The Materiality Principle: A Deep Dive

Webinar 6 of the six-part GRI Standards In Practice Series

An exclusive program for the GRI GOLD Community

November 29, 2018
Presenters

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GRI

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Guidance & Practice
GRI
How to use WebEx

Topic: GRI Secretariat
Instructions:
- Call-in toll-free number (UK): 0800-051-3810
- Call-in toll number (UK): +44-203-478-5289
- Access code: 841 237 540
- Attender ID: 39
- Training session number: 841 237 540
- Host key: 237530

Chat

You are participating in the audio conference using your computer.
## GRI Standards In Practice Webinars

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<td>19 April</td>
<td>8.30 AM CET &amp; 4.30 PM CET</td>
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<td>Review of Management Approach and Topic-Specific Standards</td>
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<td>GRI and the Sustainable Development Goals</td>
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<td>The Materiality Principle: A Deep Dive</td>
<td>29 November</td>
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Today’s agenda

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<td>Conclusions</td>
<td>Rumyana Taneva</td>
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Defining Materiality
The report shall cover topics that:

• reflect the reporting organization’s significant economic, environmental, and social impacts;

OR

• substantively influence the assessments and decisions of stakeholders.
‘Impact’ refers to the effect an organization has on the economy, the environment, and/or society, which in turn can indicate its contribution to sustainable development.
Materiality and report content
Using the GRI Standards for sustainability reporting

Using the GRI Standards for sustainability reporting

Starting point
Foundation
GRI 101

Choose an option for reporting in accordance with the Standards
Section 3, GRI 101

Core

Comprehensive

Apply the Reporting Principles throughout the reporting process
Section 1, GRI 101

Identify your material topics
Section 2, GRI 101

Report contextual information about your organization and its reporting practices, using GRI 102

Report the management approach for every material topic identified, using GRI 103

Report on each material topic identified, using the corresponding topic-specific Standard

Comply with all reporting requirements for a selected number of disclosures, as per Table 1 in GRI 101

Comply with all reporting requirements for each material topic

Comply with all reporting requirements in GRI 103 for each material topic

For each topic Standard: comply with all reporting requirements in the "Management approach disclosure" section, and all reporting requirements for at least one topic-specific disclosure

For each topic Standard: comply with all reporting requirements in the "Management approach disclosure" section, and all reporting requirements for all topic-specific disclosures

Sustainability report
WBCSD members that have disclosed they use a materiality process.

89%  
(2014: 72%)

WBCSD members that have applied materiality to determine the content of their reports.

38%  
(2014: 12%)
Materiality analysis
Case study: H&M
Materiality analysis
Case study: Guess

[Sustainability Materiality Assessment diagram]

Guess, Inc. Sustainability Report – 2017
Main challenges related to conducting materiality
Materiality analysis
Typical step-by-step process

1. DESIGN THE MATERIALITY ANALYSIS
2. ANALYSIS OF VALUE CHAIN
3. IDENTIFICATION OF THE INITIAL LIST OF TOPICS
4. EXECUTE THE MATERIALITY ANALYSIS
   a. Impact assessment
   b. Assess topics that substantively influence the assessments and decisions of stakeholders
   c. Set threshold and identify material topics
   d. Identification of material topics’ boundary
5. MATERIALITY VALIDATION
6. USE OF MATERIALITY FOR THE REPORTING
7. USE OF MATERIALITY BEYOND THE REPORTING
8. ASSESS THE PROCESS OF MATERIALITY ANALYSIS

While this process outlines the typical activities of sustainability reporting, it should not be considered to be a part of GRI Standards. Applying the described process does not guarantee that report is developed in line with the GRI Standards. In addition, it can be possible to develop a report in accordance with the GRI Standards, applying a different approach compared to the one described in this process.
Materiality and the SDGs

The linkage between conducting a materiality assessment and reporting on SDGs is two-way:

• SDGs can provide an opportunity to review earlier materiality assessments by introducing additional considerations and expectations…

• …while material topics can be used to identify impacts that are linked to SDGs and thus to prioritize SDG targets
Prioritization
Prioritization

- Not all material topics are of equal importance; the emphasis within a report is expected to reflect their relative priority.
- A topic can be material based on only one of the two dimensions.
- Organization should be able explain the process by which it determined the priority of topics.
Prioritization

Case study: UPS

Excerpt:
Ultimately, we examined more than 50 issues, including areas of significant organizational impact, as well as broader sustainability trends that affect UPS. BSR ranked each issue's relative importance based on an assessment of the aggregate feedback from stakeholders and UPS executives and supported us in making final adjustments to the ranking before we presented it to members of our Sustainability Leadership Council. This Council then submitted the results of the materiality process for approval to our Sustainability Steering Committee, which includes members of the Management Committee and other senior leaders of UPS.

1. UPS gathers more than 50 issues including areas of significant organizational impact, as well as broader sustainability trends that affect UPS
2. The topics are ranked according to feedback from stakeholders and UPS execs and presented to Sustainability Leadership Council
3. Results are submitted to Sustainability Steering Committee
Prioritization
Case study: Cemex

Material issues per CEMEX Region

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<thead>
<tr>
<th>EUROPE</th>
<th>SAC</th>
<th>AMEA</th>
<th>MEXICO</th>
<th>USA</th>
</tr>
</thead>
</table>

Cemex 2018 Sustainable Development - Materiality Analysis
Boundary setting
Boundary Setting
GRI Standards

For every material topic, the reporting organization shall report the related boundary, meaning:

**A. Where the impacts occur:**
- Entities in the organization
- Entities with which it has a business relationship

**B. Organization’s involvement with the impacts**
- Cause, or
- Contribution, or
- Direct link through its business relationships

The topic boundary is based on international instruments such as the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for MNEs
Boundary Setting
Impacts from the value and supply chain

The UK Government’s Environmental Audit Committee is investigating the social and environmental impact of disposable ‘fast fashion’ and the wider clothing industry.

"The way we design, produce and discard our clothes has a huge impact on our planet. Fashion and footwear retailers have a responsibility to minimise their environmental footprint and make sure the workers in their supply chains are paid a living wage. We want to hear what they are doing to make their industry more sustainable.” - Environmental Audit Committee Chair Mary Creagh MP

Chief Executives of the UK’s Top Ten fashion retailers have been contacted to find out what steps they are taking to reduce the environmental and social impact of their products. Questions include:

• whether they pay the living wage to garment workers and how they ensure child labour is not used in their supply chains;
• whether they use recycled materials;
• how long clothes are kept and how they encourage recycling;
• whether they incinerate unsold or returned stock;
• what steps they are taking to reduce the risk of microplastics contaminating the ocean
Impacts from the supply chain

- In 2015 and 2018, American consumers filed two separate class action lawsuits against The Hershey Company (Hershey’s), in California and Massachusetts U.S. district courts respectively.
- The claimants allege that the company is violating these states’ consumer protection laws by not disclosing that their cocoa suppliers in Côte d’Ivoire rely on the worst forms of labor exploitation.

Reports by the US Department of Labor Bureau of International Affairs show that cocoa from Côte d'Ivoire is very likely to be the result of forced and child labor.

Products that contain cocoa from Côte d'Ivoire are produced and sold by major brands such as Hershey’s around the world.
## Boundary setting

**Case study: Monsanto**

The chart below summarizes the identified topics and how they map with perspectives from external stakeholders and across our global business. Please visit our website for detailed definitions of each material topic.

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<th>Material Topics</th>
<th>Foot/Ground Industry</th>
<th>NGOs</th>
<th>Farmers</th>
<th>Academics</th>
<th>Government</th>
<th>S. America</th>
<th>N. America</th>
<th>NA/A/Africa</th>
<th>Asia/Pacific</th>
<th>Europe</th>
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<td>Product Safety and Stewardship</td>
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<td>Technologies and Products</td>
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<td>Sustainable Chemistry</td>
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<td>Business Ethics and Transparency</td>
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<td>Positive Relationships with Local</td>
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<td>Communities and Society</td>
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<td>Regulatory Approval Systems</td>
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<td>Serving Smallholder Farmers</td>
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<td>Data Security, Management and Access</td>
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### Boundary setting

#### Case study: Singtel

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<th>Applicable Material Topics</th>
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<th>Operations</th>
<th>Products</th>
<th>Distribution</th>
<th>Customers</th>
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#### Group Consumer

- **Mobile**
  - Infrastructure platform vendors
  - Own network 3G/4G
  - Customer management
  - Own stores
  - Customers (e.g. residents, travellers)

- **Device vendors**
  - Other operators (e.g. interconnect, roaming)
  - Network & IT operations
  - Franchise
  - Children & youth

#### Fixed Broadband

- Next Generation Network & other carriers
  - Own network (e.g. ADSL, cable, fibre)
  - Customer management
  - Product and service quality
  - Innovation

- Customer equipment vendors
  - Other operators (e.g. fibre, submarine cables)
  - Network & IT operations
  - Customer satisfaction
  - Customer health and safety

- **Group Enterprise**
  - Infrastructure platform vendors
    - Own network (e.g. IP VPN, data centres/servers)
    - Service delivery
    - Cloud
    - Enterprises
  - Managed hosting
  - Government
  - Managed security
  - Contact centres

- **Managed Services**
  - Customer equipment vendors
    - Other operators (e.g. fibre)
    - Monitoring & maintenance
    - Government
    - Managed services
    - Contact centres

- **Advisors**
  - Teico data
  - Data analytics
  - Customers

Numbers corresponding with different material issues

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*Singtel Group Webpage 2018*
Value of materiality beyond reporting
The transformative power of materiality
While 67% of companies conduct some materiality assessment, 23% of companies have performed a materiality analysis and provide evidence that results are leveraged strategically internally.

**The transformative power of materiality**

Using results of materiality assessment as part of internal strategy

[Diagram showing distribution of materiality assessment performance levels, with 23% marked as the highest level of performance]
The transformative power of materiality

Case Study: Enel
The transformative power of materiality

Case study: Novartis

This report summarizes the approach and results of our 2017 corporate responsibility (CR) materiality assessment. The assessment plays an important role in strengthening the integration of CR in our core business. We have invested significant resources and time into the research and analysis underpinning this process to ensure that the assessment is a valuable management tool for the business.

Objectives of our CR materiality assessment

- **Strategy**: Further align strategies with societal expectations, business needs and market developments
- **Stakeholder Management**: Intensify dialog with key stakeholders on a systematic basis
- **CR Reporting**: Structure and prioritize our corporate reporting
GRI Services with focus on Materiality

Materiality Disclosures Service

Get your Materiality Disclosures right and build a strong foundation for your report
Scope: Disclosures 102-54, 102-55 - page references, links and the Disclosures 102-40 to 102-49 included in the Content Index

Stakeholder Engagement and Materiality Disclosure Review

Maximize your reporting impact through a detailed review of disclosures that lie at the core of sustainability reporting

Kick-off Service

The Kick-off Service offers a series of customized workshops to help organizations assess their impacts, identify their stakeholders and create an action plan to kick-start their reporting process for a GRI Standards report.

Tailored support

GRI offers tailored support through workshops on topics that the reporting organizations need help with. These topics can range from introduction to GRI Standards, SDGs, Stakeholder Engagement, Materiality etc.
Questions?