



Practical use of frameworks for materiality assessment – PwC Austria



PwC Austria performed and performs Materiality Assessments under both GRI and FSRS



The frameworks are quite similar and aligned but we see some differences (in practice).

Similarities and Differences in Materiality Assessment

- Impact Materiality
- Consideration of Value Chain
- Actual and potential impacts
- Internal and external information to be used
- Broad recipients perspective
- In practice we observed a tendency to "delegate" impacts to stakeholders trough surveys
- Tendency to overemphasise on "visuals"

- Impact and Financial Materiality
- Consideration of Value Chain
- Actual and potential impacts, risks and opportunities
- Internal and external information to be used
- Stakeholders should provide input or validation
- Broad recipients perspective
- Placement in the management report
- Digital tagging

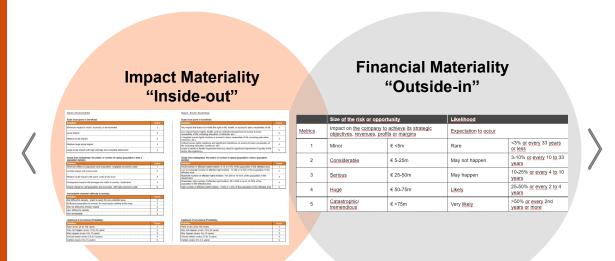
How does Materiality Assessment works in practice?

Understanding | Identification | Assessment | Determination

Impact materiality

- **Defining impacts** based on the information about the entity (area of business, value chain, published information, etc. up to 200)
- Compiling a diverse valuation team with different expertise and perspectives
- Score impacts on a scale between 1 to 5 for short, medium and long term with the help of a scorecard.



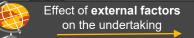


Sustainability matter is "material" when it meets impact materiality OR financial materiality OR both from the perspective of those effected

Financial materiality

- Defining monetary risks and opportunities based on the impacts
- Compiling a diverse valuation team with different expertise and perspectives (finance emphasized)
- Evaluate whether the impact will be on cost, revenue or assets/liabilities
- Score risks and opportunities on a scale between 1 to 5 for short, medium and long term with the help of a scorecard.







Consideration of impact on all affected stakeholders → individuals + investors + business partners + NGOs

Practical Insights and recommendation

- One off efforts should not be put at the heart of a materiality assessment
- Materiality Assessments are a language among stakeholders as much as a tool (emphasize the process over the result)
- Materiality Assessments should not be isolated, they serve a purpose (what
 constitutes a high quality sustainability report, always keep the connection to the
 Management Process and the Report content)
- Materiality Assessments are not the place to "cut the cost or burden" of reporting or think about missing data (the report and the reporting process are)
- The broader and complex an entity gets the less topics can be considered
 "immaterial" (for the public sector connection to the reporting entity)

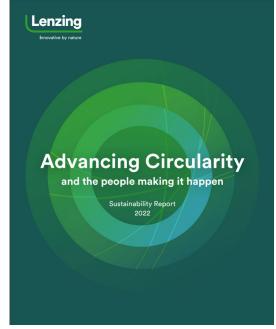




Austrian SDG Report



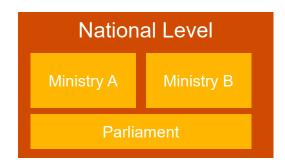
- Narrative Report (116 pages)
- No committed frequency
- No Reporting Standard
- Published by the Austrian Chancellery
- Content:
 - Preparation of the report
 - Governance of SDGs
 - Federal Level
 - International Level
 - EU Level
 - **Social Partners**
 - Society
 - Scientific Community and private sector, financing
 - **Focus Areas**
 - Digitalisation
 - Women, Youth, and "Leaving no one behind"
 - Climate Change and Adaption
 - Progress on Targets



- Combined narrative and quantitative Report (132 pages)
- Annually
- Published by the Management Team
- Content:
 - Managing Sustainability
 - Governance
 - Risk Management
 - **Materiality Assessment**
 - Material topics
 - Circularity & Resources
 - Raw Material Security
 - Biodiversity & Ecosystems
 - Sustainable Innovations
 - Health & Safety
 - **Human Rights & Business Ethics**
 - Digitalisation & Cybersecurity
 - Annexes

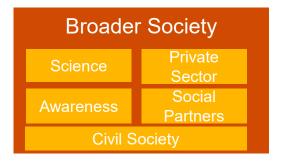
Governance / Management



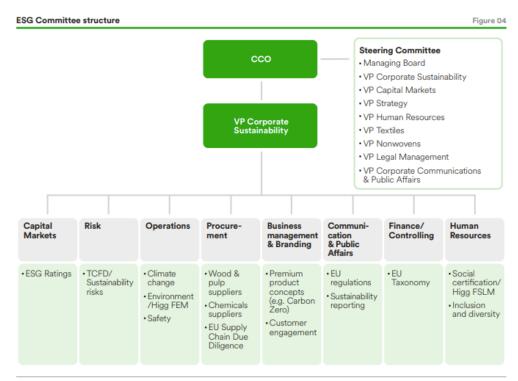












For information on the Lenzing Group's governance structure, please refer to the Lenzing Group's Annual Report 2022 (Corporate Governance Report).

Focus Areas and metrics





Setting the scene

und Gesundheit* gewidmet. Osterreich verfolgt die Vision, sich zu einer Volks-

Die Folgen des Klimawandels für die Umwelt, Wirtschaft

gesundheitsforderlichen Politik - der Anstrengung aller

iektoren. Da Umweltfaktoren eine wesentliche Gesun

wirtschaft mit einem wettbewerbsfähigen und gleich zeitig möglichst effizieriten und klimaneutralen Energie-Mobilitäts- und Wirtschaftssystem entlang der gesamter

davon gezeichnet werden, wie Wirtschaft und Gesell-

"Klimaneutralitat" (Netto-Nullemissionen) bis 2050 in

gramm einen konspyrenten vorantomisterungsprau in Steterreich bis 2040. Um nachteilige Auswirkungen des Oznawandels auf Umwelt, Gesellschaft und Wirtschaft zu ermeiden, hat die österreichische Bundesregierung auch

vermeiden, hat die österreichische Bundesregierung auch die systematische Anpassung an die möglichen Folgen

des Klimawandels durch Beschluss der österreichischer

werden. Osterreich wird das Vergaberecht als wichtiges

Europa und verfolgt mit dem aktuellen Regierungspro

halb des Emissionshandels bis 2030 um 36% gegenüber 2005 zu reduzieren (Ziele gemäß EU

Mitgliedstaaten der EU, der eine Klimawandeldieser Strategie verabschiedet. Gegenwärtig erstellt, der Ende 2020 vorliegen soll.

lationalen Energie- und Klimaplan sowie eine Nationale langfristige Klimastrategie zur Klima-neutralität 2050. Gemäß der Verordnung zur Governance der Energieunion wurden dazu öffentliche Konsultationen durchgeführt.

Anpassung der Klima- und Energieziele bis 2030 angekündigt, der unmittelbare Rückwirkungen



EU-rechtlich hat sich Österreich aktuell dazu verpflichtet, Energieträger am Bruttoendenergieverbrauch soll von gegenwärtig knapp 34% auf 46% bis 50% gesteigert erden (NEKP 2019). Der Stromverbrauch soll, ausgeher auf allen Ebenen abgestimmte Klima- und Energiepolitik notwendig, die die Balance zwischen ökologischer Nachhaltigkeit, Wettbewerbsfähigkeit und Leistbarkeit sowie gungssicherheit ietzt und in Zukunft gewährleiste

Österreichs Bundesländer, Städte und Gemeinden sind wichtige Partner für die Transformation des Energiesyshaben ergene Energie- Mobilitats- und / oder Klimalanga Im Bereich der Anpassung ist als besonders erfolg-

für Nachhaltigkeit und Tourismus (BMNT) ins Leben ge-(KLARI) zu nennen. Seit 2012 besteht in Osterreich ein untassense solvege ca inspessing in oan namewaren, zu der sich Bund und Lander bekennen. Sie wurde in at dabei, dass die Regionen durch die unmittelbare Nahe Jahr 20°V in aktualisierter Fassung erneut von Bund und Ländern angenommen. Die Strategie ersthält konkrete trägern und Bürgerinnen und Bürgern einen Prozess- und Handlungsempfehlungen für sämtliche vom Klimawandel Strukturwandel vorantreiben und dabei eine Vielzahl an hatroffene Sektoren in Österreich Derzeit laufen hereits Maßnahmen anstrofen können Eric KEM-Rennonen ocht e betroffens Saktoren in Osterreit. Derzeit Lafueh bereits

Maßhahmen anzitoben können: Für KEH-Reigenein gibt ser

Arbeiten zur Erstelling des zweiten Fordschrittberichts

Klimswandelspensung, der Aufschlaus darüber geben

Erreglehode mäßgeschneiderte in westbounforderungen,
mit denn bilder über 4000 erfolgreiche Projektig etwa

men in Osterreich steht. Dieses Bericht soll Ende 2000 in den Bereichen erneunbare Energe, Erregereitzurer,

Drowsmen Klima, und Energia, Modalinarennan (KEM) das - Modalinarennan in Österserh Darohar hinaus ha Programs Klims- und Emerges-Modellegenen (VEH) des Modellegenen in Outerwich. Durcher Hinaus bestellt erse. Stims- und Emergendends Seponen dicklich, the Sokalan ersener Forderpolitische Abstrisstung mit EmergenRessourcer an erneuerbaren Emergien optimal zu nutze,
der Poterzial zur Emergienensparung auszuschapfen und
nachkrätig zu werschaffen. Ein wesserbieder Erfolgsfaktor
Bundas").

Bundas").

Extreme Armut beseltlat Extreme Armut ist – nach der aktuellen internationale efinition – als Anteil der Personen festgelegt, die mit niger als 1,9 US-Dollar pro Tag auskommen müssen. Die

Mindestsicherungsquote

1.4 Erhebliche materielle Deprivation

Todesfälle durch Katastrophen per

der Betroffenen in Österreich liegt unter der statisin Nachweisbarkeitsgrenze. Osterreich hat damit das er Beseitigung extremer Armut erreicht.

DG Kinderrechte Mapping* It dem "SDG Kinderrechte Mapping" leistet NICEF Österreich gemeinsam mit Partchtigung aller SDGs – und Insbesondere ir Armutsbekämpfung von Kindern. Das apping macht die zahlreichen Verbindun en zwischen SDGs und Kinderrechten auf ntsprechende Überprüfung und Steuerung on Initiativen der Regierung, der Wirtschaft nd Zivilgesellschaft. Das SDG Kinderrechte apping entspricht auf besondere Weise

rliegen. nachhaltige Mobilität und Bewusstseinsbildung unter-Auf kommunaler und regionaler Ebene unterstützt das stützt wurden. Derzeit gibt es 91 Kilma- und Energie-



Material aspects

Materiality analysis - allocation of topics Strategic focus area SDG Partnering for systemic change, E5 Resource use and circular Circularity & resources Sustainable innovations Environmental matters 9, 11, 12, 17 Climate & energy Decarbonization Environmental matters E1 Climate change 7, 13, 17 Responsible wood sourcing Raw material security Environmental matters 15 Biodiversity & ecosystems Raw material security Environmental matters E4 Biodiversity and ecosystems 15 E2 Pollution, E3 Water and marine ressources, S4 Sustainable innovation & products Sustainable innovations Environmental matters Consumers and end-users 9, 12, 17 Health & safety Employee-related matters S1 Own workforce Empowering people Employee-related matters, S3 Affected communities, S1 Respect for human rights Own workforce 5, 8, 10 All non-financial matters G1 Business ethics Business ethics Empowering people 16 All non-financial matters -Digitalization & cyber security Sustainable innovations 9, 8, 16

8, 12, 17

1. 3. 11

5, 10

Sustainability targets,	measures and progress		Table 04
		Target year	SDG
Sustainable innovations		-	•
Target 1	To improve the Lenzing Group's specific sulfur emissions by 50 percent by 2023 (baseline 2014) ^a	2023	12
Measure(s)	Lenzing implements a sulfur recovery plant (CAP) upgrade at the Purwakarta plant (Indonesia)	2023	
Progress made in 2022	The project is in the full construction phase. The current global situation, with the war as a shortage of semiconductors and China lockdowns, is delaying several shipments from Eu Asia. This is having a major impact on the project completion schedule. Weather condition Purvakarta, with heavy and frequent rainfall, are also impacting the construction activities, the current situation, the start-up of the sulfur recovery plant is likely in the first half of 2.	rope and ns in Based on	
Target 2	To offer viscose, modal and lyocell staple fibers with up to 50 percent post-consumer recycled content on a commercial scale by 2025	2025	9, 12, 17
Measure(s)	All fibers with recycled content offered by Lenzing contain a share of post-consumer waste	2022	
	Lenzing increases the recycled content from 30 to 40 percent for fibers produced with REFIBRA™f technology for textiles and with Eco Cycle technology for nonwovens	2023	
	Lenzing introduces its viscose and modal fibers with REFIBRA™ and with Eco Cycle technology with a minimum of 30 percent recycled content	2023	
	Lenzing and Södra collaboration will recycle 25,000 t of textile waste per year at Södra's Mörrum site ^b	2025	
	The joint efforts with Södra to develop a recycled pulp with a share of post-consumer waste on an industrial scale were successfully continued. Significant progress was made towards the development of a production line processing 25 kt of textile waste. Start-up of this plant is targeted for 2025. Overall, Lenzing continued with product and process development towards reaching the key target for 2025. The biggest challenges are adapting the recycled pulp for industrial fiber production and securing the supply of good qualify recycled pulp for cellulose fibers. These challenges also led to a delay of at		

least one year in the first measure for 2022.

Metrics are often presented isolated, not in connection or the context of identified risks, benefits or impacts and in relation the measures identified and resources allocated.

Progress made in 2022

Focus Areas and metrics (2/2)



Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

- 2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
- 2.2 By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons
- 2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
- 2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

- 2.1.1 Prevalence of undernourishment
- 2.1.2 Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES)
- 2.2.1 Prevalence of stunting (height for age <-2 standard deviation from the median of the World Health Organization (WHO) Child Growth Standards) among children under 5 years of age</p>
- 2.2.2 Prevalence of malnutrition (weight for height >+2 or <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5 years of age, by type (wasting and overweight)</p>
- 2.2.3 Prevalence of anaemia in women aged 15 to 49 years, by pregnancy status (percentage)
- 2.3.1 Volume of production per labour unit by classes of farming/pastoral/forestry enterprise size
- 2.3.2 Average income of small-scale food producers, by sex and indigenous status
- 2.4.1 Proportion of agricultural area under productive and sustainable agriculture



Disclosure 416-1 Assessment of the health and safety impacts of product and service categories

REQUIREMENTS

The reporting organization shall report the following information:

 Percentage of significant <u>product and service categories</u> for which health and safety impacts are assessed for improvement.

GUIDANCE

Guidance for Disclosure 416-1

This measure helps to identify the existence and range of systematic efforts to address health and safety across the life cycle of a product or service. In reporting the information in Disclosure 416-1, the reporting organization can also describe the criteria used for the assessment.

REQUIREMENTS

The reporting organization shall report the following information:

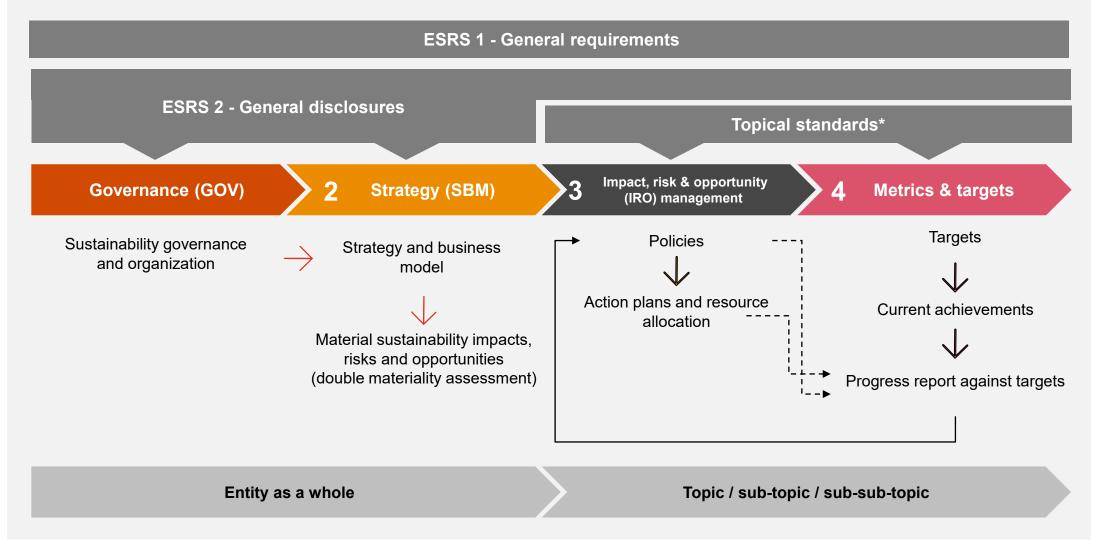
- Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the <u>reporting</u> <u>period</u>, by:
 - i. incidents of non-compliance with regulations resulting in a fine or penalty;
 - ii. incidents of non-compliance with regulations resulting in a warning;
 - ii. incidents of non-compliance with voluntary codes.
- If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.

Compilation requirements

- 2.1 When compiling the information specified in Disclosure 416-2, the reporting organization shall:
 - exclude incidents of non-compliance in which the organization was determined not to be at fault;
 - 2.1.2 exclude incidents of non-compliance related to Incidents related to labeling are reported in Disclosure 417-2 of GRI 417: Marketing and Labelling 2016;
 - 2.1.3 if applicable, identify any incidents of non-compliance that relate to events in periods prior to the reporting period.

Metrics are often presented isolated, not in connection or the context of identified risks, benefits or impacts and in relation the measures identified and resources allocated

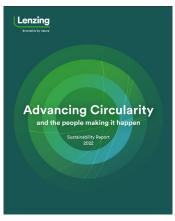
Example: Reporting architecture under CSRD/ESRS



^{*} Some topical standards contain disclosure requirements that complement the general disclosures of ESRS 2.

Conclusions





- Currently practice is very divers and selective
- Fragmented practice and reporting elements (SDG report, SDG statistics, SDG map performance budget but no comprehensive overview)
- Specificity of Frameworks / Standards matters (What is the purpose?)
- Question of the **reporting entity** is important to be able to address governance, materiality, management and measures as wells as metrics in a consistent and cohesive manner.
- Quality over quantity
- New Regulation (ESRS, ISSB S) will also focus on resources and impacts on the financial matters of the entity.
- Auditability will depend on specifity

Thank you.

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