

PULSAR Practical Developments in Sustainability Reporting

November 2023



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Toughts and inputs
Materiality Assessment

Practical use of frameworks for materiality assessment – PwC Austria



PwC Austria performed and performs Materiality Assessments under both GRI and ESRS.



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 through 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

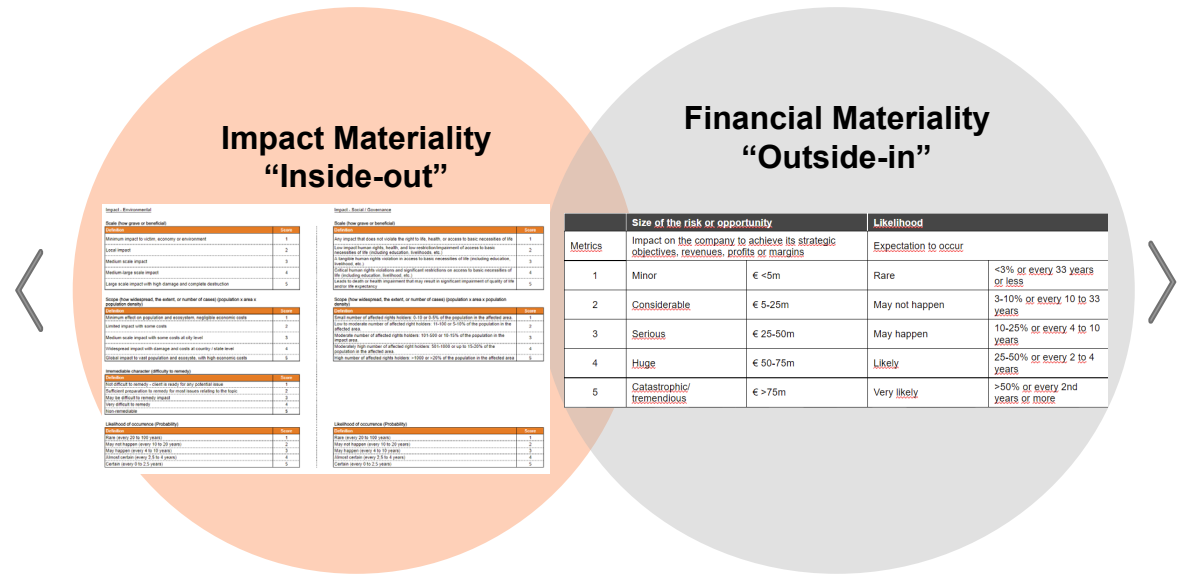
How does Materiality Assessment works in practice?



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.

Effect of undertaking on people and environment



Impact Materiality "Inside-out"

Financial Materiality "Outside-in"

		Size of the risk or opportunity	Likelihood	
Metrics		Impact on the company to achieve its strategic objectives, revenues, profits or margins	Expectation to occur	
1	Minor	€ <5m	Rare	<3% or every 33 years or less
2	Considerable	€ 5-25m	May not happen	3-10% or every 10 to 33 years
3	Serious	€ 25-50m	May happen	10-25% or every 4 to 10 years
4	Huge	€ 50-75m	Likely	25-50% or every 2 to 4 years
5	Catastrophic/Tremendous	€ >75m	Very likely	>50% or every 2nd years or more

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.

Effect of external factors on the undertaking

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)





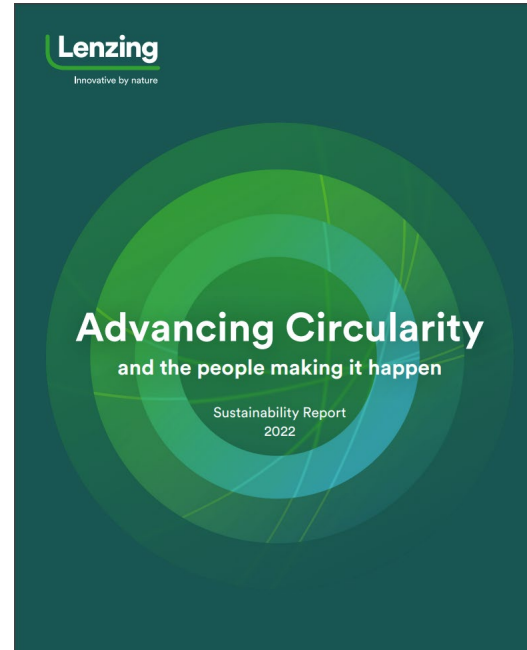
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SDG Reports vs. Sustainability Reports

Austrian SDG Report

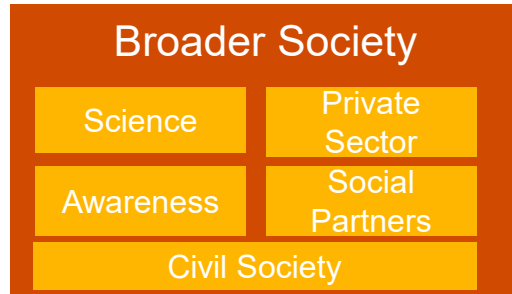
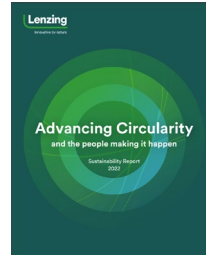
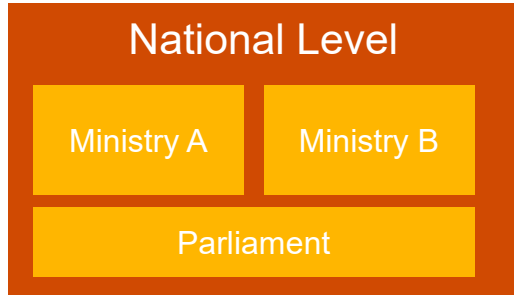


- Narrative Report (116 pages)
- No committed frequency
- No Reporting Standard
- Published by the Austrian Chancellery
- Content:
 - Preparation of the report
 - Governance of SDGs
 - Federal Level
 - International Level
 - EU – Level
 - Social Partners
 - Society
 - Scientific Community and private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



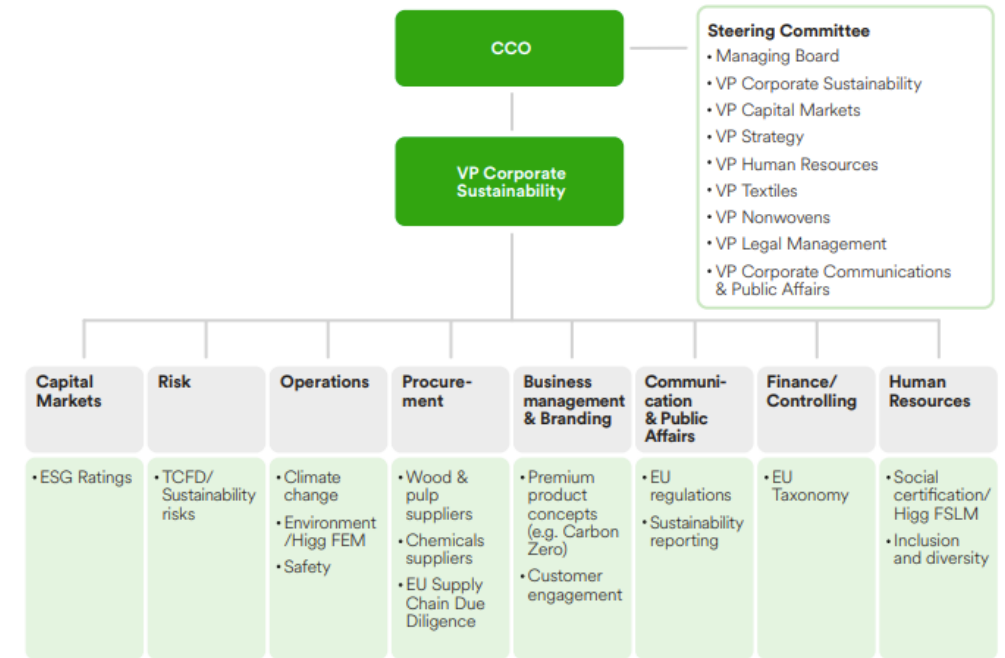
- Combined narrative and quantitative Report (132 pages)
- Annually
- Published by the Management Team
- Content:
 - Managing Sustainability
 - Governance
 - Risk Management
 - Materiality Assessment
 - Material topics
 - Circularity & Resources
 - Raw Material Security
 - Biodiversity & Ecosystems
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

Governance / Management



ESG Committee structure

Figure 04



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 (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

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)

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:

- a. **Percentage of significant product and service categories 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:

- a. **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 reporting period, 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;**
 - iii. **incidents of non-compliance with voluntary codes.**
- b. **If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.**

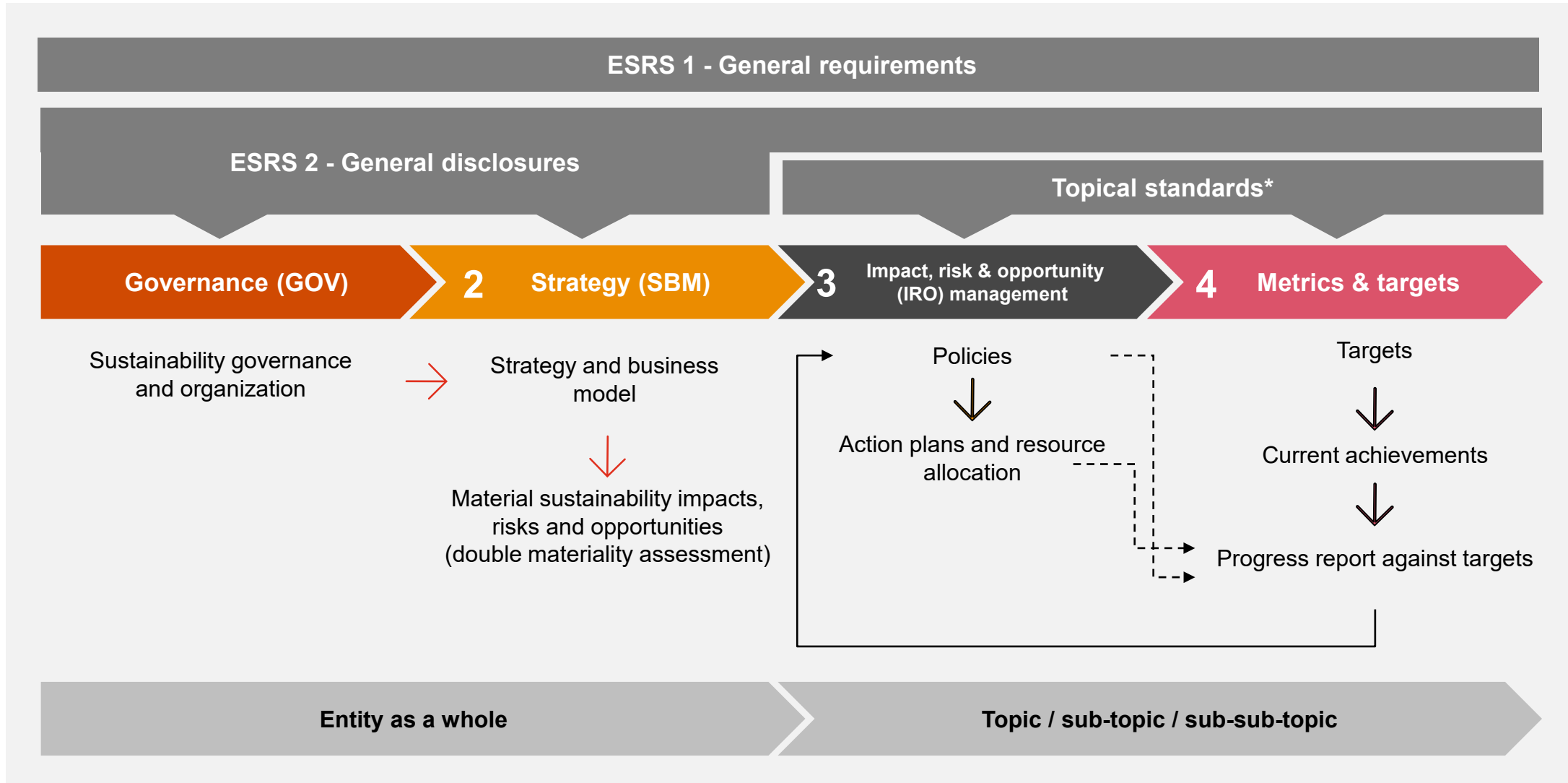
Compilation requirements

2.1 **When compiling the information specified in Disclosure 416-2, the reporting organization shall:**

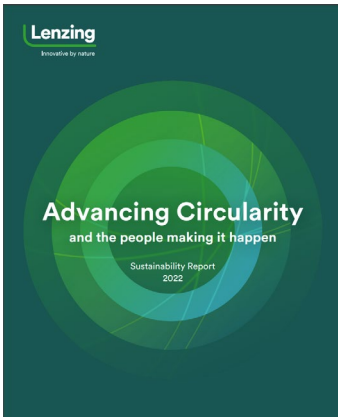
- 2.1.1 **exclude incidents of non-compliance in which the organization was determined not to be at fault;**
- 2.1.2 **exclude incidents of non-compliance related to incidents related to labeling are reported in Disclosure 417-2 of GRI 417: Marketing and Labelling 2016;**
- 2.1.3 **if applicable, identify 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



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 specificity

Thank you.

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