a target to compensate for historical emissions).
- Aligned emissions targets with >1 recognised climate change framework  
Leading frameworks include the Science Based Target Initiative (STBi), Carbon Disclosure Project, and TCFD.

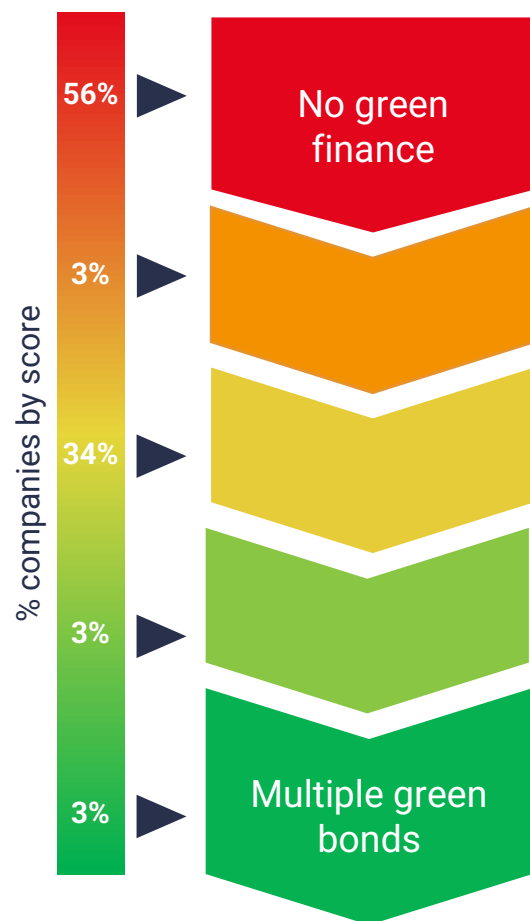
**Microsoft**

- Microsoft pledges to be carbon negative by 2030, meaning it will begin to remove carbon from the environment.
- By 2050, it pledges to have removed all the carbon that it has emitted since it was founded in 1975.
- Founding member of Transform to Net Zero, whose 2025 goal is for all Fortune Global 1000 companies to have targets backed up by plans to achieve net zero by 2050.

*\* Microsoft is the only company that received the top score for this criteria. It is very difficult for the leading telcos to match Microsoft’s negative emissions target, given that they are often older and have therefore been responsible for more emissions over time. However, telcos will still need to reduce scope 2 energy emissions while rolling out 5G, and collaborate across the industry to tackle scope 3 and circularity in their network equipment in order to meet net-zero targets.*

# Criteria 4: Green finance

Issuing of green bonds or sustainability-linked bonds shows that a company is committed to raising money for projects that are going to be beneficial in their drive towards sustainable practices. This is more relevant for telecoms operators than for some technology companies with small debt profiles.



## Characteristics of the top ranked companies

- Has issued 3 or more green bonds and has reported on the use of the proceeds.
- Notably this metric is telco-specific, as companies like Microsoft are cash-rich.

## Why it matters

- While use of green finance does not necessarily mean that a company's finance team is fully bought in to the value of investing in sustainability initiatives, it is still a good way to fund the roll-out of more energy efficient networks, which is crucial to hitting scope 2 targets while meeting rising demand for data.
- As a company builds more expertise in green finance, it can launch a wider range of bonds to tackle broader initiatives beyond the copper to fibre transition, as Telefónica has done.
- **The overall low scores in this category suggest that there is significant opportunity for telcos to take greater advantage of green finance.**



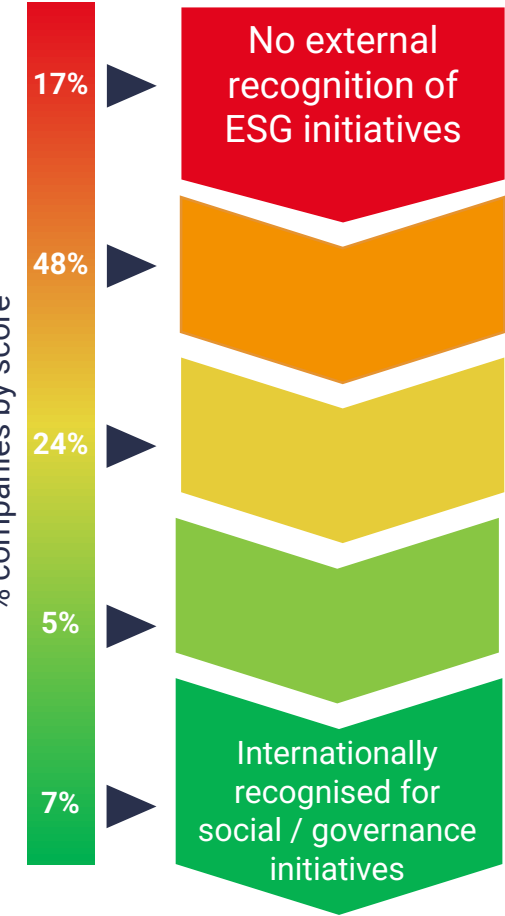
- Telefónica was the first telco to issue a green bond, and since 2018 it has issued more than €3bn in green or sustainable bonds.
- Proceeds from the bond launched in February 2021 will finance projects with a positive environmental impact in Spain, Germany and Brazil.

Telefónica green bonds



# Criteria 5: Commitment to diversity and inclusion

While the environmental aspect of ESG often gains most attention, it is important to recognise where companies have worked towards targets in the social and governance aspects of ESG. To make our scoring more objective and consistent, we have changed our reporting methodology, deciding to focus on data companies publish, rather than the awards they have received.



**Characteristics of the top ranked companies**

- Discussion of the business benefits of diversity and inclusion for the organisation.
- Includes data on workforce make-up on gender, race, disabilities and age (or similar metrics).
- Improvement on KPIs over the last 3 years.
- Sustained publication of data for more than 5 years.
- Includes data on gender pay gap as well as other potential pay gaps (e.g. ethnicity)

**BT**

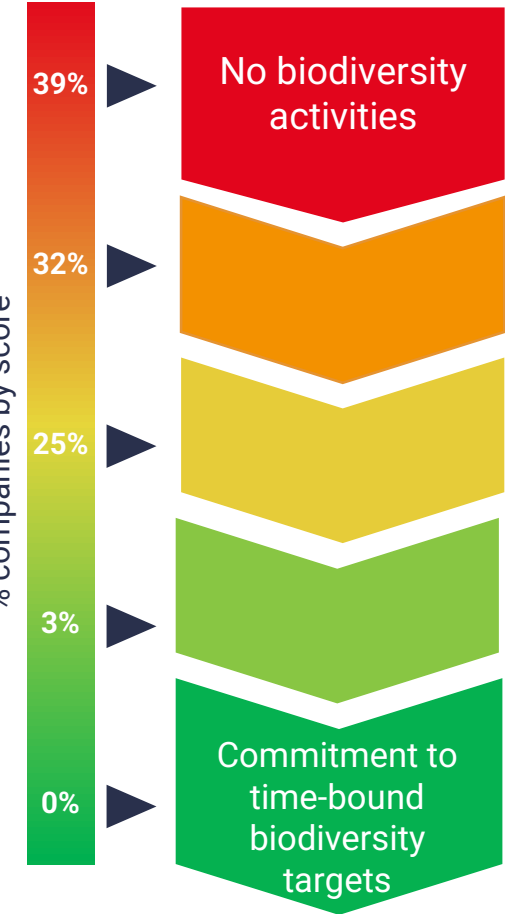
- In the foreword to BT’s diversity and inclusion report, the Chief Executive says that it is fundamental to BT’s purpose and will help to drive ‘productivity, innovation and growth’.
- In recent years, BT has increased the work-force representation of women, ethnic minorities and those who identify as disabled.
- BT reports on both gender and ethnicity pay gap.

Other top ranked companies:



# Criteria 6: Commitment to biodiversity

Biodiversity is a relatively new element of corporate sustainability initiatives. However, it is a crucial component to meeting global sustainability targets. While the nascent nature of this area means there are few reporting frameworks, we are looking for evidence of measurable impact on biodiversity.



**Characteristics of the top ranked companies**

- Commitment to achieving biodiversity targets in annual/sustainability report.
- Targets are material, granular, specific and quantifiable.

**SONY**

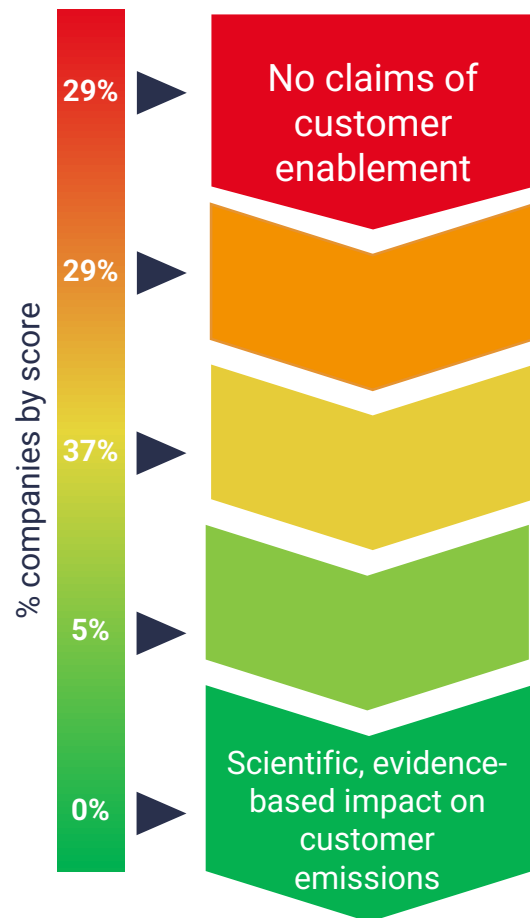
- All Sony business sites have conducted biodiversity conservation activities according to the needs of the region in which they are located. For instance, in 2011 Sony’s Kohda site in Japan began carrying out activities to secure and share seedlings of native species necessary for regeneration of the local ecosystem.
- Sony has set specific targets such as cutting the loss of natural habitats to at least half, and protecting at least 17% of terrestrial areas and 10% of marine areas.

*\* No companies achieved the top score because methodologies for quantifying the impact of biodiversity initiatives are still nascent. Even if companies have biodiversity on their radar, they likely lack the tools or resources to measure their impact in the same way they track energy usage, for instance. Meanwhile, in most cases it has not risen far enough up the agenda to become a core element of most companies’ sustainability activities.*



# Criteria 7: Enablement

Companies that are committed to enabling their customers to reduce their carbon footprint will have concerted initiatives that are delivering measurable benefits, likely with a sector-specific focus. We profile such services in our [telecoms net-zero use case directory](#) which covers 14 use cases and 25 real world examples of enablement services for consumer and enterprises.



## Characteristics of the top ranked companies

- Enablement claims are granular and tied to one or a few target sectors.
- Targets are scientific, evidence based, repeatable, legitimate reporting mechanisms. In practice, this is difficult as there is no standardised methodology for measuring enablement effects.
- In the absence of this, leading organisations are transparent about their methodologies for assessing how their services are helping customers to reduce emissions. This should include an assessment of what proportion of the emissions reduction they are responsible for (e.g. whether the telco is just providing connectivity, or an end-to-end application).



- AT&T has established a Gigaton Goal where it has a target to enable customers to reduce a gigaton of GHG emissions by 2035.
- It has partnered with Carbon Trust to develop an abatement factor that represents the average emissions reduction that can be possible when using a range of AT&T-enabled solutions.

$$\sum \left( \text{Carbon Abatement Factor} \times \text{Volumes} \right) = \text{Total Carbon Abatement}$$

Sum of enabling technologies used by customers

Derived from case study or modeling (kg CO<sub>2</sub> avoided per connected vehicle)

Annual Volume Data (Number of connected vehicles)

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# Overview of top 5 scoring companies

		Holistic sustainability reporting	Board and employee incentives	Public reporting on scope 1, 2, and 3 emissions	Green finance	Commitment to diversity and inclusion	Commitment to biodiversity	Enablement
1	Telefónica	5	4	4	5	4	3	3
2	Vodafone	5	3	4	3	4	2	3
3	Verizon	4	3	4	5	2	3	3
4	BT	4	4	3	1	5	4	3
5	Bell	4	3	2	3	5	3	3

Score 5 4 3 2 1

# Telefónica: Best all-round performance

Criteria	Score
Structured sustainability reporting	5
Sustainability commitments and incentives	4
Public reporting on scope 1, 2, and 3 emissions	4
Green finance	5
Commitment to diversity and inclusion	4
Commitment to biodiversity	3
Enablement	3

## High score in sustainability reporting

- Telefónica has been reporting on its scope 1 and 2 emissions for more than 10 years, and achieved its 2020 sustainability targets two years ahead of schedule.
- Its goal to reach net-zero in scope 1 and 2 emissions by 2025, and including scope 3 emissions by 2040, is among the most ambitious in the industry.
- In 2021 it was on the CDP's "Climate A List" of 200 best practice companies for the 8<sup>th</sup> year in a row.

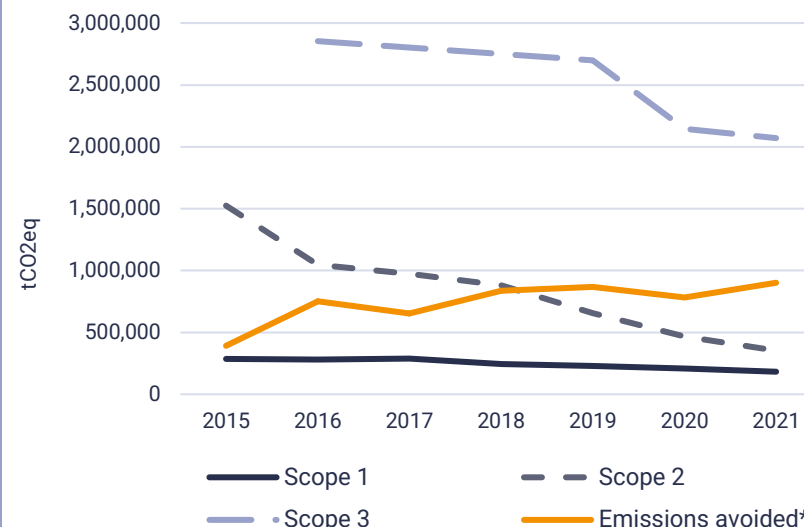
## Industry leader in sustainable financing

- Telefónica was the first telco to launch a green bond, issued in January 2019. It was a 1bn bond and was 5x oversubscribed. It has since released three further green bonds in 2020 and 2021.

## Forging a path in enablement

- Telefónica was one of the first companies to externally audit the environmental benefits of its B2B services. As of 2021, 52% of its enterprise services deliver a benefit to customers.

## Telefónica's scope 1, 2, and 3 emissions



Read more in  
our profile of  
Telefónica



# Vodafone: Advanced sustainability reporting

Criteria	Score
Structured sustainability reporting	5
Sustainability commitments and incentives	3
Public reporting on scope 1,2, and 3 emissions	4
Green finance	3
Commitment to diversity and inclusion	4
Commitment to biodiversity	2
Enablement	3

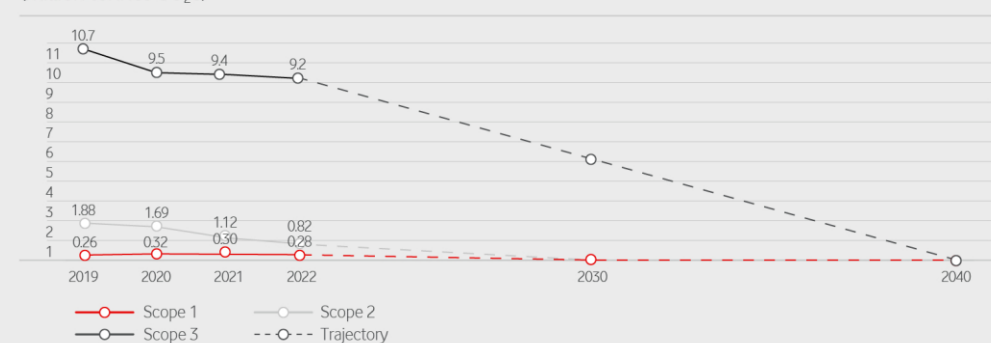
## High score in sustainability reporting

- Vodafone has published sustainability reports that have been audited by a third party since 2011.
- The published ESG addendum contains detailed statistics on a range of ESG metrics related to the environment, diversity, responsible supply chain and more in an easy to use Excel format.

## Reporting on emissions

- ESG addendum contains detailed reporting on scope 1 and 2 emissions, using both the location based and market based methods.
- 8 different kinds of scope 3 emissions have also been reported on.

**Scope 1, 2 and 3 GHG emissions**  
(million tonnes CO<sub>2</sub>e)



## Diversity and inclusion made a priority

- Vodafone has made diversity and inclusion a priority and recognises that increases in diversity will ultimately have a positive impact across the businesses aims.
- In the ESG addendum, Vodafone provides statistics on the workforce make-up for gender, age and REACH (race ethnicity and cultural heritage) over the last four years.
- Vodafone also provides statistics on the company's gender pay gap.

# Verizon: Leading by example from the top down

Criteria	Score
Structured sustainability reporting	4
Sustainability commitments and incentives	3
Public reporting on scope 1,2, and 3 emissions	4
Green finance	5
Commitment to diversity and inclusion	2
Commitment to biodiversity	3
Enablement	3

## Refining our methodology around criteria 2

- Since 2014, ESG factors (split equally between diversity, supplier diversity and carbon intensity reduction) have accounted for 5% of short term incentive rewards for Verizon employees. In 2020 this increased to 10% of the STI award for corporate employees – including for its CEO, Hans Vestberg.
- Since we published our first edition of the scorecard, we have tightened our methodology relating to the ‘commitments and incentives criteria. While Verizon clearly ties incentives to ESG (as stated above), it remains unclear how they apply to employees, and how “supplier diversity” relates to ESG.
- Meanwhile it does not report any long term sustainability linked incentives for the board.

## Verizon performs well throughout

- In 2019 Verizon appointed a Chief ESG Officer, reporting directly into the board, supported by an Executive Climate Oversight Committee. This demonstrates its commitment to ESG.
- In 2020, Verizon aligned its reporting with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).
- By 2021, Verizon had issued three individual green bonds of \$1bn each.

## Verizon SDG alignment



# BT: Extensive diversity and inclusion reporting

Criteria	Score
Structured sustainability reporting	4
Sustainability commitments and incentives	4
Public reporting on scope 1,2, and 3 emissions	3
Green finance	1
Commitment to diversity and inclusion	5
Commitment to biodiversity	4
Enablement	3

## Sustainability commitments linked to directors' performance evaluation

- BT's directors have 10% of their annual bonus linked to 'Digital impact and sustainability'.
- The metric used is focused on the ambition of reducing carbon intensity by 87% by 2030. Notably BT performed best in terms of carbon intensity vs national grid intensity in our analysis.

## Extensive diversity and inclusion report

- BT has published the most extensive diversity and inclusion report out of any of the companies in our scorecard.
- The report highlights how diversity and inclusion ties in with the overall business aims of BT, 'productivity, innovation and growth'.
- It includes data on workforce makeup for gender and ethnicity. BT was also the only company to release data on the ethnicity pay gap.

		2025 targets	As at 31 March 2022
BT Group (excl. Openreach)	Women	46%	34.9%
	Ethnic minority	16%	11.9%
	Disabled	14%	6.9%
Openreach	Women	12%	10.3%
	Ethnic minority	10%	9.4%
	Disabled	6%	6%
BT Group (total)	Women	32%	25.7%
	Ethnic minority	13%	10.8%
	Disabled	10%	6.5%
Board	Women	33%	36.4%
	Ethnic minority	2 members at least	2 members
Executive Committee	Women	33%	36.4%
	Ethnic minority	2 members at least	1 member
Senior Leadership teams	Women	41%	26.1%
	Ethnic minority	15%	8%
	Black/Black heritage	5%	0.0%
	Disabled	10%	5.3%
Senior Management teams	Women	41%	35.3%
	Ethnic minority	15%	10.4%
	Black/Black heritage	5%	0.8%
	Disabled	10%	4.5%

## Environmental Management System (EMS) guides approach to biodiversity

- BT uses its EMS to help manage biodiversity impacts and monitor wildlife related incidents at sites.
- The internal environmental policy captures BT's long term vision to enhance biodiversity across its sites.
- BT has helped to ensure a pair of peregrine falcons at its Adastral Park site have been able to breed successfully.
- At the Henbury exchange, BT has begun planting trees to support Bristol City Council's target to double tree canopy coverage.

# Bell: Committed to diversity and inclusion

Criteria	Score
Structured sustainability reporting	4
Sustainability commitments and incentives	3
Public reporting on scope 1,2, and 3 emissions	2
Green finance	3
Commitment to diversity and inclusion	5
Commitment to biodiversity	3
Enablement	3

## Dedicated to diversity and inclusion...

- Bell's CSR report embeds diversity into the overall aims of the company, because it "leads to greater profitability and reduced costs, all the while enhancing engagement".
- Data on workforce makeup for gender, disabilities and visible minorities has been published since 2015 and improvement is evident. Bell has published data on its gender pay gap since 2017.
- Diversity and inclusion training has been made available for employees.

## First telco in Canada to issue a sustainability bond

- In May 2021 Bell became the first Canadian telco to launch a sustainability linked bond. The bond is worth \$500 million and matures in 2028.
- The bond was released under Bell's parent company BCE's Sustainable financing framework which outlines eligible use of proceeds, project evaluation and selection criteria, management of proceeds and reporting requirements.

## ...But a poor score on public reporting on scope 1, 2 and 3 emissions

- Bell scores poorly in this category largely because of the targets it has set for reducing emissions.
- Bell has set targets for scope 1,2 and 3 emissions but these targets are % decreases from a base level in year 2020. We require companies to set net-zero targets in order to score well, as we believe that ultimately all companies should be aiming for net zero.

Bell's diversity awards and recognitions





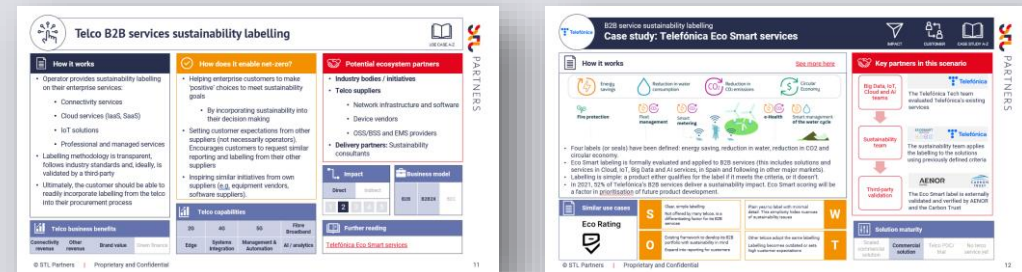
# Introduction

- This research tool is part of STL Partners' Sustainability Insights Service, which aims to identify how the telecoms industry can drive growth through sustainability
- It is accompanied by an excel scorecard
- It builds on recent reports, as well as our [Telecoms net-zero enablement use case directory](#)

## Previous reports



## Telecoms net-zero enablement use case directory



# Questions? Get in touch

Reach out directly to the authors with your questions



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