11th Tranche of the Development Account Project
Capacity Building Activities

Sustainability reporting on contribution towards implementation of the Sustainable Development Goals in Kenya

6-9 July 2021

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Virtual Training on advancing enterprise sustainability and SDG reporting in Kenya

7th July 2021

Practical Implementation of the Global Core Indicators for Entity Reporting Based Safaricom Case Study

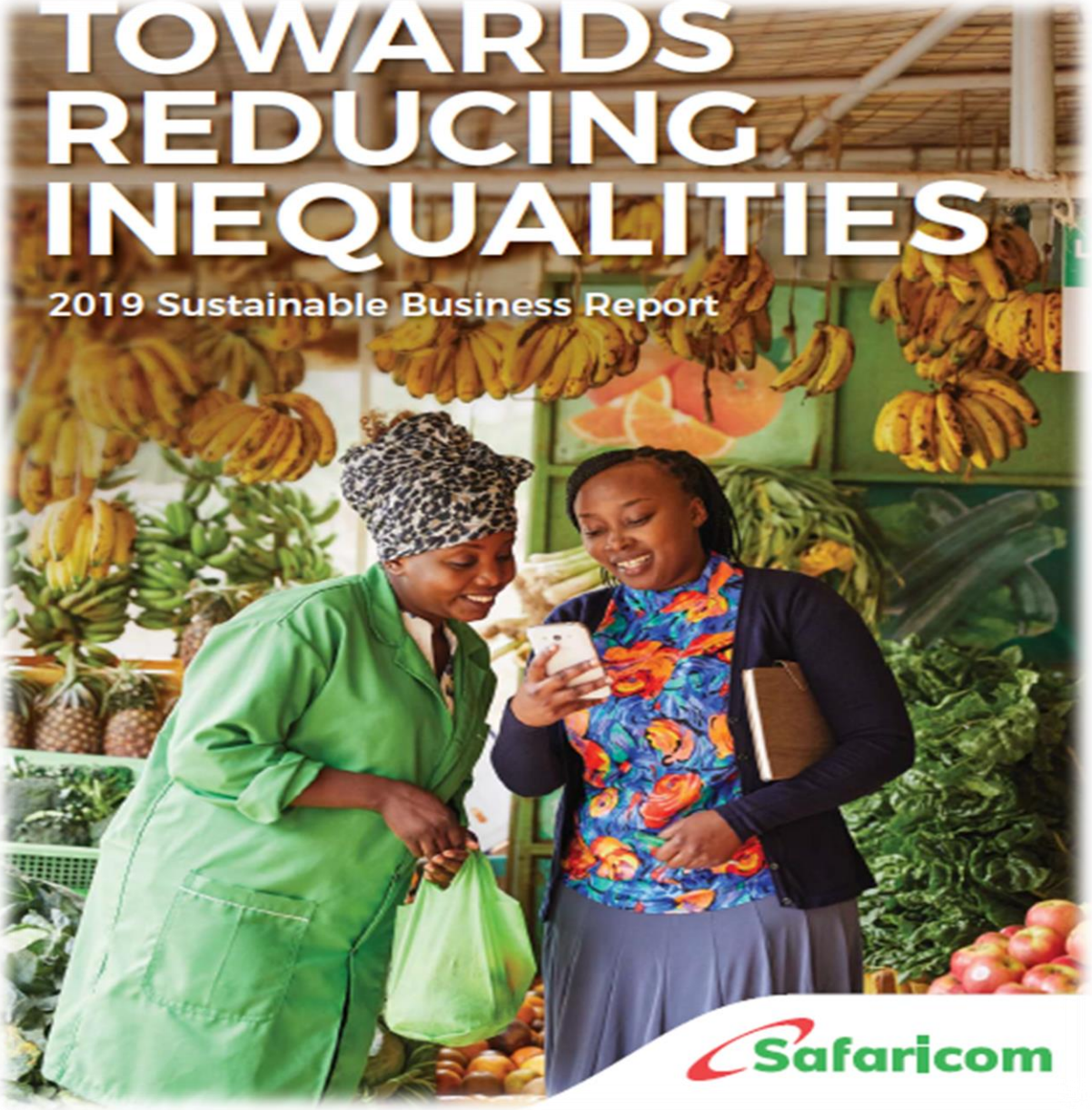
Presented by
CPA Cliff Nyandoro
Head of Technical Services – ICPAK, Kenya

Presentation agenda

- Company background & Case Study findings
- GCI Dimensions – Environmental & Institutional
- Conclusion and recommendations

TOWARDS REDUCING INEQUALITIES

2019 Sustainable Business Report



Safaricom

Our Purpose
Why we exist

To transform lives

Our Vision
Where we are going

To be a leading digital services provider that empowers a connected society

Kenya's listed Telco Safaricom topped the region as the largest company by market capitalization and net earnings yet again this year, even as the Covid-19 pandemic hit listed firms, wiping out shareholder earnings and pushing away foreign investors. 25th May 2020.

Our Way
How we need to do it

Speed, Simplicity, and Trust

Alignment of strategy with SGDs

Our contribution to the sustainable development goals

In making the SDGs central pillar of our business, we have made sustainable development a part of the culture at Safaricom. We have identified 9 of the 17 SDGs that best represent our dedication to sustainability and incorporated them into our business strategy

Goals of the Case Study

Safaricom joined the UNCTAD Case Study project to demonstrate its contribution to implementing SDG agenda.

This is based on the Guidance on Core indicators (GCI) for entity reporting on the contribution towards the attainment of the Sustainable Development Goals proposed by UNCTAD.

Goals of the Case study project

Safaricom joined the project:

- to support the UN efforts towards achieving the SDGs and promote SDG reporting
- to demonstrate the ability of business entities to report on their SDG activity based on the GCI
- to demonstrate its leadership in sustainability reporting

Sustainability reporting framework

Main results in summary:

The sustainability report contains information on all 33 GCIs (20 of them are fully disclosed, 9 are partially disclosed, while no disclosure is made for 4 of the indicators).

Key Case Study results

The reasons for partial and non-disclosure are mainly due to the nature of the industry under which the Company operates and the unique nature of its operations.

Consequently, some of the disclosures may not be relevant to their operation and therefore, the cost and effort would not be justified.

Summary of non-disclosed indicators

Non-disclosure by pillars	
Economic	**A.3.3. Total expenditures on research and development** *Information on the indicator can be tracked from the accounting records of the company going forward.*
Environmental	**Sustainable use of water** **B.1.1. Water recycling and reuse** **B.1.3. Water stress** *Information to be obtained from the Company's utility bills and other sources to enable tracking of the indicator.*
Social	**C.4.1. Percentage of employees covered by collective agreements.** *No disclosure on this indicator. The organization does not have labour union employees and so no CBAs are negotiated. This is mainly due to the legal framework and labor laws in the country which make labor union membership optional. However, HR and other company records can provide details for tracking the indicator.*

Action taken to disclose GCI

Status of information needed for the 2019 sustainability report	Activity to produce GCI	Number of GCIs
The indicator has been covered by the GRI sustainability report	Give a link to the GRI indicator	14
The information about the indicator is available and can be sourced from the accounting system or internal reporting	Make an additional query and/or consolidate data	3
The information needed to disclose the indicator has been collected as part of the GRI sustainability report preparation	Make additional calculations and/or disclosure	12
Not needed (the indicator is not included in the 2019 Sustainability Report)	None	4
Total		**33**

GCI dimensions

This section provides definitions, measurement methodology, potential sources of information and examples to assist entities in reporting core SDG economic indicators.

Economic area indicators

- Revenue Value added Net value added
- Taxes and other payments to the Government Green investment Community investment
- Total expenditures on research and development Percentage of local procurement

Environmental area indicators

- Water recycling and reuse
- Water use efficiency Water stress
- Reduction of waste generation
- Waste reused, re-manufactured and recycled
- Hazardous waste
- Greenhouse gas emissions (scope 1)
- Greenhouse gas emissions (scope 2)
- Ozone-depleting substances and chemicals
- Renewable energy
- Energy efficiency

Social area indicators

- Proportion of women in managerial positions
- Average hours of training per year per employee
- Expenditure on employee training per year per employee
- Employee wages and benefits as a proportion of revenue, by employment type and gender
- Expenditures on employee health and safety as a proportion of revenue
- Frequency/incident rates of occupational injuries
- Percentage of employees covered by collective agreements

Institutional area indicators

- Number of board meetings and attendance rate
- Number and percentage of female board members
- Board members by age range
- Number of meetings of audit committee and attendance rate
- Compensation: total compensation per board member (both executive and non-executive directors)
- Amount of fines paid or payable due to settlements
- Average hours of training on anti-corruption issues per year per employee

Environmental indicators

Environmental indicators

The environmental are indicators include:

B.1 Sustainable use of water

B.2 Waste management

B.3 Greenhouse gas emissions

B.4 Ozone-depleting substances and chemicals

B.5 Energy consumption

Water recycling and reuse

Definition

Water recycling and reuse refers to the total volume of water that a reporting entity recycles and/or reuses during the reporting period. Water recycling and re-use can be implemented by almost any industry. This includes:

- ❑ Direct reuse
- ❑ Treat and reuse (recycling)

The indicator should be expressed in total cubic meters (m^3)

Water recycling and reuse

Indicators		GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Disclosed	Activity to produce GCI
B.1	Sustainable use of water	B.1.1 Water recycling and reuse	Not disclosed The system as presently designed does not track the indicator. However, this is possible going forward	Not disclosed	Not disclosed	Information to be obtained from the company's utility bills and other sources to enable tracking of the indicator	Not disclosed		Perform additional calculations and/or disclosure.
		B.1.2. Water use efficiency	8,378 million m^3 (9.2% more than in 2018), 0.02m^3/USD	Page 64	Full	2019 Annual Report and Financial Statements	Full disclosure	Information for the preparation of indicator is available through details of accounts	Perform additional calculations and or disclosure

Water use efficiency

B.1.2 Water use efficiency

Water use efficiency is defined as the water use per net value added in the reporting period.

Two indicators can be calculated:

- ❑ Ratio of water used to net value added
- ❑ Change of water use per net value added

Water stress

B.1.3. Water stress

Definition

Water stress is defined as total water withdrawn with a breakdown by sources (e.g., surface, ground, sea) and with reference to water- stressed or water-scarce areas (expressed as a percentage of total withdrawals).

Water stress can refer to the availability, quality, or accessibility of water

Reduction of waste generation

B.2.1. Reduction of waste generation

Definition

This indicator measures the change in the entity's waste generation per net value added. Specifically, waste is intended as a non-product output with a negative or zero market value. Water and air-polluting emissions – although they are non-product output – are not regarded as waste.

This indicator should be calculated in the following way:

$$\frac{\text{Total waste generated at time t}}{\text{Net value added at time t}} \quad \text{MINUS} \quad \frac{\text{Total waste generated at time t-1}}{\text{Net value added at time t-1}}$$

Reduction of waste generation

GCI (name)		Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
B.2.	Waste management	B.2.1. Reduction of waste generation	Waste generated in 2019 compared to 2018 increased by 35,25 million kgs from 233 millon to 258.25 million kgs. The ratio of the volume of use of waste in own enterprise to the net value added increased from 0.13 to 0.14 million kgs per billion USD of the net value added	Page 7	Full	sustainable Business Report 2019	Full disclosure	Information for the preparation of the indicator is already collected in the process of a GRI sustainability report	Provide link to the GRI source

Waste reused, re-manufactured and recycled

Among the options for waste treatment, one is reuse, re-manufacturing, and recycling.

- Reuse consists in further use of a component
- Re-manufacturing is the further use of a component
- Recycling is recovery and reuse of materials from scrap or other waste materials

Two different indicators can be calculated, depending on whether the un-normalized amount (m3) or normalized amount (m3 per sh. on net value added) of reused, remanufactured and recycled waste is used.

1) Total amount of reused, remanufactured and recycled waste

2) Total amount of waste reused, remanufactured and recycled normalized by the net value added

Hazardous waste

B.2.3 Hazardous waste

Waste can be classified according to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention) that has defined the following list of hazardous characteristics:

Flammable solids, substances liable to spontaneous combustion, substances which emit flammable gases when in contact with water, oxidizing, organic peroxides, poisonous, infectious substances, corrosives, liberation of toxic gases in contact with air or water, toxic, excotic, capable of yielding another material.

Hazardous waste

Two indicators can be calculated depending on whether the un-normalized amount or normalized amount of hazardous waste is used.

Total amount of hazardous waste

Total amount of hazardous waste normalized by the net value added

Greenhouse gas emissions (scope 1)

B.3.1 Greenhouse gas emissions (scope 1)

Definition

The indicator “Greenhouse gas emissions (Scope 1)” is defined as direct greenhouse gas (GHG) emissions per unit of net value added.

GCI (name)		Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
B.3	Greenhouse gas emissions	B.3.1. Greenhouse gas emissions (Scope 1)	Scope 1-3 emissions – 32.8% increase 65708tCO2 However, the breakdown in scope 1 and 2 is not done presently but the company can monitor future	Page 40	Partial full	Sustainable Business Report 2019	There was an increase of 2,024 tCO2e in 2019	Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report	Perform additional calculations and/or disclosure

Greenhouse gas emissions (scope 2)

B.3.2 Greenhouse gas emissions (scope 2)

Definition

The indicator defined as indirect GHG emissions (from consumption of purchased electricity, heat or steam) per unit of net value added.

Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
B.3.2. Greenhouse gas emissions (Scope 2)	Increased by 12.16%	Page 40	Full	Sustainable Business Report 2019	Full disclosure	Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report	Perform additional calculations and/or disclosure

Ozone-depleting substances and chemicals

B.4.1. Ozone-depleting substance and chemicals

Definition
This indicator aims at quantifying an entity's dependency on ozone–depleting substances (ODS) and chemicals per net value added.

ODS are all bulk chemicals/substances, existing either as a pure substance or as a mixture. These are generally chemicals containing chlorine and/or bromine. The most important ozone-depleting substances and chemicals are controlled under the Montreal protocol and are listed in Annex A, B, C or E of the Protocol.

Renewable energy

Renewable energy

B.5.1. Renewable energy

Definition

This indicator is defined as the ratio of an entity's consumption of renewable energy to its total energy consumption during the reporting period. Types of renewable energy include, for example, solar energy, biomass, hydropower, geothermal energy and ocean energy.

Measurement methodology

This indicator should be calculated in the following way:

$$\frac{\text{Total consumption of renewable energy at time t}}{\text{Total energy consumption at time t}}$$

Energy efficiency

B.5.2. Energy efficiency

Definition

Energy efficiency is defined as an entity's energy consumption divided by net value added

Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
B.5.2. Energy efficiency	=159,295/1.43 Bn = 0.00016 mj per $	Page 42 & 43	Full	Sustainable Business Report 2019 Management accounts, Utility bills	Information on the indicators can be obtained and tracked by the company	Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report	Provide link to GRI indicator and /or perform additional calculations

Institutional indicators

Institutional indicators

Institutional indicators include;

- ❑ Corporate governance disclosure
- ❑ Anti-corruption practices

Number of Board meetings and attendance rate

D.1.1. Number of board meetings and attendance rate

Definition

This indicator is about the number of board meetings and their attendance rate

Measurement methodology

In order to calculate this indicator, entities need to:

- Count the board meetings during reporting period (number)
- Add up the number of board members who participate at each board meeting during the reporting period and divide this by total number of directors sitting on the board multiplied by the number of board meetings during the reopening period (attendance rate %)

Number of Board meetings and attendance rate

Illustration

Assuming that there are 3 members and that Board meetings are held once every two months. The first member has participated to 6 meetings, the second to 4 and the third to 3. What is the attendance rate?

Number of Board meetings and attendance rate

Suggested solution

Total number of meetings = 6
Number of members = 3
Denominator 6*3
= 18

Aggregate attendance = 6+4+3
= 13

Attendance rate = 13/18 * 100
= 72.22%

Number and percentage of female board members

D.1.2. Number and percentage of female board members

Definition

This indicator is related to the number and percentage of female board members.

Measurement methodology

In order to calculate this indicator entities need to:

- Count the female Board members (number)
- Divide the number of female board members by the total number of directors sitting on the Board.

This indicator is thus expressed in percentage terms (%)

Board members by age range

D.1.3. board members by age range

Definition

This indicator consists of the board members, by age range. This indicator provides a quantitative measure of diversity within an organization conducting to inclusivity and responsiveness of decision-making.

Measurement methodology

In order to calculate this indicator, entities need to define the age ranges that they want to map. In line with the other indicators, the following groups are suggested:

- Under 30 years old
- 30-50 years old

This indicator is calculated as the number of board members of one specific age group divided by the total number of directors sitting on the Board (%).

Board members by age range

Safaricom extract

Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
D.1.3. Board members by age range	List under board member profiles Below 30 years old – 0% 30 to 50 years old – 30.8% Over 50 years old – 69.2%	Page 186	Full	Annual Report and financial statements 2019 Board records		Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report	No additional calculations and/or disclosure required.

No of meetings of audit committee and attendance rate

D.1.4. Number of meetings of audit committee and attendance rate

Definition

This indicator consists of the number of meetings of the audit committee, and their attendance rate. It provides a quantitative measure of whether the entity has developed effective, accountable and transparent governance mechanisms.

Measurement methodology

In order to calculate this indicator, entities need to

- Count the audit committee members during reporting period (number)
- Add up the number of audit committee members who participate at each committee meeting during the reporting period and divide this by total number of members sitting on the audit committee multiplied by the number of audit committee meetings during the reopening period (attendance rate %)

No of meetings of audit committee and attendance rate

No of meetings of audit committee and attendance rate

Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
D.1.4. Number of meetings of audit committee and attendance rate	4 meetings; 77%	Page 88	Full	Annual Report and financial statements 2019		Information for the preparation of the indicator is already collected in the process of preparing a GRI.	No additional calculations required.

Safaricom extract

Compensation: total compensation per board member

D.1.5. Compensation: total compensation per board member (both executive and non-executive directors)

Definition

This indicator refers to total remuneration awarded to each board member encompassing both executive and non-executive directors.

Measurement methodology

In order to calculate this indicator, entities need to compute the amount of total compensation referred to a specific reporting period summing up the following elements of the compensation package:

- Fixed pay (base salary)
- Variable pay (including performance based pay, equity-based pay, bonuses, and deferred or vested shares)
- Sign-on bonuses or recruitment incentives payments.
- Termination payments (i.e. all payments made and benefits given to a departing executive or member of the highest governance body whose appointment is terminated)
- Clarbacks (i.e. repayment of previously received compensation required to be made by an executive to his or her employer in the event certain conditions of employment or goals are not met)
- Retirement benefits

Compensation: total compensation per board member

Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
D.1.5. Compensation: total compensation per board member (both executive and non-executive directors)	Annual Directors Fees: Chairman (Board) – USD 57,000 Non executive director – USD 22,000 Sitting allowance (per sitting) Chairman (Board) – USD 850 Chairman (committee)- USD 741.50 Non-Executive Director – USD 600	Page 110	Full	Annual Report and financial statements 2019 Governance report 2019	Details obtained from the records of the board and the annual report 2019	Information for the preparation of the indicator is already collected in the process of preparing a GRI sustainability report.	No additional calculations required.

Amount of fines paid or payable due to settlements

D.2.1. Amount of fines paid or payable due to settlements

Definition

This indicator refers to the total monetary value of paid and payable corruption-related fines imposed by regulators and courts in the reporting period.

GCI (name)	Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
Anti-corruption practices	D.2.1. The amount of fines paid or payable due to settlements	0 (no fines were applicable)	Page 33	Full	Sustainable Business Report 2019	Details from the Company's internal governance reports	Details on the indicator available from the company records Information already obtained during the preparation of the GRI Sustainability report	No additional calculations or disclosure required

Average hours of training on anti-corruption issues per year / employee

D.2.2. Average hours of training on anti-corruption issues per year per employee

Definition

This indicator refers to the average number of training hours that employees receive in the area of anti-corruption issues. For further information on the definition and context of corruption, please see indicator D.2.1

GCI (name)		Indicators	GCI (value)	Location in report	Level of disclosure	Source of data	Comments about the level of disclosure	Status of information needed for the sustainability report 2019	Activity to produce GCI
D.2.	Anti-corruption practices	D.2.1. The amount of fines paid or payable due to settlements	0 (no fines were applicable)	Page 33	Full	Sustainable Business Report 2019	Details from the Company's internal governance reports	Details on the indicator available from the company records Information already obtained during the preparation of the GRI Sustainability report	No additional calculations or disclosure required

Conclusion

- The GCI is an important tool to promote business reporting on the contribution towards the achievement of the SDGs
- The GCI is based on sustainability reporting frameworks most widely used across the globe including GRI, SASB, TCFD, DJSI and GRESB. Thus, for advanced GRI users, the disclosure of GCIs does not present significant difficulties
- Based on the pilot project results, comments and suggestions as to the definition of the GCI have been prepared, as well as the wording of the Guidance on Core Indicators
- Safaricom plans to continue making efforts towards disclosing GCIs in subsequent sustainability reporting cycles