

**CORPORATE CITIZENSHIP**

Part of The Good Relations Group

# Materiality

## WHY it matters & HOW to make it work

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# Presenters



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# Who is Corporate Citizenship

- We are a global business consultancy specialising in sustainability.
- Established in 1997, we are one of the longest-standing specialist sustainability consultancies.
- Experienced teams based in London, New York, San Francisco, Singapore and Santiago.
- Working experience in more than 40 countries across Africa, India, South East Asia and Latin America.
- [Our team](#) of 35 + have valuable in-house knowledge, each with their own expertise area.
- Part of [The Good Relations Group](#), owned by [Chime Communications PLC](#) (London Stock Exchange: CHW.L).



*“Corporate Citizenship helped us to understand the issues, anticipated what’s next and realise the opportunities for growth.”*

**Global VP, Sustainable Business**

*“They understood what was important to the way we operate, and where we could make the greatest difference.”*



# What we will cover today

- ✓ **WHAT** materiality is.
- ✓ **WHY** it matters.
- ✓ **HOW** to approach materiality.
- ✓ Using the outputs of materiality to add **VALUE**.

# Asking questions

The image shows a screenshot of a GoToWebinar interface. At the top, there is a menu bar with 'File', 'View', and 'Help'. Below this is a 'Questions' panel. The 'Audio' section is visible, showing 'Audio Mode' with radio buttons for 'Use Telephone' and 'Use Mic & Speakers'. A 'MUTED' status is displayed with a speaker icon and a volume level of '000000000'. A 'Send' button is located at the bottom of the 'Questions' panel. The text '[Enter a question for staff]' is visible in the input field. The bottom of the interface displays 'Corporate Citizenship Webinar' and the 'GoToWebinar™' logo.

**Raise Your Hand** (indicated by a blue arrow pointing to the 'Raise Your Hand' icon in the sidebar)

**Ask a Question** (indicated by a blue arrow pointing to the 'Questions' panel)

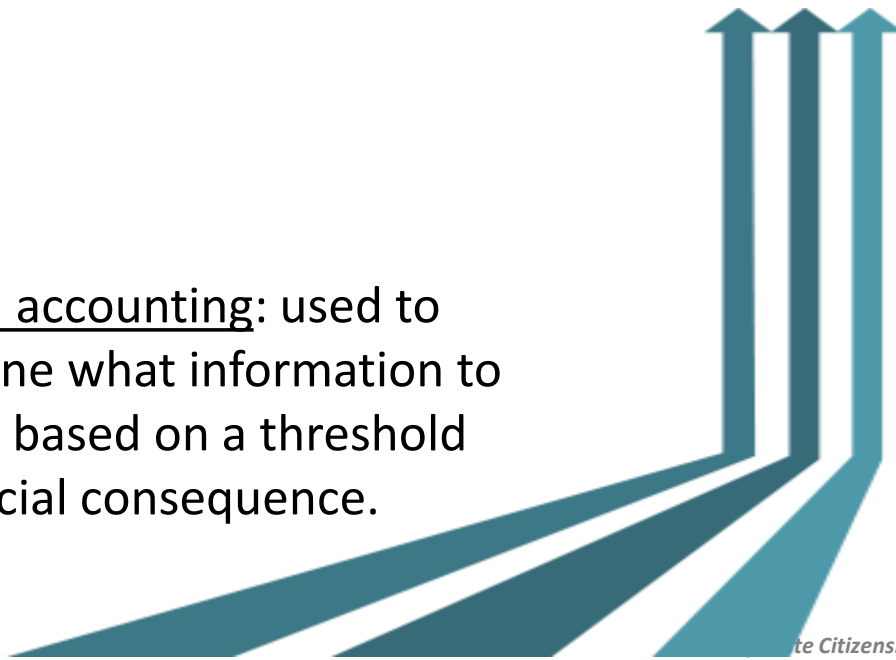
A black and white photograph of a person's hands writing in a notebook with a pen. The person is wearing a dark suit jacket. The notebook is open, and the pen is held in the right hand. The background is blurred, showing other people in a meeting or office setting. The image is overlaid with a semi-transparent dark grey rectangle containing the text.

# WHAT materiality is and WHY it matters

# What is materiality?

*Materiality is a principle used in decision-making to define whether an aspect or issue is sufficiently important to warrant attention.*

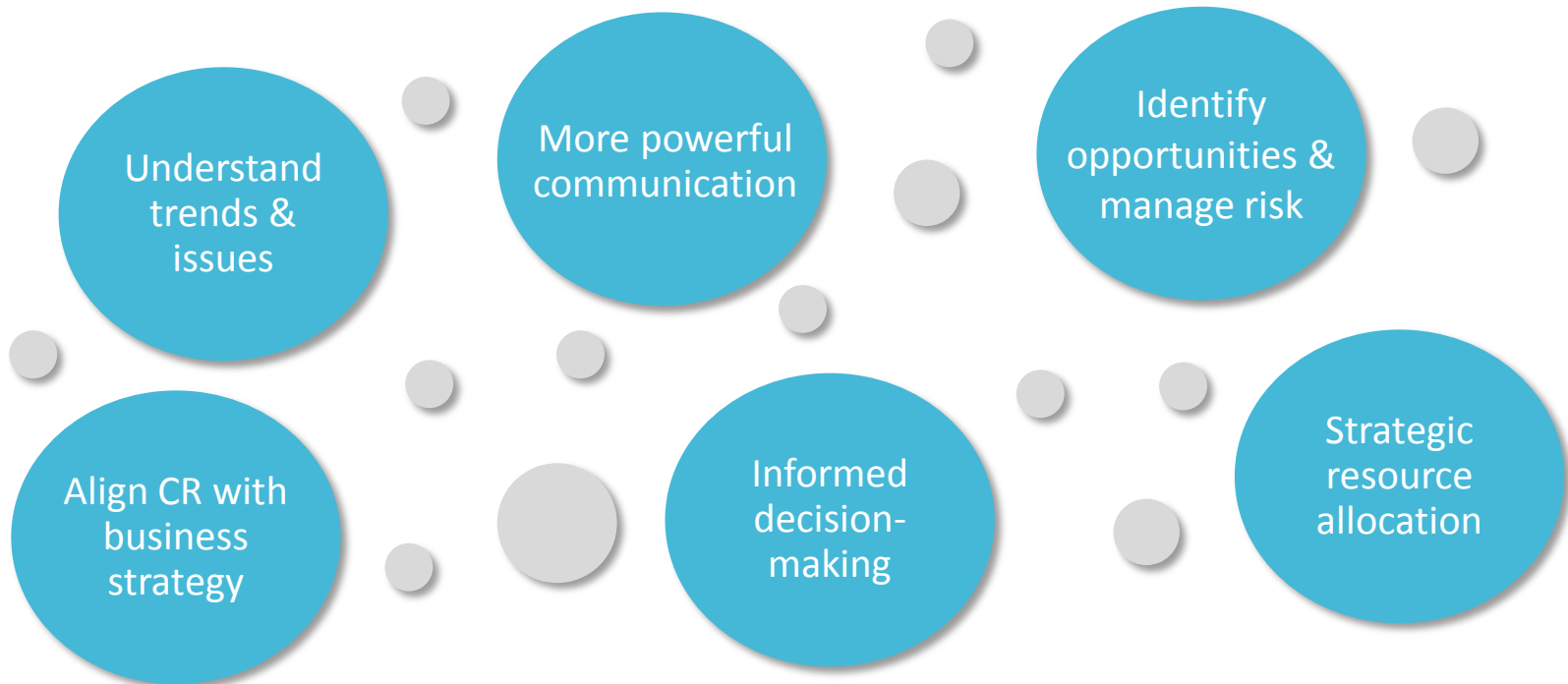
Roots in accounting: used to determine what information to disclose based on a threshold of financial consequence.



# Why does materiality matter?

**1. *Expectations are growing:*** Increasingly materiality is the focus of sustainability standards (e.g. GRI G4, IIRC, SASB, and DJSI).

**2. *Materiality offers real business value:***





# Common challenges in getting started

## NOISE

- Lack of clarity on standards and expectations around materiality.
  - Too many indicators and/or stakeholders to consider.
- 

## RESOURCE

- Competing demands on time or budget.
  - Lack of organisational buy-in and senior support.
- 

## COMPLEXITY

- Geographical, technical and/or accountability challenges to completing a materiality assessment.



1. UNDERSTAND DRIVERS & LIMITATIONS
2. BE PRAGMATIC
3. FOCUS ON THE BUSINESS VALUE

# Creating a robust materiality assessment



# What makes a robust materiality assessment?

A robust materiality assessment begins with a strong *Purpose* that is driven by a well-structured *Process* and framed by both internal and external *Perspectives*.

## PURPOSE

A clear understanding of objectives helps manage expectations and drives the optimisation of results.

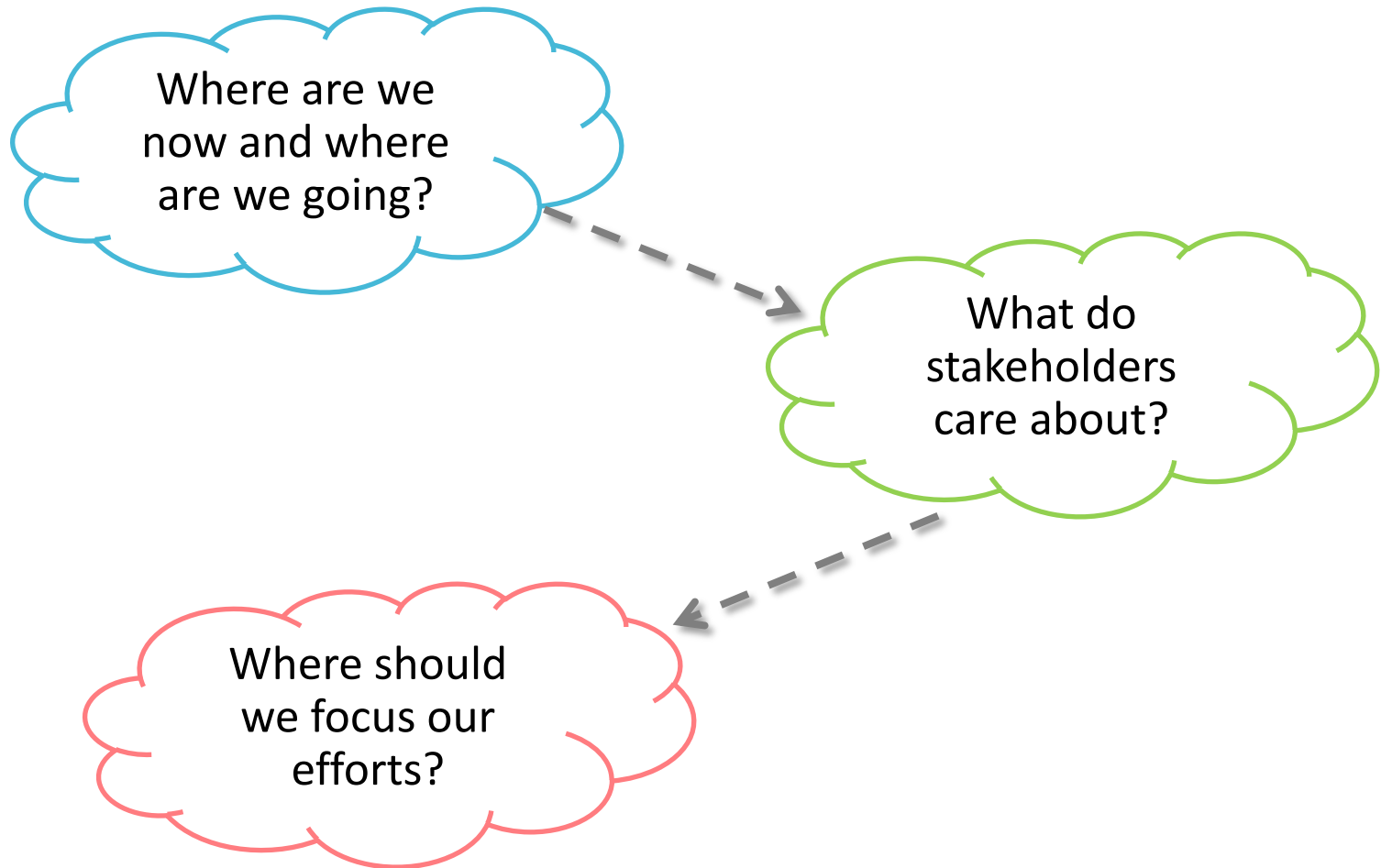
## PROCESS

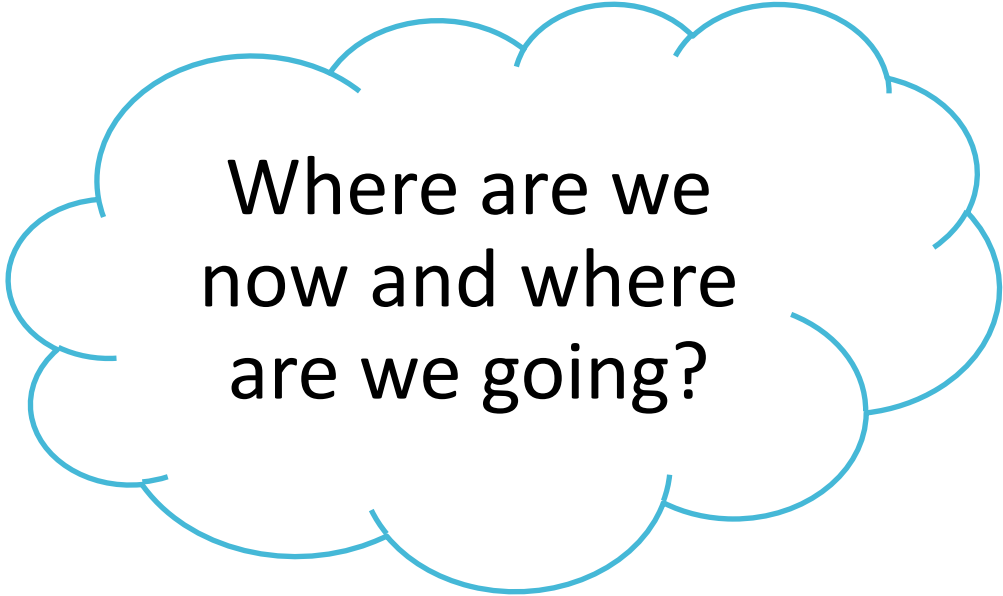
Following robust process will increase confidence in outputs and result in improved decision making.

## PERSPECTIVES

Balancing internal and external viewpoint is the mark of a leader and need not be resource intensive.

# Materiality assessment process

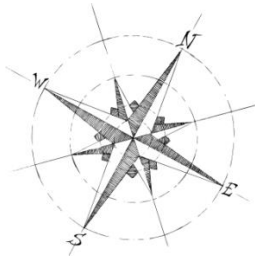




Where are we  
now and where  
are we going?

# Establish purpose and scope

Where are we now and where are we going?



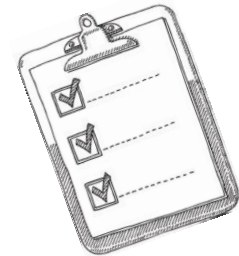
## Why are we doing an assessment?

Set a purpose to give the materiality assessment direction and objectives



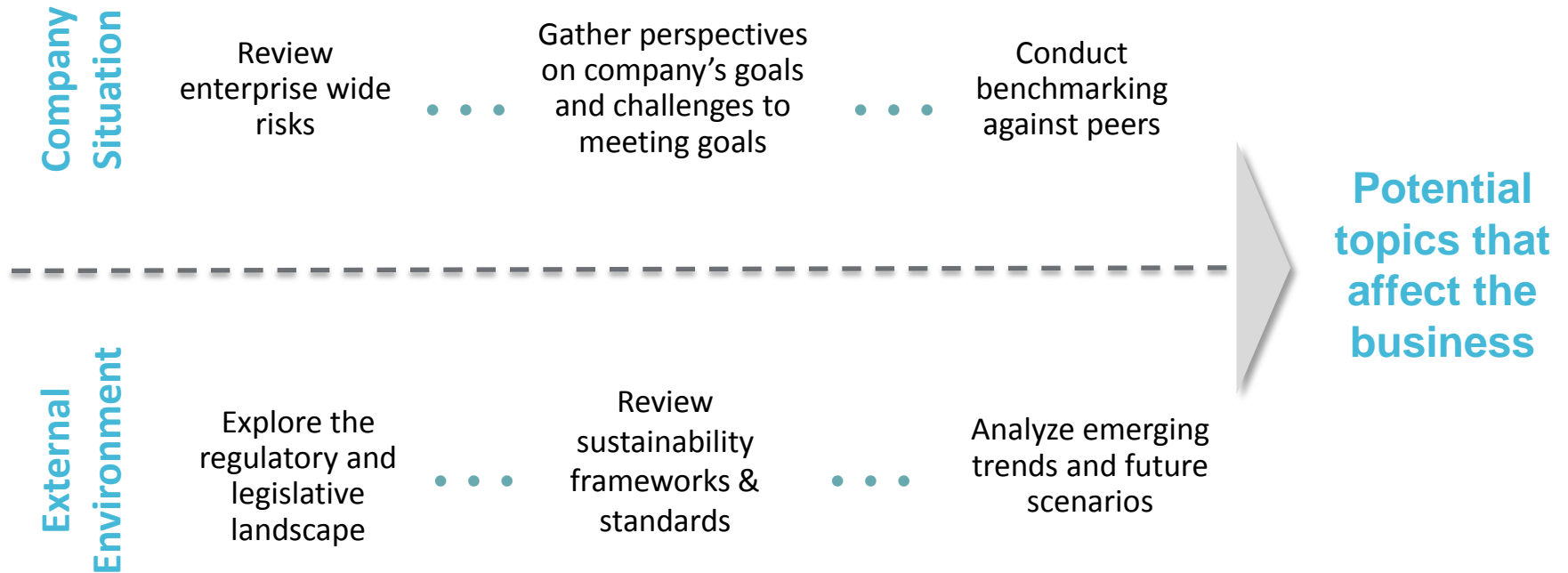
## What are we assessing?


Define the scope of the assessment



**= Robust Output**

# Understand context and identify potential topics





What do  
stakeholders  
care about?



# Map and prioritise stakeholders



Map your key stakeholder groups and prioritise who to include in the materiality process based on the purpose driving your materiality and the perspectives needed.



## PRIORITISATION CONSIDERATIONS

	High		
Influence	Medium		
	Low		
		Low	Medium
			Impact

# Getting the business perspective



## WHO TO ENGAGE



## HOW TO FRAME SUSTAINABILITY ISSUES

- **Scale – What is the size and scope of the impact?**
  - Revenue generation
  - Costs
  - Business critical
  - License to operate
- **Likelihood – What is the chance of this topic creating an impact?**

# Gathering perspectives



There are a variety of qualitative and quantitative methods which can be used to gather internal and external perspectives.

Choosing the right one will depend on the overall objectives defined, which stakeholder groups you have prioritised, and resources available.



Surveys



Online forum



Focus groups



1-2-1s

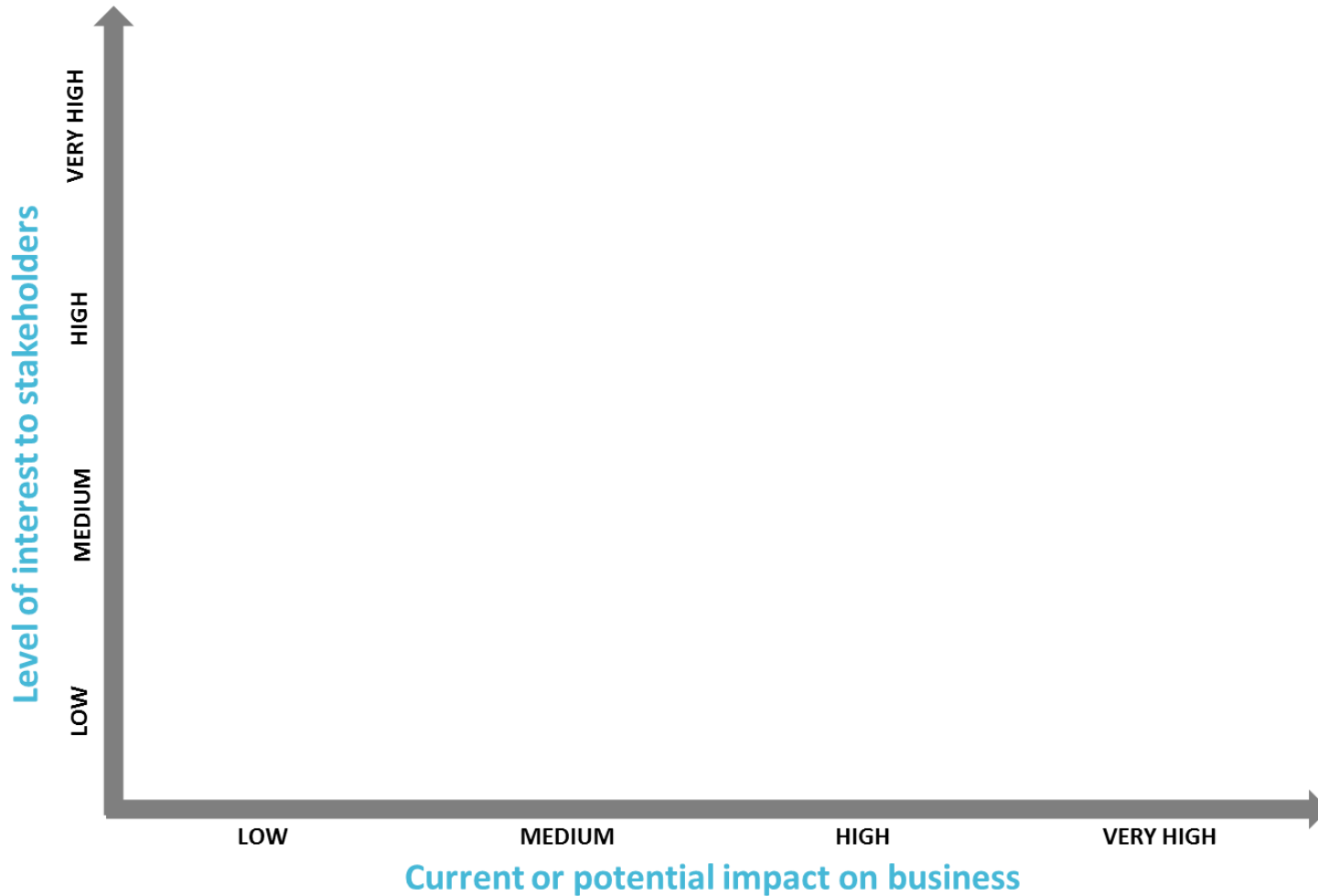
Lower  
cost



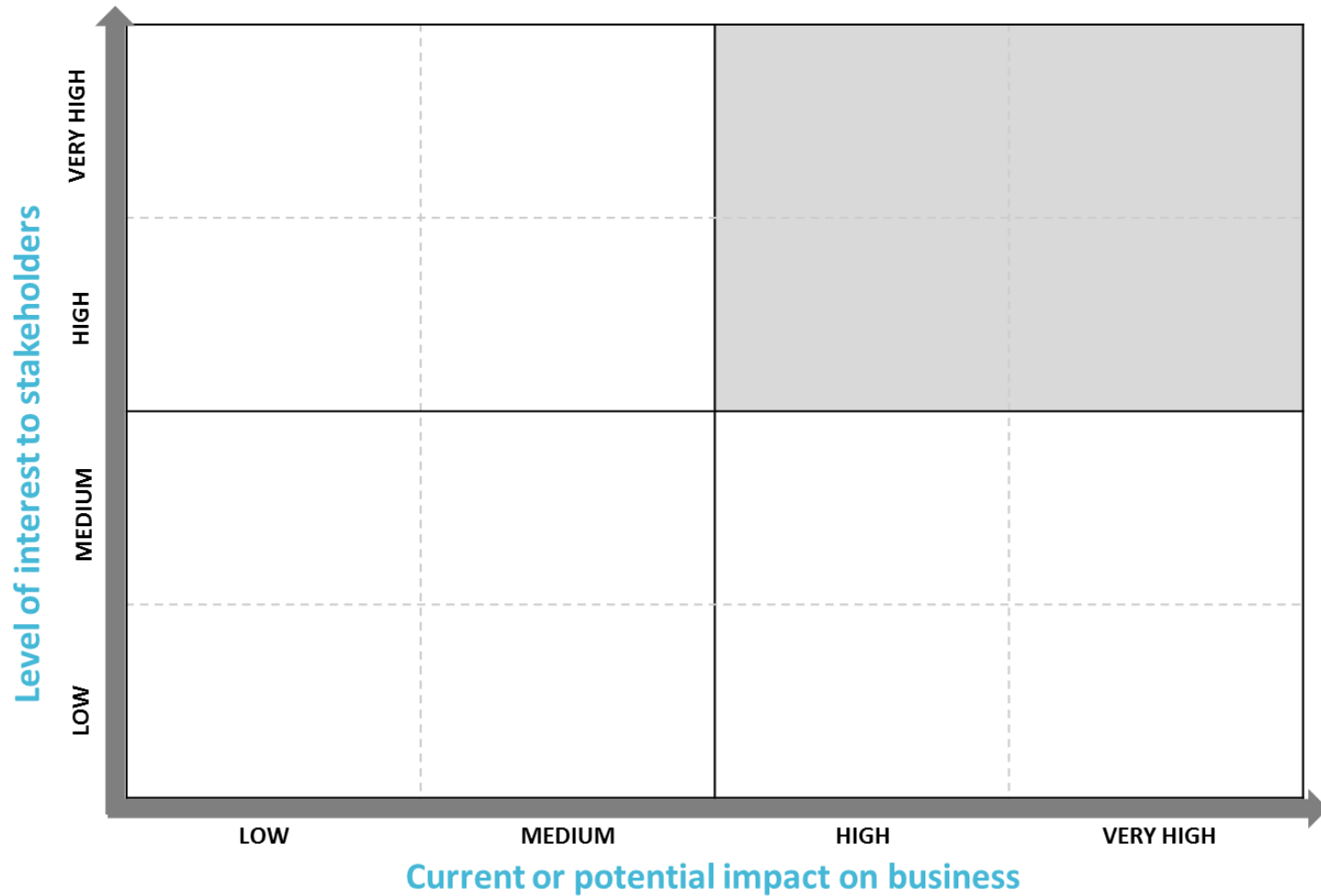
Deeper  
engagement

Where should  
we focus our  
efforts?

# Developing a materiality matrix

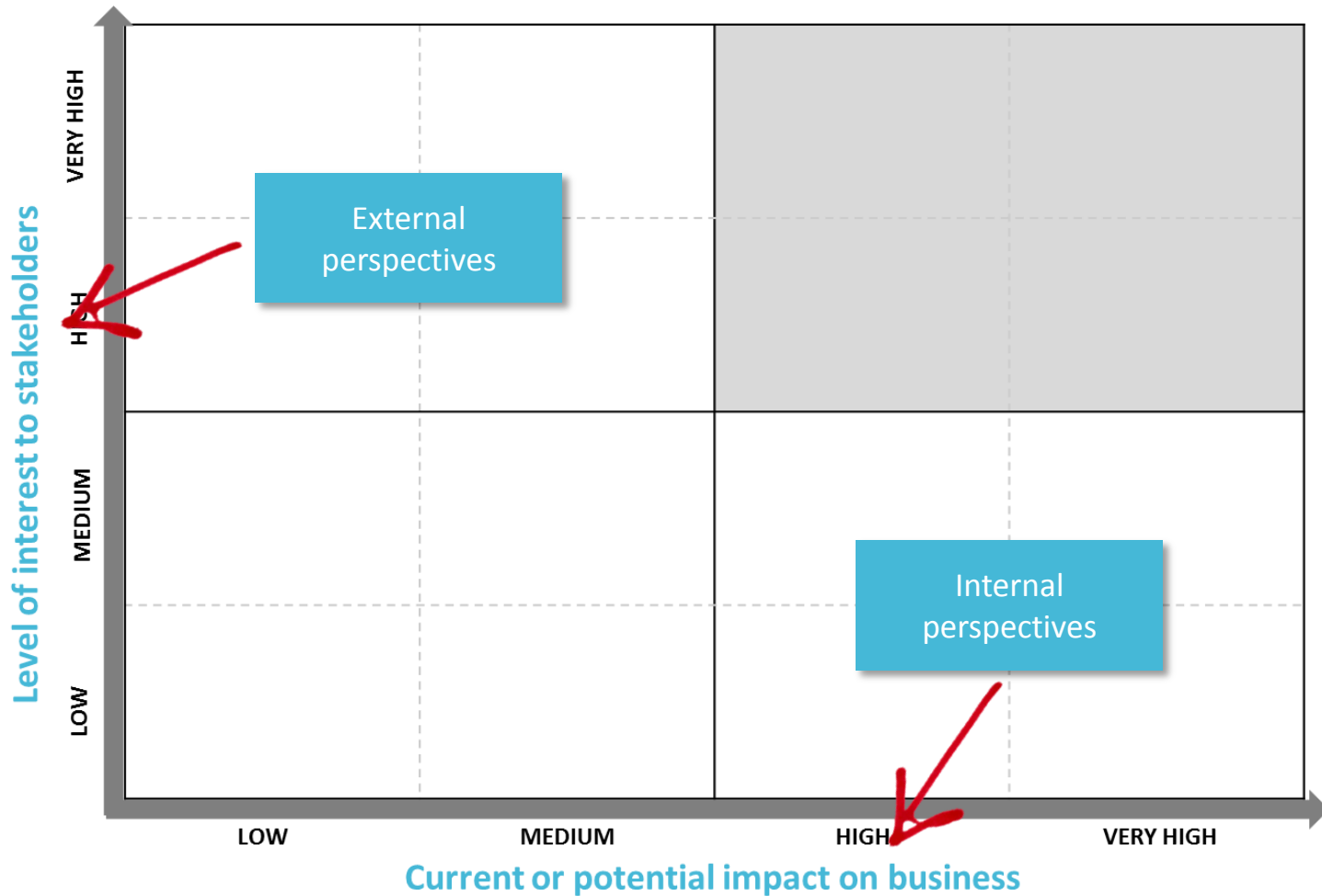


# Developing a materiality matrix

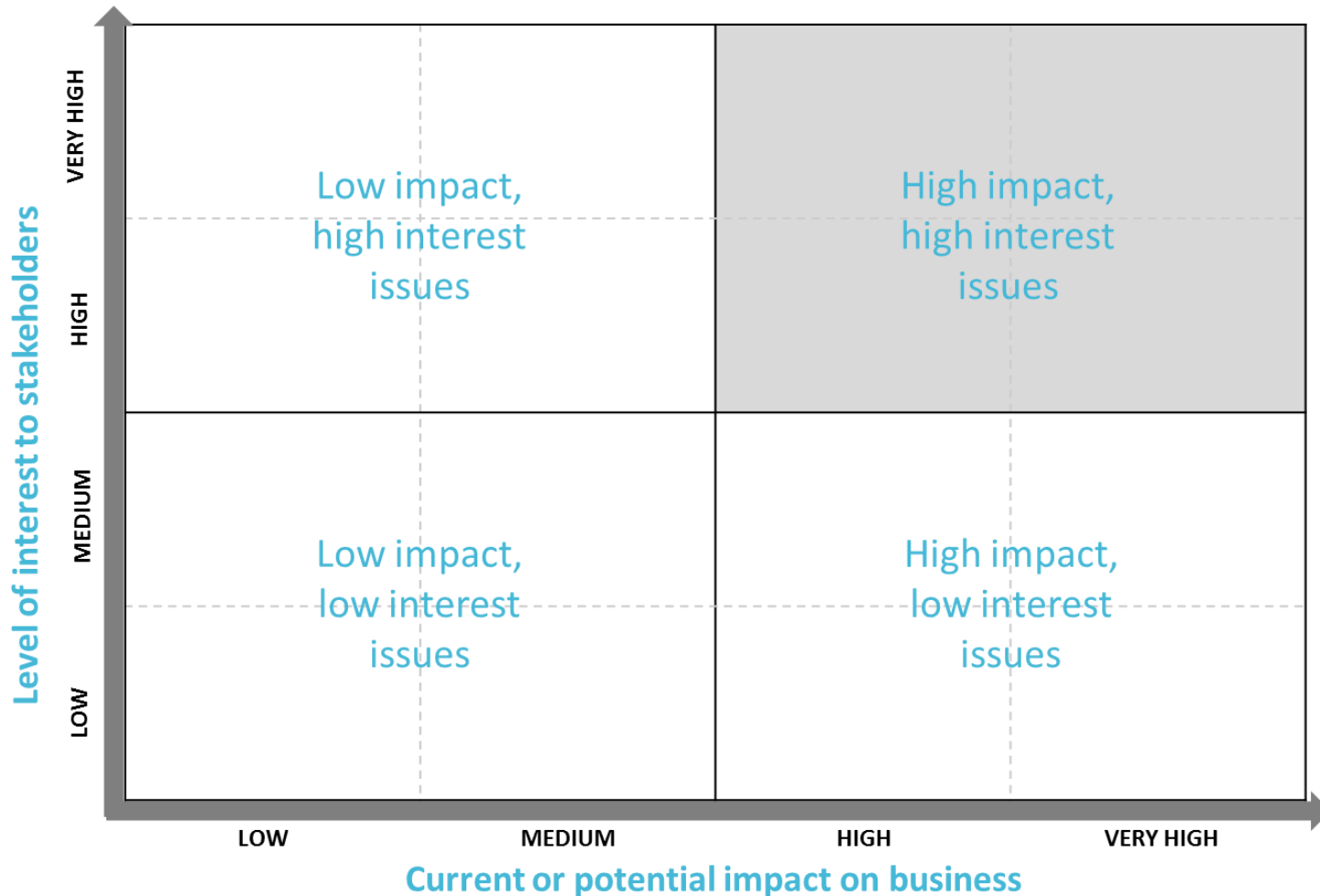


# Developing a materiality matrix

Where should we focus our efforts?



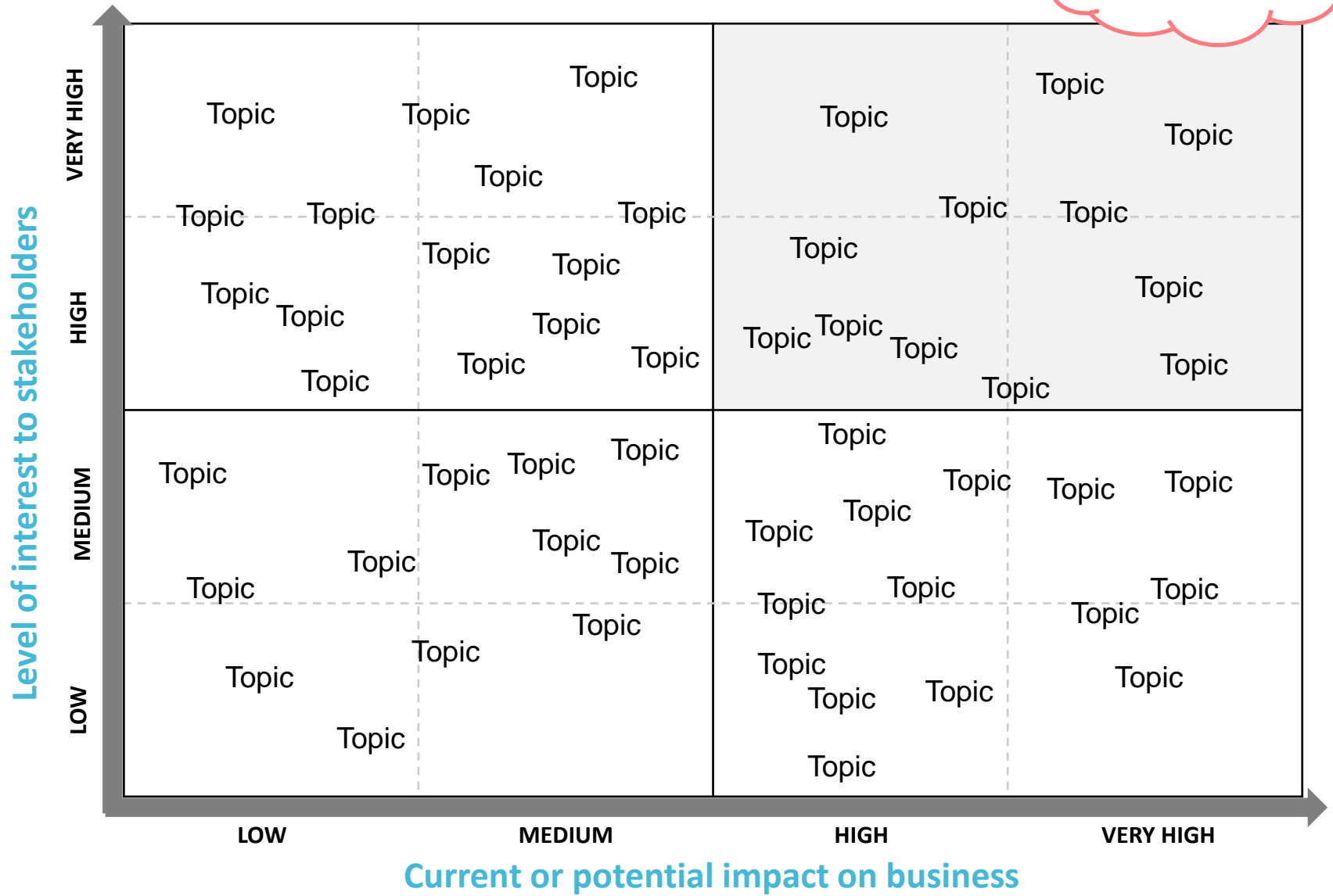
# Developing a materiality matrix





# Illustrative matrix

Where should we focus our efforts?



# Materiality assessment process

Where are we now and where are we going?

What do stakeholders care about?

Where should we focus our efforts?

## Indicative Steps

- Establish a clear purpose & set the scope.
- Understand context & identify a broad list of issues.
- Map and prioritise stakeholders.
- Gather internal and external perspectives to prioritise material issues.
- Develop a prioritised list of material issues.
- Test material issues.

# Tips and considerations

- ✓ **REMEMBER THIS IS ABOUT BUSINESS**


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- ✓ **ENGAGE EXECUTIVE MANAGEMENT**

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- ✓ **CONSIDER YOUR ENTIRE OPERATIONS & VALUE CHAIN**

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- ✓ **INCLUDE ALL YOUR KEY STAKEHOLDERS GROUPS**

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- ✓ **BE SPECIFIC**

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- ✓ **TRUST THE PROCESS**

A pair of glasses with a dark frame and clear lenses is positioned over a document. The document contains some faint, illegible text. The image is overlaid with a teal and grey geometric design. The teal is at the top and bottom, while the grey is a diagonal shape on the left side.

Using the outputs of  
materiality to add value

# Informing communications

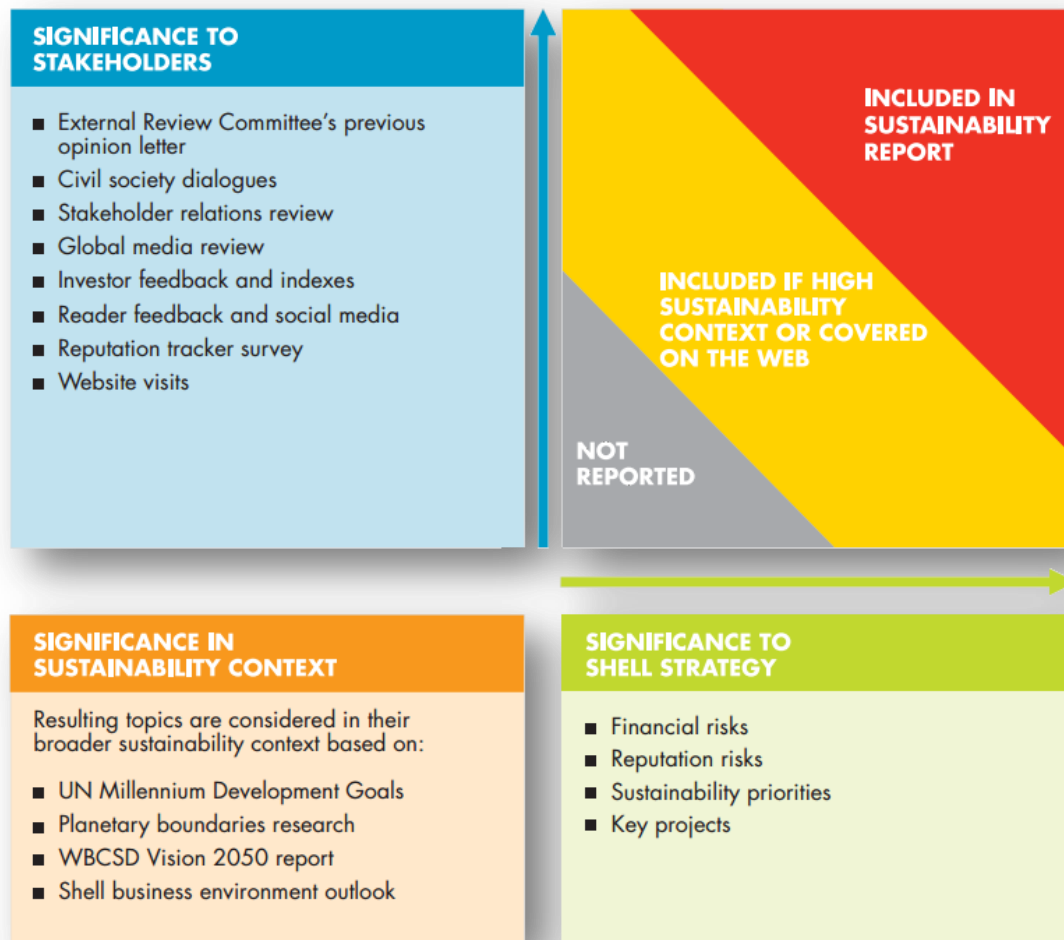
We're observing a transformation in the sustainability reporting landscape.

- Increasing pressure to communicate data, narratives and impacts in ways that are meaningful to a variety of audiences.
- Demand for more concise and targeted reporting.

Materiality should be used to inform more focused and impactful reporting as companies:

- Gain understanding of stakeholder concerns and priorities.
- Manage their most significant risks and opportunities across the value chain.
- Shape/inform reporting boundaries

# Example: Shell's Content Selection Diagram



Shell uses materiality to explain:

- What its report focuses on.
- Why it focus on these issues.
- What process it follows to determine these issues.



# Informing strategy

Many companies are still figuring out what a materiality assessment tells them.

- Leading companies use materiality to inform their entire business strategy.
- It is easy for a small group of people to slant the assessment.

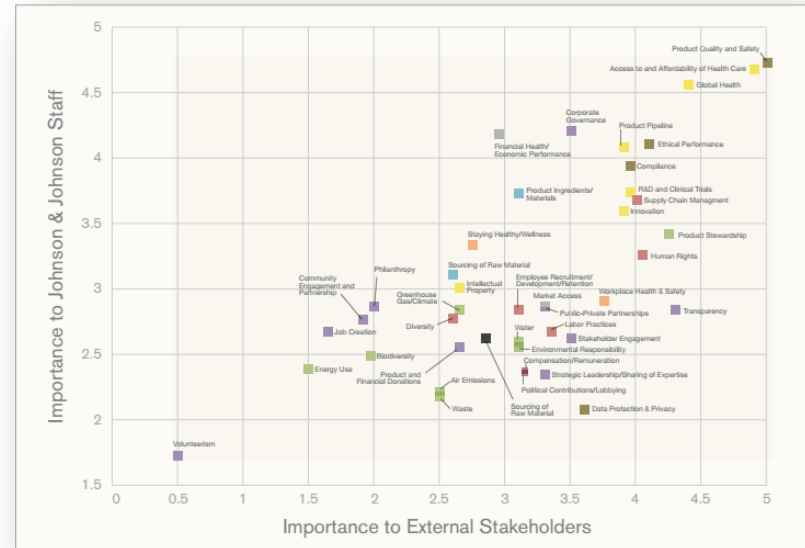
A company's focus areas should be based on those topics that are most material.

- Your strategy represents what you uniquely can do to further the business and society.
- Most topics are fundamental to operating any company, not your company specifically.
- Most of your time and energy should go into the bringing the strategy alive.

# Example: J&J

*“In planning for the longer term, we have completed our second Citizenship & Sustainability materiality assessment considering the ways we impact the world socially, environmentally and economically, or that can be linked to our activities and results of relationships with others.*

*The results of this assessment are considered in the topics covered in this report and will **inform our next round of five-year goal setting.**”*



EXTREMELY HIGH	VERY HIGH	HIGH
Product Quality and Safety	Workplace Health and Safety	Greenhouse Gas/Climate
Access to and Affordability of Health Care	Market Access	Corporate Governance
Global Health	Public-Private Partnerships	Diversity
Ethical Performance	Stakeholder Engagement	Product and Financial Donations
Product Pipeline	Staying Healthy/Wellness	Philanthropy
Compliance	Labor Practices	Air Emissions
R&D and Clinical Trials	Employee Recruitment/Development/Retention	Waste
Supply Chain Management	Sourcing of Raw Materials	Community Engagement and Partnership
Product Stewardship	Water	Data Protection and Privacy
Innovation	Intellectual Property	Biodiversity
Human Rights	Environmental Responsibility	Job Creation
Transparency	Strategic Leadership/Sharing of Expertise	Energy Use
Financial Health/Economic Performance	Political Contributions/Lobbying	Volunteerism
Product Ingredients/Materials	Compensation/Remuneration	

<ul style="list-style-type: none"> <li>Compliance, Governance, Quality/Safety, Ethics, Data Protection/Privacy</li> <li>Access to Health Care, Global Health, R&amp;D, Innovation</li> <li>Employee/Labor Practices, Diversity, Human Rights, Supply Chain Management</li> <li>Environment</li> </ul>	<ul style="list-style-type: none"> <li>Business Performance, Market Access</li> <li>Stakeholder Engagement, Philanthropy, Job Creation, Transparency</li> <li>Ingredients, Sourcing of Raw Materials</li> <li>Workplace Health/Safety, Employee Wellness</li> </ul>
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Q&A

# Contact details

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