

MATERIAL FOR GROUP EXERCISE UNIT 9.2: MATERIALITY ASSESSMENT

1. Form 4 groups and read the materiality example.
2. Discuss and answer the following questions (take notes)::
 - a. How reliable and comprehensive is the methodology that was used for the materiality process?
 - b. How were stakeholders engaged in the materiality process? (channels of engagement)
 - c. How are needs and concerns reflected in the materiality process? (outcomes of engagement)
 - d. Is the materiality assessment based on impact assessment?
3. Choose one group member to present your results.

You have 40 minutes to complete this exercise.

The provided materials are extracts from:

- Carlsberg Group Sustainability Report 2016
- TIM Sustainability Report 2017
- Teck 2017 Sustainability Report
- Thales 2017 Integrated Report



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STRATEGY

Contribute to a better society

The Carlsberg Group has a new, restructured approach to sustainability. Underpinning our licence to brew and operate, we regard this as essential to the successful implementation of the Group's strategy.

Our new approach

In 2016, we carried out a materiality assessment with Business for Social Responsibility (BSR) to identify the most important sustain-

ability management topics, risks and impacts for our business. The four priority areas that emerged as most crucial for our business and stakeholders are Energy & carbon, Water, Responsible drinking and Health & safety.

Focusing on these four priorities, we aim to bring about positive change in all the areas touched by our business:

- Contributing to the containment of climate change
- Ensuring people have access to water
- Promoting a healthy lifestyle
- Improving workplace safety

With the support and input of external partners, we are now developing specific targets for each priority to be launched in 2017.

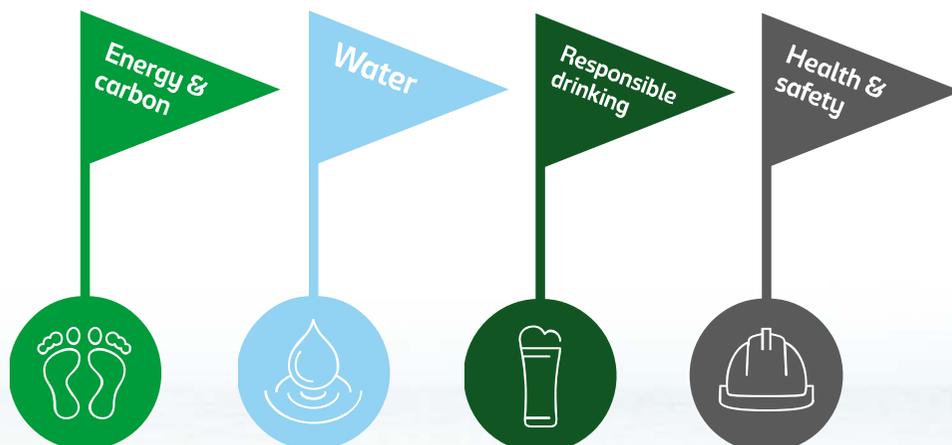
Our determination to contribute harmonises with the global drive for prosperity with lower impact set out in the Paris Climate Accord and the UN's Sustainable Development Goals (SDGs).

We aspire to live up to these global developments. Our sustainability priorities will guide our business actions and how we approach the SDGs. We will contribute to their

realisation wherever we have the knowledge and opportunity to do so.

Although new in many ways, Contribute to a better society also builds on the legacy of our founder, J.C. Jacobsen, in that it applies science to make brewing more sustainable.

We believe that business has a leading role to play in developing concepts such as the circular economy or closed-loop practices to drive positive change. To this end, we will continue to develop external partnerships that amplify our impact. Examples include the development of



Four sustainability priorities

One of the priorities of SAIL'22 is Contribute to a better society, and within this lie our four sustainability priorities, shown here.



the Green Fiber Bottle (page 20) and industry initiatives on responsible drinking such as the Global Beer Responsibility Day (GBRD) on pages 31 and 32.

The Carlsberg Group’s Executive Committee (ExCom) has overall responsibility for sustainability and for signing off our targets.

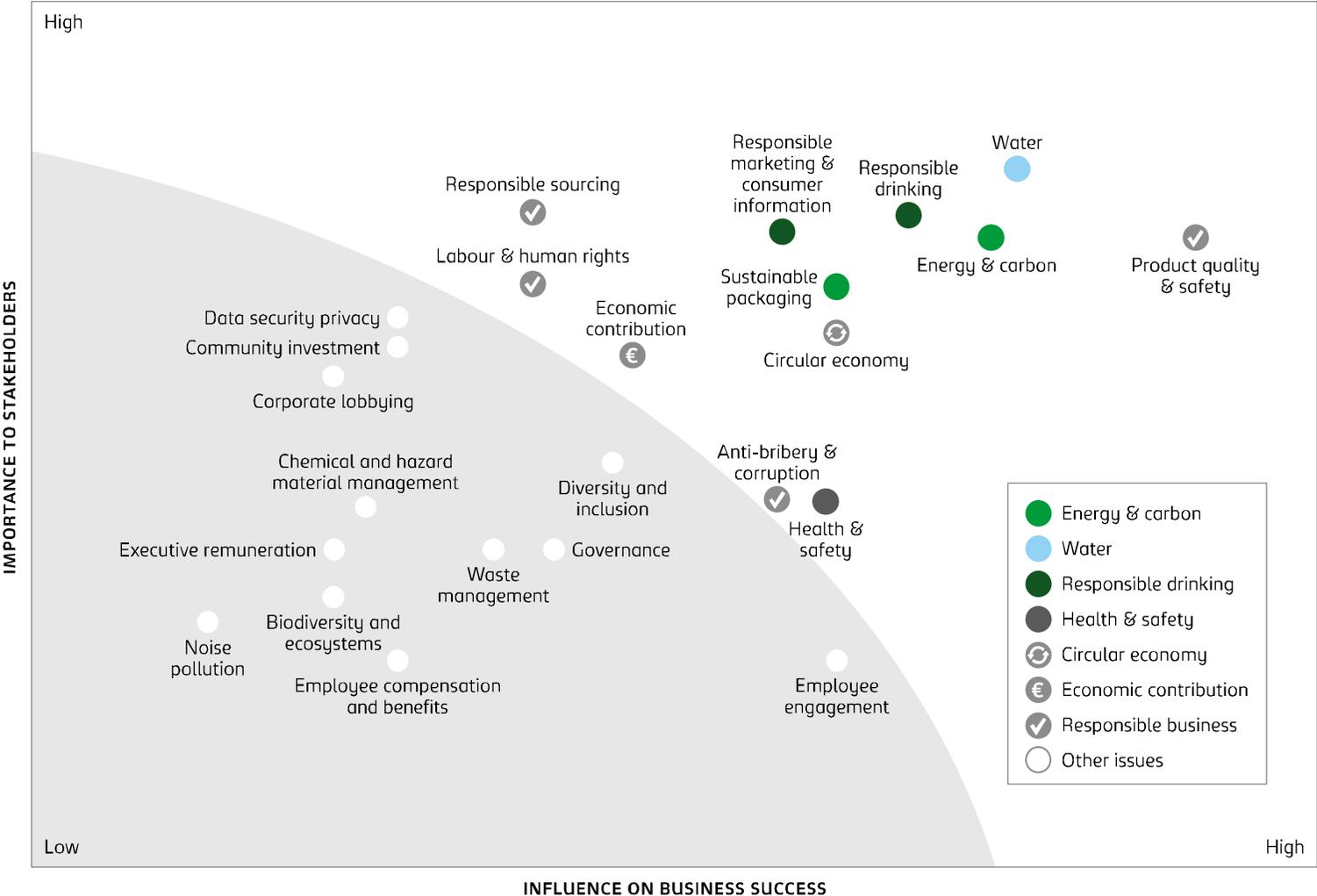
Materiality matrix

The materiality assessment carried out by our Group sustainability team and BSR in 2016 led to the creation of a new materiality matrix, shown here. To create this, we began by listing a universe of relevant sustainability topics drawn from sources such as BSR’s database, research into global trends and drivers, sector and sustainability reporting requirements, and investor rating agency criteria.

A joint working group rated the 24 key issues according to their impact on stakeholders and on the business. Rating decisions were also informed by the views of five external stakeholders, including customers, peers and civil society, and by colleagues from across the Group.

The resulting matrix was tested with our internal and external stakeholders and refined by BSR and the Carlsberg Group’s sustainability team.

As a company, we want to focus on the areas that are key to our business success, and that our stakeholders deem most important. In this report, we therefore disclose progress on the topics in the upper, non-shaded area of the matrix. These are grouped under the following



Read more about our economic contribution to society
www.carlsberggroup.com

About this report

Reporting scope

In 2016, we closed/divested ten breweries and three malting plants in China, five sites in Malawi, two malting plants in Poland and one malting plant in Denmark. These are therefore excluded from this report. We acquired one brewery in Greece. This and our two malting plants in Russia are included in the scope of this report.

Content

Our 2016 Sustainability Report reflects the outcome of our materiality assessment and focuses on the four priority areas identified. It provides updates on the commitments made for 2016 and the actions planned for 2017 to ensure progress towards our 2015-17 targets. We show progress against our 2016 commitments in the following way:



Methodology and assurance

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines without meeting the "in accordance" criteria. We refer to its principles to ensure high standards and quality in terms of materiality, stakeholder inclusiveness, sustainability context, completeness, balance, comparability, accuracy, timeliness, clarity and reliability (GRI table included on page 58). Our disclosure in this year's report has been developed with a view to reporting to the GRI Standards in 2017.

As in previous years, we commissioned KPMG to assure selected information at a limited level of assurance. This information is identified by the note "Within KPMG's assurance scope". KPMG's conclusions can be found in the independent assurance report on page 57.

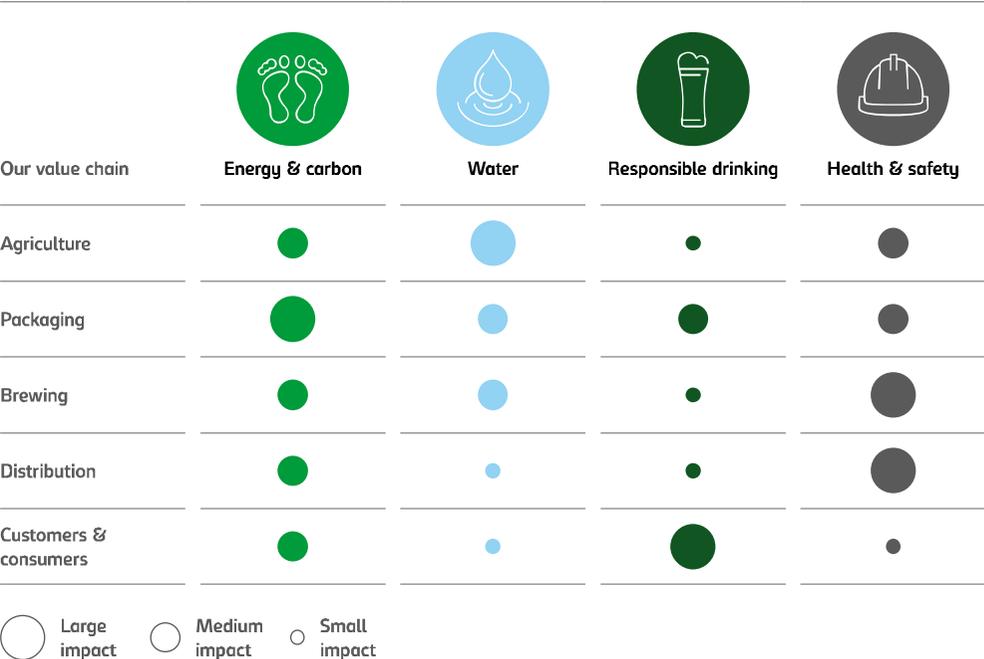
is not a priority topic in the materiality matrix but important because in 2016 the Carlsberg Group started to develop a new, globally coordinated approach that will be further developed in 2017.

Our separate Economic Contribution Report is available on the Carlsberg Group website.

Impacts along the value chain

Having identified the four areas that are most important for our business and stakeholders, the Carlsberg Group's sustainability team drew on their own experience and available data to assess the extent of our impacts – large, medium or small – in each part of the value chain, as shown in the diagram below. This information is helping to shape our sustainability strategy and targets.

Impacts along the value chain



headings: Energy & carbon, Water, Responsible drinking and Health & safety. The Circular economy, and the circular mindset that delivers it, underpin our approach to Energy & carbon and Water, as illustrated on page 11.

An additional four topics (marked with a tick on the matrix overleaf) are grouped together in

the Responsible business section of the report. These are: Labour & human rights, Anti-bribery & corruption, Responsible sourcing and Product quality & safety.

In a further article called Community engagement with purpose (page 47) we provide an update on community investment. This

Thanks to its sustainability performance, in January 2018 Intesa Sanpaolo was the only Italian Group included among the Corporate Knights' 100 Most Sustainable Corporations in the World index. In 2017 Intesa Sanpaolo also maintained its place in the "Engaged Tracking (ET) Carbon Rankings", which includes listed companies that have stood out for their reporting and their actions to reduce greenhouse gas emissions. As for its commitment to people, the company's focus on the theme of inclusion was once again rewarded with the "Diversity & Inclusion Award 2017" and with its listing on the "EQUILEAP - Gender Equality 2017" index, which includes the 200 companies across the world, headquartered in developed countries, that have most distinguished themselves for their commitment to gender equality.

Materiality analysis

The sustainability report focused on significant aspects relating to the positive or negative impacts generated by the Group's activities. These aspects result in risk scenarios that need to be aware of and manage. An understanding of these scenarios is obtained by cross-referencing strategically-important themes for the company with those that its stakeholders regard as key when interacting with the Group. To this end, for several years Intesa Sanpaolo has filled out and updated its "Materiality analysis" according to the process indications of the GRI standard.

The analysis focuses on two areas – the company and its stakeholders – and involves three phases:

- identification of relevant themes for the company and for stakeholders;
- prioritisation of the themes and definition of the materiality matrix;
- validation of the materiality matrix.



IDENTIFICATION OF MATERIAL ISSUES AND STAKEHOLDERS

Intesa Sanpaolo has identified the priority issues for the company and for its stakeholders through a documentary analysis that is periodically updated. The main documents considered are:

- internal documents, including: the 2014-2017 Business Plan, the Code of Ethics, the Sustainability Reports for the last three years, top management communications, Shareholders' Meeting minutes, company policies;
- external documents, including: reference standards for sustainability reports (AA1000, GRI Standards, <IR>, SASB), national and international documents connected with sustainability issues (Agenda 2030, COP22, SDGs), the main regulations in the sector;
- sustainability reports of other Italian and international financial groups;
- documents drafted by national and international institutions for the identification of general and specific megatrends in the banking sector.

In 2017 Intesa Sanpaolo reformulated its priority issues beginning with the requirements dictated by the entry into force of Legislative Decree no. 254/2016, which made it obligatory for some categories of businesses to draft and publish a document containing information on specific sustainability issues. This reformulation generated an effective framework of priority issues. In order to provide clear definitions to all stakeholders, these issues were defined (see outline on page 181) with their meaning to Intesa Sanpaolo clearly explained. Finally, they were evaluated in terms of priority, related risks, areas of priority action and specific actions.

PRIORITISATION OF THE THEMES AND DEFINITION OF THE MATERIALITY MATRIX

To assess the priority of each theme consideration was given both to the interests of the company in terms of its goals and strategies, as reported on the “Impact on strategies” axis of the materiality matrix, and to those of its stakeholders as regards their expectations and needs, reported on the “Importance for stakeholders” axis of the same matrix.

In both cases the issues were assessed using a scale of 1-5 where 1 indicates that the company strategies or stakeholders have minimal interest in the issue and 5 indicates that they have maximum interest.

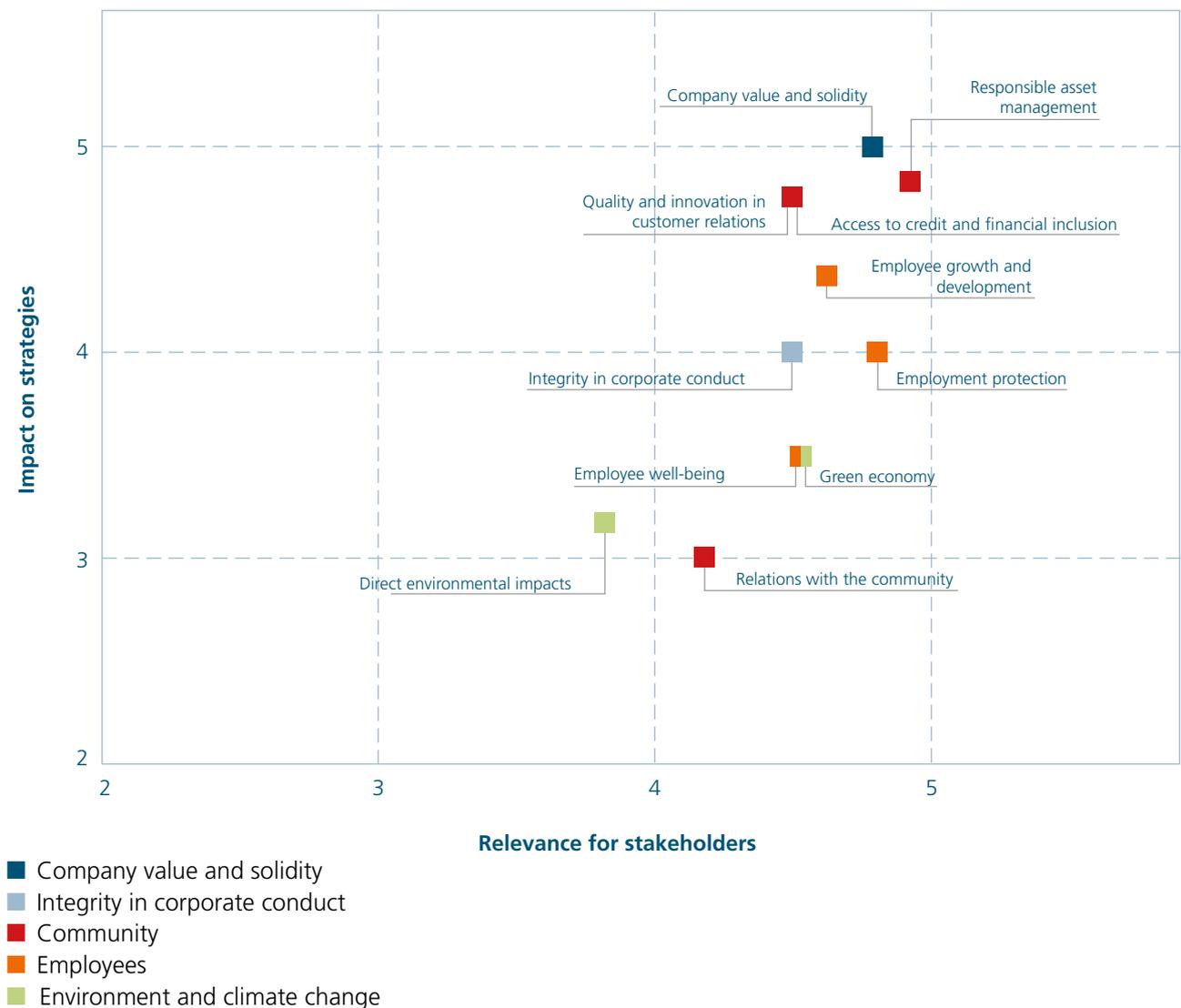
The results of the “stakeholder engagement” process (see page 121). were used when defining the stakeholders 2017 axis. The results were classified on the basis of Intesa Sanpaolo’s issues and weighted according to their relevance for the Bank of the stakeholder in question.

The 2017 strategies axis was constructed as follows:

- documentary analysis: in order to highlight issues that emerged in 2017 and their evaluation in the strategies of Intesa Sanpaolo, the main strategic guidelines were analysed, like the 2014-2017 Business Plan and the press releases during the year as the voice of the company management;
- construction of the 2017 strategies axis: the values assigned to the axis in 2016 were reclassified according to Intesa Sanpaolo’s new priority issues and updated on the basis of the results of the documentary analysis.

The results of the materiality analysis are graphically represented using a Cartesian coordinate system known as the Materiality Matrix which reports the company’s interest on the vertical axis and the stakeholder’s interest on the horizontal axis. This representation makes it possible to assess the significance (“materiality”) of each issue on the basis of its overall position with respect to the two axes. The 2017 Intesa Sanpaolo Materiality Matrix is composed as follows.

2017 MATERIALITY MATRIX



MAIN CHANGES OF THE 2017 MATERIALITY MATRIX COMPARED TO 2016

The 2017 Intesa Sanpaolo Materiality Matrix presents some changes compared with that of the previous year. The main variations are reported below:

- “Company value and solidity”: in line with last year, it rose slightly on the stakeholder axis. For Customers and Investors aspects such as risk management – also as regards reputation – and the management of the Bank’s assets are particularly important.
- “Direct environmental impacts” and “Green economy”: the coordinated reading of the scores attributed to direct impact (slightly down) and the green economy (significantly up) does not demonstrate any discontinuity compared with the previous year.
- “Access to credit and financial inclusion”: this became more a priority issue for both the company and stakeholders. For Customers, the Community and Investors, the actions to support customers in temporary difficulty (e.g. unemployed, victims of natural disasters) were relevant; for the Community and Employees, the promotion of microcredit initiatives was important. The score is influenced by the grouping together of the issues of support for the business system and financial inclusion.
- “Relations with the community”: in 2017 this was considered a material issue thanks to its increase in importance in terms of both the impact of company strategies, due to the extraordinary operation involving the former Venetian Banks, and its relevance for stakeholders, with important aspects including transparent and effective communications also on the issues of corporate social responsibility.
- “Integrity in corporate conduct”: this important issue fell slightly in relevance for stakeholders, probably because of the perception of a decrease in sensitivity due to the increase in dedicated regulatory and operational instruments. For the Community and for Investors aspects such as combating corruption are important; for Employees, the promotion of professional ethics, honesty, fairness and responsibility is relevant.

The issues that were not subject to significant variations were:

- “Responsible asset management”: this issue had the same level of relevance for both the company and its stakeholders. Customers, in particular, highlighted the importance of the range of investment products suitable for their profile while for the Environment and Investors the application of ethics principles to the Bank’s investments is important.
- “Employee growth and development”, “Employee well-being” and “Employment protection”: people issues remain highly relevant for the company and its stakeholders. In particular, Investors are interested in aspects such as the training and well-being of employees. For Employees the equal treatment of diversity and welfare policies are important.
- “Quality and innovation in customer relations”: this issue remains relevant both for its impact on the strategies axis and for stakeholders. Aspects such as listening and dialogue for better customer relations are important for Employees, while Customers are focused above all on the simplification of banking and financial product regulations with a reduction in documentation.

Although relations with suppliers are not a material issue, Intesa Sanpaolo recognises their high social and environmental value and therefore provides summary disclosures in this document and detailed information on the website [i].

MATRIX VALIDATION

All significant issues (i.e. those with a score of 3/5 or higher) for the company and/or for at least one of its stakeholders are material and are accounted for in this document.

Each one is assessed in terms of its positive and negative impact on internal and external stakeholders and the company structures, and on the basis of potential associated business risks/opportunities. The reporting boundaries are also declared for each issue (see page 181).

The Materiality Matrix was shared with the internal company functions and with the Risks Committee, which forms part of the Board of Directors, in order to present an organic summary of these activities to the governing bodies.

ANALYSIS OF MATERIAL ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

The results obtained from the Materiality Analysis were examined in terms of their congruence with a context analysis on general CSR issues and a sector analysis at national and international level. This analysis comprised:

- a context analysis on general CSR issues and a sector analysis at national and international level;
- a reference sector benchmark analysis.

According to the analysis, Intesa Sanpaolo is highly attentive to key areas as regards future trends.

Material Topics

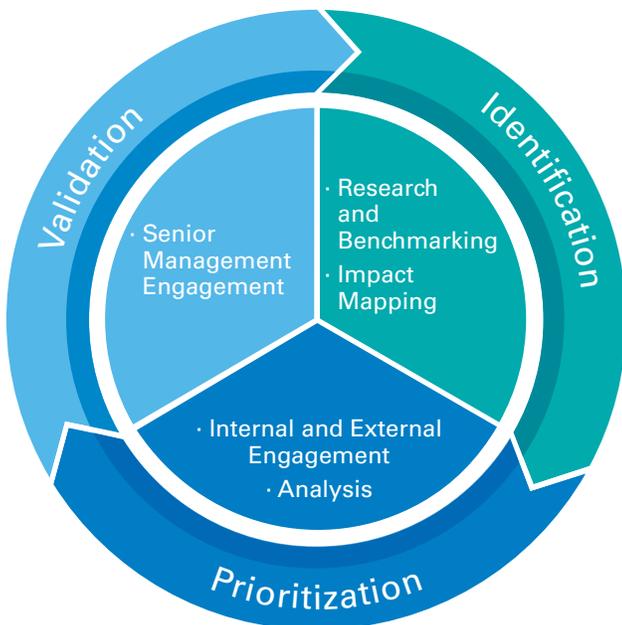
In our report, a material topic is one that reflects our company’s significant economic, environmental and social impacts, or that could substantively influence the assessments and decisions of our stakeholders, per guidance from the Global Reporting Initiative. For each of our 11 material topics, we provide information as to why the topic was material in 2017, Teck’s approach to managing risks and opportunities associated with that topic, our performance, and our outlook for 2018.

2017 Materiality Assessment

The content of our annual sustainability reporting is determined through a detailed materiality assessment, which is a process for identifying and evaluating the topics that mattered most to our business and our communities of interest during the previous year and for the near-term future.

Our annual process for determining material topics follows a three-year cycle and involves three steps: identification, prioritization and validation. The first year involves intensive consultation and research to identify a full list of topics, which are analyzed by internal experts and external stakeholders and validated by our senior management team. Topics in the mining industry are typically consistent year over year, given the long-term nature of operations. As such, the second and third years build on the results from the first year, and the assessment is updated to reflect emerging issues.

Figure 6: Materiality Assessment Process



In 2017, we conducted a comprehensive materiality assessment and began a new three-year cycle. During the identification phase, we conducted research on trends in our industry and evaluated internal strategy documents, including the five-year plans for each of our business units. We also mapped our impacts and the boundary of our material topics across the value chain with a cross-functional group of 16 internal experts. In this phase, we identified 26 potentially material topics.

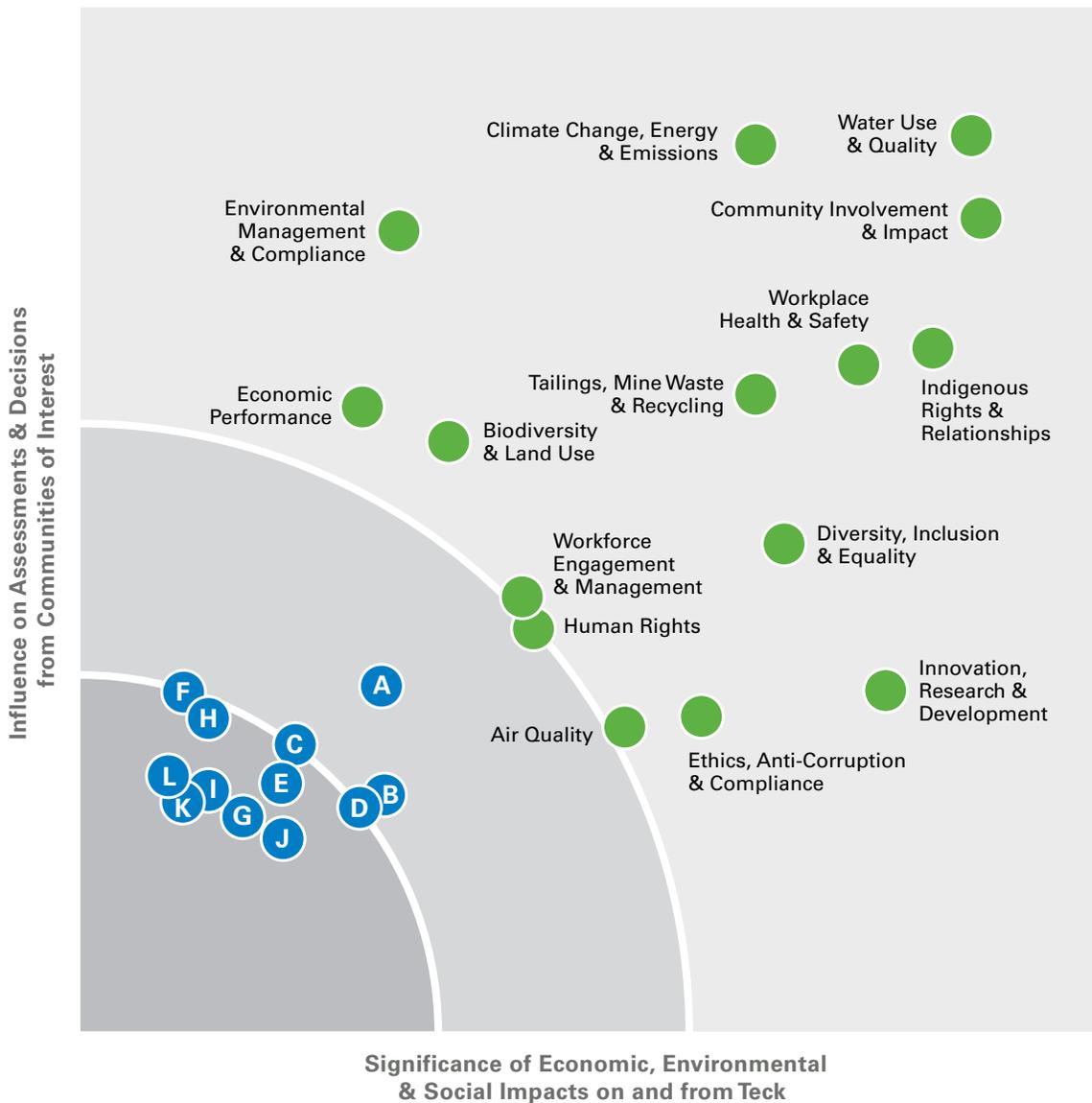
During the prioritization phase, we conducted one-on-one interviews with 20 internal and external stakeholders and used more than 20 inputs such as industry reports, survey results and internal workshops to determine the most significant risks and opportunities facing our business and our communities of interest in the past year. During interviews with internal and external stakeholders, a range of topics were identified as most significant in terms of risks and opportunities in 2017. For internal stakeholders, the most significant topics were water management, relationships with communities, and business ethics. For external stakeholders, the topics that were considered most significant were energy and greenhouse gas emissions, biodiversity, and dialogue with communities. In this phase, 15 topics were identified as potentially meeting our threshold for reporting.

We recognize that many of our material topics are interrelated; for example, a topic such as Relationships with Indigenous Peoples is connected to several topics, such as Biodiversity and Reclamation, Water Stewardship and Human Rights.

During the validation phase, we engaged several members of the senior management team, including the Senior Vice President, Sustainability and External Affairs, who reviewed and confirmed the matrix (Figure 7) as well as the consolidation of 15 topics into 11 topics to increase the readability of this report. We recognize that many of our material topics are interrelated; for example, a topic such as Relationships with Indigenous Peoples is connected to several other topics, such

as Biodiversity and Reclamation, Water Stewardship and Human Rights. For the sake of clarity and ease of reference, we report on these topics individually, and where appropriate, we include a description of the interconnection that was significant in the reporting period. For a detailed description of each topic and to see how the topics interconnect, view our interactive [materiality matrix](#) on our [website](#).

Figure 7: 2017 Materiality Matrix



Lower Materiality Topics

- A. Mine Closure
- B. Partnerships & Collaboration
- C. Information & Asset Security
- D. Supply Chain Environment

- E. Emergency Preparedness
- F. Public Policy
- G. Supply Chain Social
- H. Social & Geopolitical Stability

- I. Prosperity of Employees
- J. Business Resilience
- K. Customer & Community Satisfaction
- L. Product Footprint/Life Cycle

CONSTRUCTIVE EXCHANGES WITH STAKEHOLDERS

Thales's teams are committed to interacting constructively with their ecosystem in the firm belief that listening to stakeholders is a precious source of knowledge, and that different points of view enrich the decision-making process.

Dialogue with each stakeholder is organised as a function of key challenges by identifying the most effective channels of communication and ensuring that interactions take place at the appropriate level of the organisation. Given the Group's size and international scope as well as the diversity of its business lines, dialogue may take place at the level of headquarters, global business units, country operations or sites, depending on the specific situation. The **dialogue policy** and the identification of key stakeholders are structured by categorising stakeholders according to the following criteria:

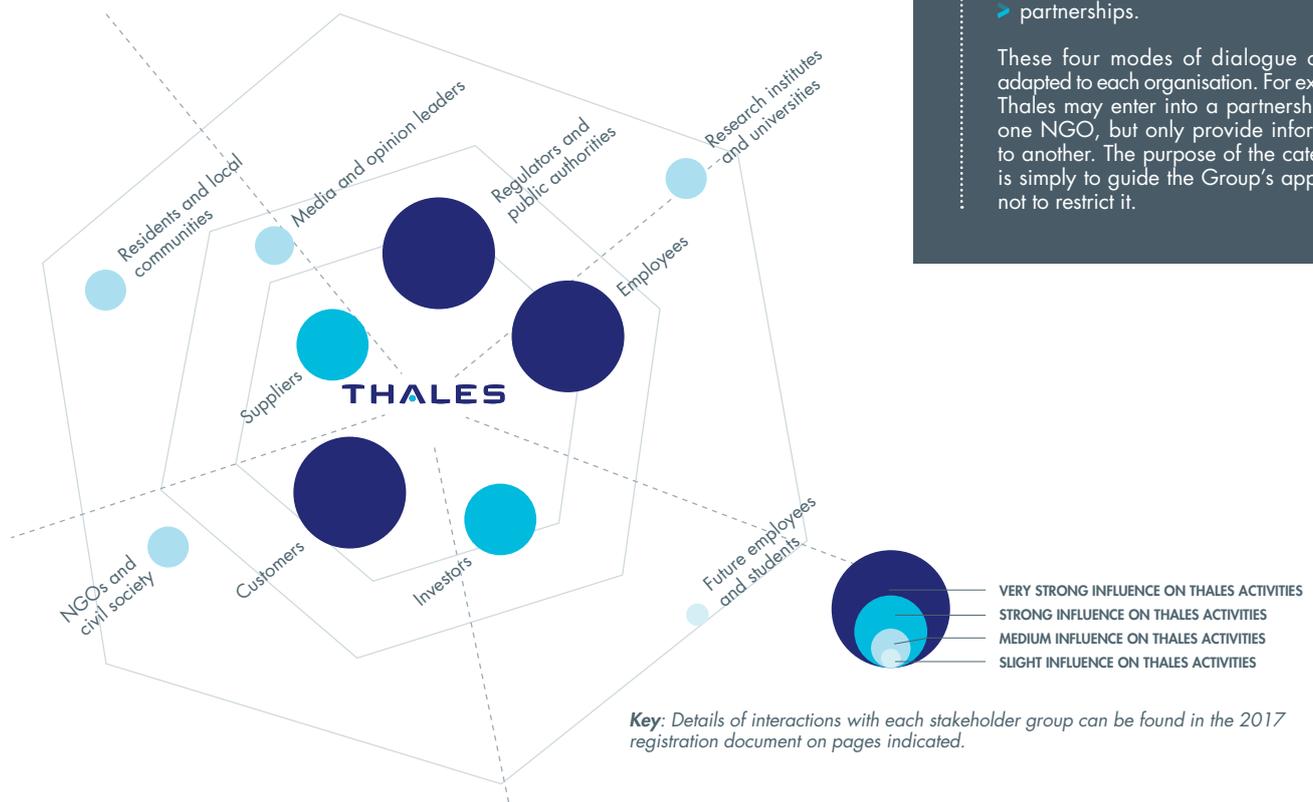
- their role as influencers: the capacity of the stakeholder to influence and impact the Group's decisions;

- the level of engagement that Thales hopes to develop with them.

To manage this process more effectively and **improve feedback** about stakeholders' expectations, while also making sure that these expectations are optimally aligned with Thales's long-term objectives, groups of stakeholders are defined for each key challenge.

For many years, a climate of trust and **constructive dialogue** has been established between Thales and its principal stakeholders, who are also represented on the Group's Ethics and Corporate Responsibility Committee (see p. 29).

THALES STAKEHOLDERS



DIFFERENT MODES OF DIALOGUE

Listening to stakeholders is a major part of Thales's corporate responsibility strategy. In particular, stakeholders' expectations were taken into account when prioritising challenges as part of the materiality assessment (see p. 19).

There are many channels of communication that can be selected to meet the needs of each stakeholder. For the sake of clarity, the various strategies have been grouped into four categories:

- intelligence/information;
- communication;
- obligations;
- partnerships.

These four modes of dialogue can be adapted to each organisation. For example, Thales may enter into a partnership with one NGO, but only provide information to another. The purpose of the categories is simply to guide the Group's approach, not to restrict it.

Listening to stakeholders to identify key issues

In 2016, Thales, with the support of an external consultant (EY), drew up a materiality matrix to provide a more in-depth assessment of the Group’s risks and challenges in terms of social responsibility. This analysis was conducted in several different stages. First, Thales identified its main challenges based on institutional publications (annual report, corporate responsibility report, social report, etc.). Next, these choices were validated through dialogue with stakeholders and by running special internal workshops.

This enabled the Group’s most important environmental, social and economic challenges to be identified and classified based on:

- stakeholder expectations;
- impact on Group activities.

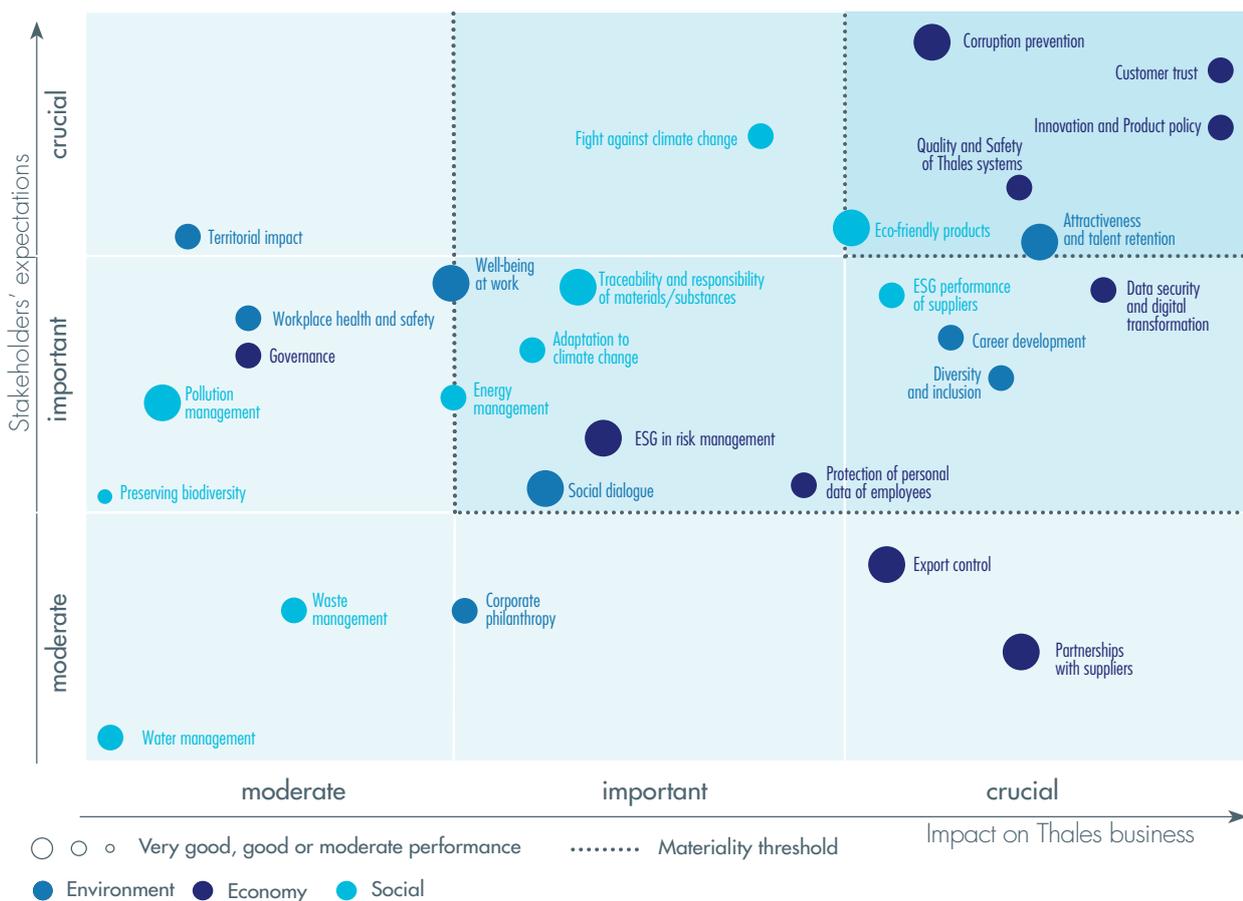
In addition, **Thales’s level of performance against each of the challenges** was determined. Adding this third aspect to the materiality matrix allows the Group’s strategy and policies to be further refined by focusing on the most important challenges, so that stakeholder expectations can be more effectively anticipated, and opportunities more readily seized.

The matrix was updated in 2017 to take account of the following:

- the critical nature of different challenges;
- the work already done to reduce the materiality of challenges (for example, replacement of materials and substances in purchased items).

Thales aims to further develop the analysis to arrive at a detailed identification of potential sources of shared value as part of a long-term vision.

THALES MATERIALITY MATRIX



Analysis of the items that appear in the “**priority challenges**” section of the matrix reveals the **convergence** between **stakeholders’ key expectations** and **Thales’s strategic vision** (Ambition 10 plan, see p. 52-53): customer value and mindset, customer-driven competitive innovation, attractiveness and talent retention, excellence in delivery, etc.

The matrix additionally shows that **the basic principles of Thales’s corporate responsibility policy** – business ethics, risk management, ESG (environment, social and governance) – **are also aligned** with stakeholders’ expectations.