

# ESG IN THE FIELD OF TELECOMMUNICATIONS



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We discussed the development and significance of the ESG concept in Serbia. What does ESG look like from the perspective of the telecommunications industry and one of the largest companies in Serbia?

***How do you see the relevance ESG factors in Serbia, especially in the telecommunications and multimedia sector? To what extent has the approach to ESG factors changed in the telecommunications and multimedia industry in recent years?***

ESG factors are becoming increasingly relevant worldwide, including in all business sectors in our country, especially in the telecommunications and multimedia industries. Awareness of climate change has been present since the 1970s and 1980s. The signing of the Kyoto Protocol marked the 1990s. Although the world became aware of the need for urgent action in environmental protection, this protocol, which contained only recommendations and suggestions, failed to achieve its goal, and the planet continued to move towards global warming and all associated ecological problems rapidly. In 2017, the Paris Agreement committed the world to limit the increase in the average global temperature to below 2°C, and the Republic of Serbia is a signatory to this agreement.

While there is widespread awareness of the necessity of preserving the environment, the world is looking for solutions in actions that are easier to implement, such as tree planting, the production and consumption of renewable energy, and the use of electric vehicles. Systemic solutions are challenging to implement in a world deeply divided between impoverished and wealthy countries. Countries where human rights are still in their infancy and industries, are underdeveloped cannot tackle ESG topics in the same way as countries leading the world in each of these segments.

The telecommunications and multimedia sector in the ESG domain is not considered a top priority like energy or transportation. However, given the ubiquity of the internet and multimedia content in the modern world, this sector must the overall trend of compliance with ESG rules and guidelines.

For years, this sector has excelled in the area labeled as "Social." When it comes to employment, no distinctions are made between candidates. Companies have almost the same number of male and female employees, women are found in the top management of nearly every prominent company, and the rights of employees in labor relations are fully respected. In particular, innovative employment models and employee benefits are prevalent in the IT sector.

Awareness of contributing to the community is a significant part of the business of every telecommunications company. Support is provided to schools and universities through the improvement of education materials and the purchase of computers. Infrastructure development is planned in rural areas. Through competitions for the development of apps, support is provided to develop young talents in IT and telecommunications. Practical application of these solutions benefits the elderly, children, and, in some cases, animals. There is also substantial support for startups, to the extent that Telekom Serbia has established the first investment fund for this purpose.

The telecommunications and multimedia sector constantly evolves, and regulations strive to keep pace with innovations. For this reason, the Governance segment has developed to an impressive level. Companies not only comply with and adhere to regulations but are also innovators and creators of them in many respects.

The remaining part of ESG, which has been the primary driver of this reporting approach and business direction in recent years, is primarily the Environment. Telecommunications can be described as a "clean" industry. Our services and products for service provision are characterized by ecological production and based on innovations. For example, devices used to provide services are made from recyclable materials, emit less radiation, and electric energy is sourced from renewable sources. Efforts are made to reduce fuel consumption, among other environmental initiatives.

In the future, I expect that consumers' choice of service providers will be based not only on economic considerations but also on the presence of ESG factors in their operations and services.

***“Despite widespread awareness of the necessity of environmental preservation, it appears that the world is rather searching for solutions that are easier to implement.”***

***How is ESG addressed at the corporate level? Which function is responsible at what level, and how is compliance ensured among different sectors in setting and achieving ESG objectives, data collection, and reporting?***

An interesting fact is that in our company, the ESG initiative originated from the Finance Directorate. While filling out various questionnaires within KYC procedures, banks requested ESG-related data. As the number of requests for such reports and data increased, at the behest of the CEO, a multidisciplinary team was formed from all Telekom Serbia directorates, which participated in preparing the first ESG report for 2021.

The alignment of different sectors' work was ensured for the first two years through work orders specifying the roles of participants. Considering the seriousness of the topic and the need for process standardization, the process of developing a Procedure for the Preparation of ESG Reports was initiated, which will further formalize and specify this process. It is expected that the Procedure will be created and that its implementation, along with the report preparation by the Procedure, will commence in January 2024.

***“It's interesting that the ESG initiative in our company originated from the Finance Directorate. While filling out various questionnaires, banks requested ESG-related data.”***

***What are the key environmental, social, and governance (ESG) issues that Telekom is currently addressing?***

Telekom Serbia, as a socially responsible company, joined the United Nations Global Compact back in 2011. The awareness of management and the guidelines in Telekom Serbia's adopted strategy have led to the development of two ESG reports.

The foundation for critical questions in the environmental segment was laid by introducing the ISO 14001:2015 standard. Further, as part of its strategic objective to neutralize harmful gas emissions into the atmosphere and use green energy, Telekom Serbia has taken actions that include technological innovations for lower carbon emissions, the use of green energy in all business processes, continuous reduction of paper usage in the company, and the use of waste energy in the data center air conditioning process at the TK Center facility. Our priority is continuous improvement in this area as a company dedicated to sustainable development, with an established environmental management system and an adopted Environmental Policy,

The importance of preserving biodiversity has also been recognized. Continuing the campaign "No Species Dies Alone," the company aims to maintain biodiversity and ecological balance in nature in collaboration with associations to protect rare and endangered species.

Addressing social factors is crucial for creating a sustainable and responsible organization. This includes active efforts to improve diversity, equality, and inclusion within the company, as well as promoting ethical behavior and social responsibility throughout the business operations of Telekom Serbia Group members.

Telekom Serbia's plans for responsible management involve improvements and updates to processes within the company in line with current legislation.

Telekom Serbia does not have specific policies, methodologies, and principles that declaratively define gender equality; it lives by gender equality standards. More than 50% of the company's Executive Board members are women, and the participation of women in managerial positions is equal. In this regard, we are leaders in the telecommunications sector and all business sectors in the Republic of Serbia.

Additionally, opportunities for employment, advancement, professional development, and earnings are available under the same conditions to employees regardless of gender but solely based on knowledge, skills, and performance. In the total number of employees in 2022, the percentage of women was 32%, while in management, that percentage was even higher at 44%.



We do not see jobs as male or female; competence, knowledge, and ability are the only conditions for assigning specific tasks. In the same positions, they are equal in every respect.

Telekom Serbia complies with medical findings and decisions of relevant state authorities regarding limited work capacity or residual work capacity, and we implement assignments to appropriate positions based on these requirements. We also facilitate transitions to disability pensions and similar processes. For this category of employees, the same facts mentioned earlier regarding rounding, development, and advancement apply.

### ***How aware are the employees of ESG topics, activities, and goals? How do you motivate them to actively contribute?***

Telekom Serbia employees are informed about company developments through the internal portal and newsletters. In 2022, the company also implemented ISO 14001:2015. Employees are informed about all documents related to environmental protection and other ESG aspects through the SAP SuccessFactors application, where educational video content with accompanying tests is provided. ESG reports for 2021 and 2022 have been published on the internal portal and the website [www.telekomsrbija.com](http://www.telekomsrbija.com). As we have already mentioned, we have been signatories of the UN Global Compact since 2011, making us pioneers in the Republic of Serbia, and our management demonstrated awareness of the importance of these issues even then.

Furthermore, reflecting the gravity of the situation, adopted standards, and Telekom's strategy, employees are directly informed at their workplaces through visible labels with warnings and suggestions for environmentally friendly behavior in all our office buildings.

Under the company's patronage, the campaign "No Species Dies Alone" was launched. This campaign has been strongly embraced by both the wider community and our employees. In digitization and telecommunications, it is gratifying to know that our SIM cards help track the lifestyles of endangered species and contribute to their preservation.

Telekom Serbia is the only operator in the market that has adopted a procedure for dealing with encounters with endangered species (birds, snakes, etc.) if employees come across them during fieldwork.

### ***What are the opportunities for applying new technologies and artificial intelligence in ESG?***

Telekom Serbia has designed a series of applications for its customers to monitor fuel and electricity usage and control carbon footprint across various business segments.

One of the solutions is Smart Buildings and Offices, which aim to reduce costs through optimizing electricity and heat energy consumption. These solutions also provide complete control over air quality and fire safety systems in buildings, offices, and other business premises. Telekom Serbia achieved recognition for this solution by winning the Telco stream at the SAS hackathon.

Another solution in the agriculture sector is the Digital Assistant for Fruit and Wine Production. This application assists farmers in decision-making by offering disease prediction, insect activity tracking, irrigation optimization, and frost monitoring in one place.

Lastly, one of the significant solutions in this area is vehicle tracking. This solution allows for the control and monitoring of the vehicle fleet in real-time, using an advanced platform equipped with GPS tracking. Through appropriate alerts, users receive real-time information about routes, fuel consumption, employee activities, and potential hazards.

***“Telekom Srbija has developed a range of applications for its customers to monitor fuel consumption, electrical energy usage, and control their carbon footprint across various aspects of their operations.”***



### ***How do you measure the success of ESG initiatives?***

ESG initiatives are still relatively new to be singled out and tracked. We expect that with the introduction of the Procedure for the Preparation of ESG Reports, they will be presented and documented more clearly and precisely.

We can only note that the first ESG report for 2021 suggested the introduction of ISO standard 14001:2015. The mentioned standard was implemented, and the company obtained certification for it quickly. Furthermore, there was an initiative to increase the use of solar panels in mobile network operations and wherever there is a possibility and need for them. This initiative has borne fruit, and we started the construction of a solar power plant on a business building in New Belgrade in October 2023.

### ***How do you see the relationship between business goals and ESG goals?***

The ESG topic is familiar and has been embedded in company budgets for years. The difference is that the new reporting approach presents these issues in one place to numerically express a company's contribution or activity in this direction.

We expect that when our company formalizes the procedure for preparing ESG reports in the coming period, the costs and profitability of all actions in this segment will become more visible.

The company can generate revenue by winning the favor of environmentally conscious customers, showing care for the same goals the customer supports.

