

MATERIALITY G4

Aligning Sustainability Reporting and Business Strategy

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STC Webinar

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EHFS Solutions for Business Results

AGENDA

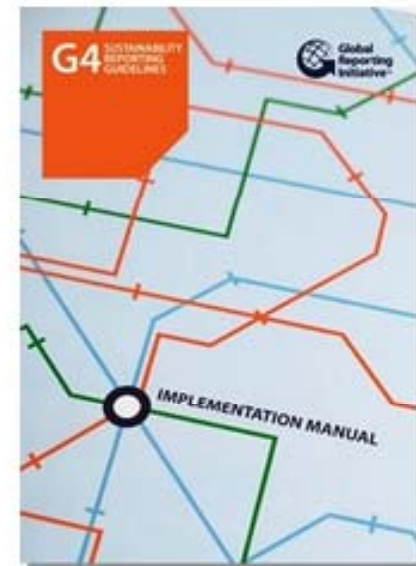
GRI G4 Guidance for SUSTAINABILITY REPORTING

MATERIALITY

SUSTAINABILITY STRATEGY “CASE STUDY”



Reporting Principles and Standard Disclosures



Implementation Manual

Coke vs. Pepsi on Materiality

COCA-COLA

- Obesity and other health concerns
- Water scarcity and poor quality
- Plastic bottles subject to deposits and eco-taxes or fees

PEPSICO

- Any damage to our reputation...
 - health concerns of our products
 - water is a limited resource

“don't agree on what constitutes a ‘material’ risk to their business”



Risk factors identified in company 2012 Form 10-K
Source: Guardian Sustainable Business blog, 8/6/13

Global Reporting Initiative



Ceres

*Mobilizing Business Leadership
for a Sustainable World*

Coalition of Environmentally Responsible Economies

Developed the



Financial, Environmental & Societal accountability

- **Governance & Management strategy**
- **Economic**
- **Environmental**
- **Social** - Human rights, Labor, HR

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GRI G4 Reporting

DISCLOSURES	CORE	COMPREHENSIVE
General Standard Disclosures (GSD)	CEO Statement, Organizational Profile, Material Aspects & Boundaries, Stakeholders, Governance, Ethics (34 of 58 Disclosures)	CORE + key impacts, risks, opportunities; and additional Governance & Ethics indicators (All 58 Disclosures)
SSD Management Approach	For Material Aspects only (46 total Aspects)	For Material Aspects only
SSD Indicators	One Indicator per Material Aspect (91 total Indicators)	All Indicators related to each Material Aspect
Sector-specific Disclosures	As specified: airport operators, construction & real estate, electric utilities, event organizers, financial services, food processing, media, mining/metals, NGOs, oil & gas	

SSD = Specific Standard Disclosures

GRI List of Aspects

TABLE 1: CATEGORIES AND ASPECTS IN THE GUIDELINES

Category	Economic	Environmental			
Aspects ^{III}	<ul style="list-style-type: none"> Economic Performance Market Presence Indirect Economic Impacts Procurement Practices 	<ul style="list-style-type: none"> Materials Energy Water Biodiversity Emissions Effluents and Waste Products and Services Compliance Transport Overall Supplier Environmental Assessment Environmental Grievance Mechanisms 			
Category	Social				
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility	
Aspects ^{III}	<ul style="list-style-type: none"> Employment Labor/Management Relations Occupational Health and Safety Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Supplier Assessment for Labor Practices Labor Practices Grievance Mechanisms 	<ul style="list-style-type: none"> Investment Non-discrimination Freedom of Association and Collective Bargaining Child Labor Forced or Compulsory Labor Security Practices Indigenous Rights Assessment Supplier Human Rights Assessment Human Rights Grievance Mechanisms 	<ul style="list-style-type: none"> Local Communities Anti-corruption Public Policy Anti-competitive Behavior Compliance Supplier Assessment for Impacts on Society Grievance Mechanisms for Impacts on Society 	<ul style="list-style-type: none"> Customer Health and Safety Product and Service Labeling Marketing Communications Customer Privacy Compliance 	

Source: GRI G4 Reporting Principles & Standard Disclosures

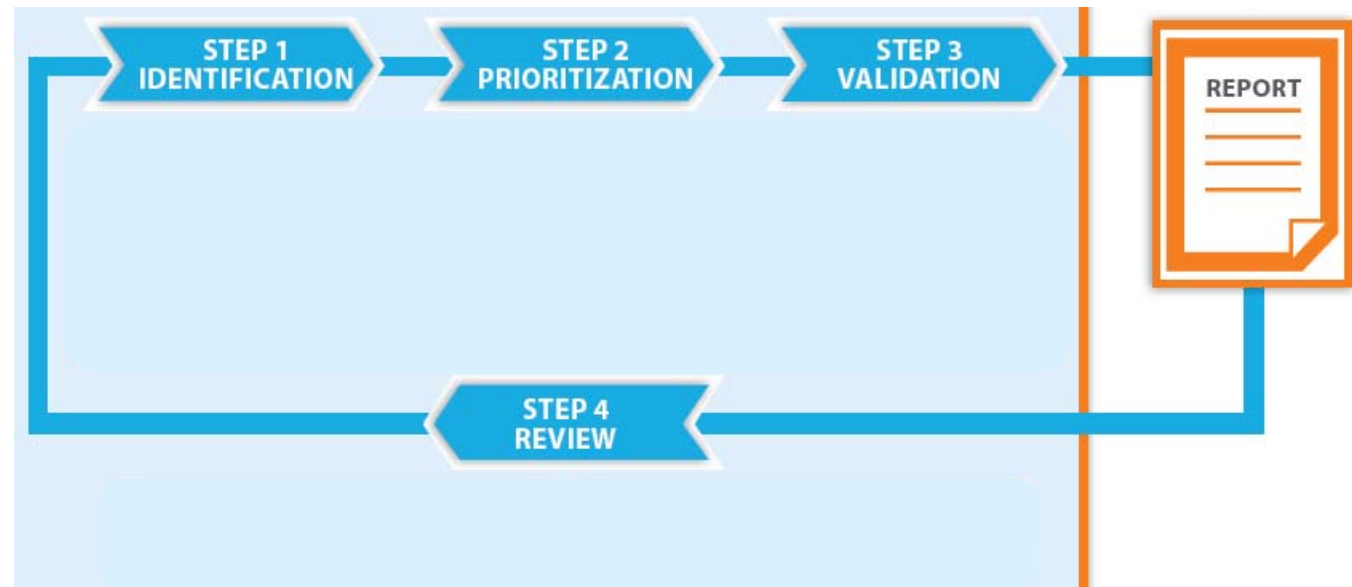
Defining Materiality

GRI G4

- Materiality is the threshold at which Aspects become sufficiently important that they should be reported.
- Material Aspects:
 - Reflect the **organization's** significant economic, environmental and social (EES) **impacts**
 - Substantively influence the assessments and decisions of **stakeholders**

Defining Report Content – Process

- **IDENTIFICATION** of potential material Aspects
- **PRIORITIZATION** of the candidate material Aspects
- **VALIDATION** of the selected material Aspects
- **REVIEW**



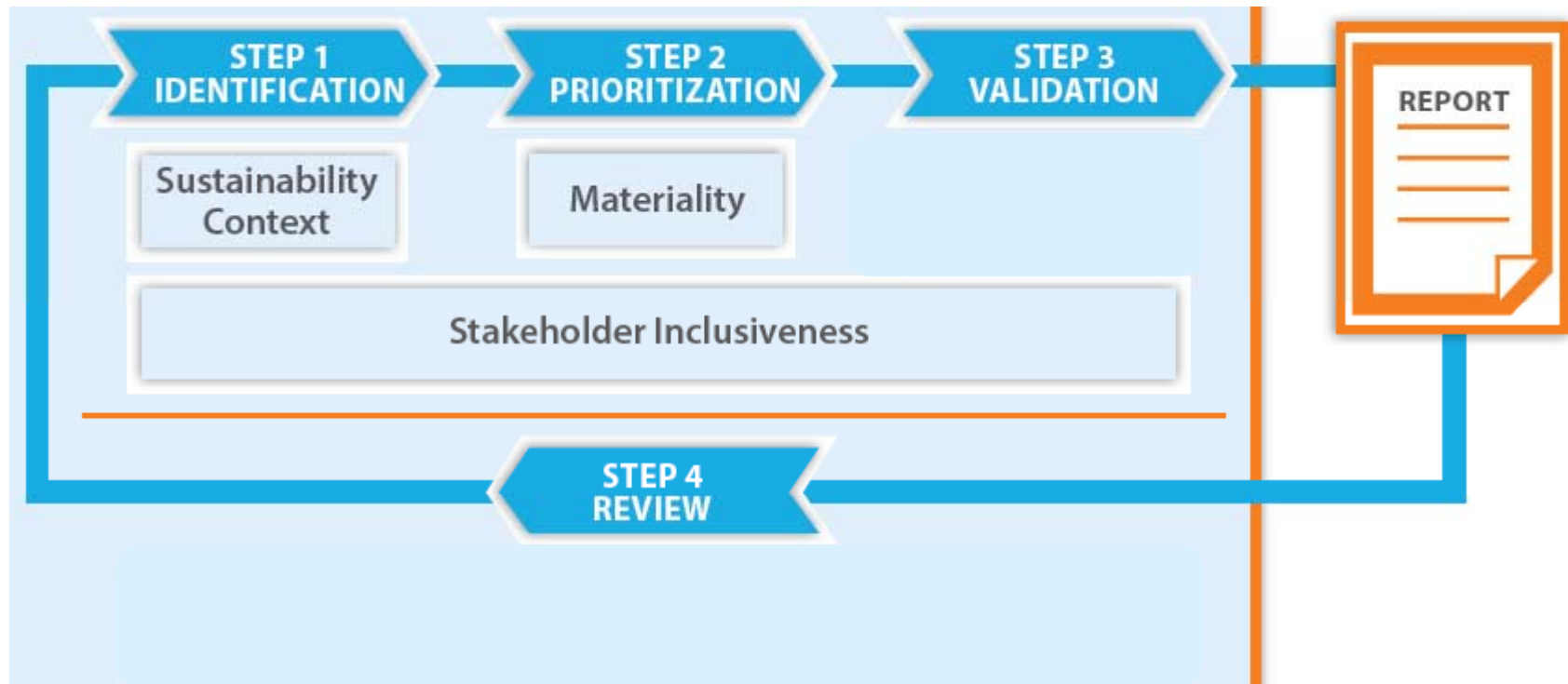
Defining Report Content - Process

- Sustainability Context
 - EES Impacts or Contributions
 - Sector, Local, Region, Global
- Stakeholder Inclusiveness
 - Identify the Influential
 - Specify interests/expectations

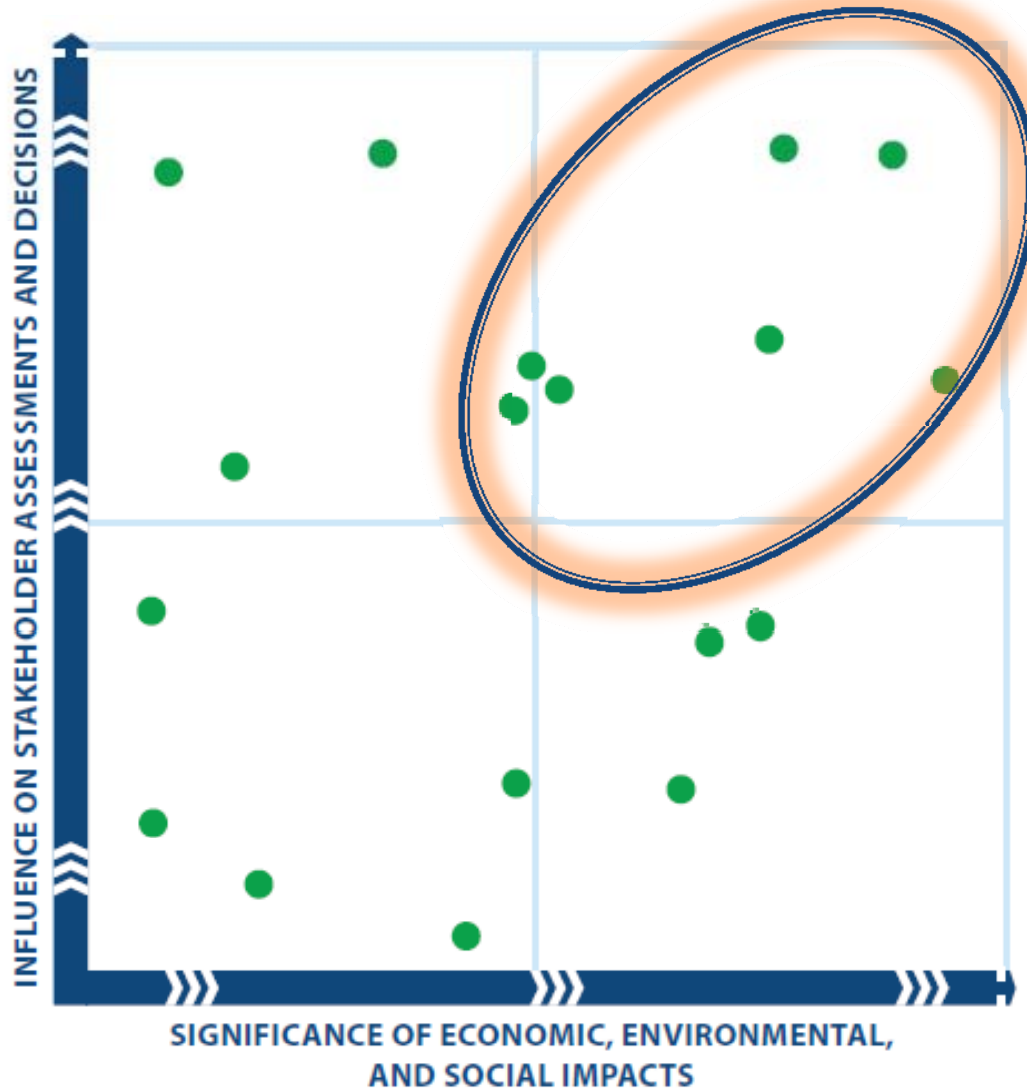


Defining Report Content - Process

- Materiality
 - Significance to business success
 - Valued by stakeholders

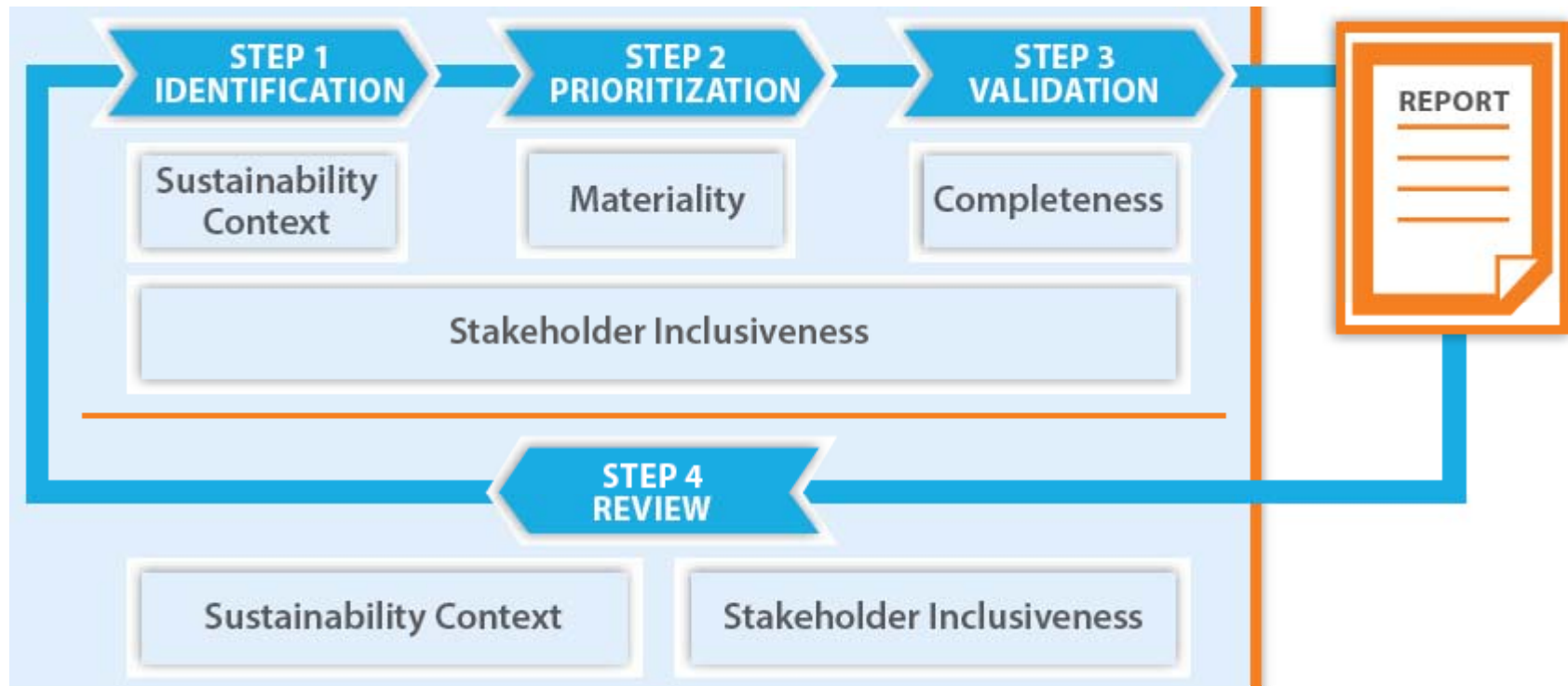


Prioritization of Material Aspects

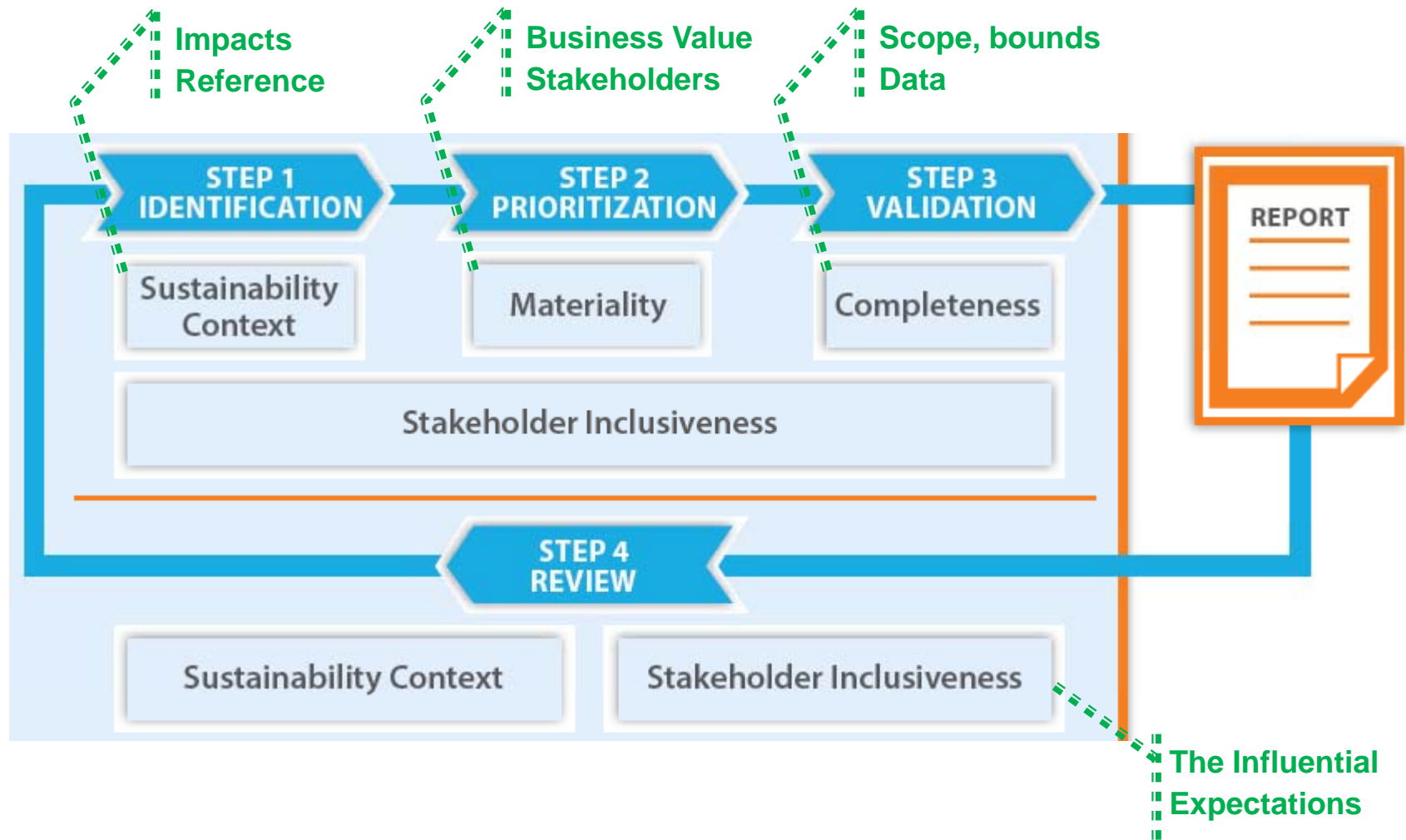


Defining Report Content - Process

- Completeness
 - Adequate scope, boundary and timeframe
 - Appropriate data collection and presentation



Materiality → Report & Strategy



Source: GRI G4 Part 2 Implementation Manual

Q&A Pause

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Avery Dennison

Pressure-Sensitive Materials (PSM)



FINANCIAL SNAPSHOT

2012 Sales	\$4.3 bil.
Organic Sales Growth	4.1%
Operating Margin*	9.3%

* Excluding restructuring charges and other items.



- > Leading manufacturer of self-adhesive film and paper label material
- > Packaged goods end-markets:
 - » Home & Personal Care
 - » Food & Beverage
 - » Pharmaceutical
- > Variable information end markets:
 - » Shipping Labels
 - » Bar Codes
- > 10,000+ printing company customers serving packaged goods and logistics companies around the globe
- > Large and growing addressable markets
 - » Approximately one-third of segment sales in emerging markets

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Source: Avery Dennison Investor Presentation, March 2013
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Avery Dennison

Retail Branding & Information Solutions (RBIS)



- > Global leader in branding & information solutions for apparel industry
 - » Branding solutions: graphic tags, packaging, labeling, embellishments
 - » Information solutions: inventory tracking & routing, price management, loss prevention, brand protection

FINANCIAL SNAPSHOT	
2012 Sales	\$1.5 bil.
Organic Sales Growth	3.1%
Operating Margin*	5.2%

* Excluding restructuring charges and other items.



Source: Avery Dennison Investor Presentation, March 2013
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Investors, Analysts, Rankings



2012: U.S. Companies

1	Hess Corp	Energy
2	Procter & Gamble	Consumer Staples
3	Biogen Idec Inc	Health Care
4	Newmont Mining Corp	Materials
5	Raytheon Co	Industrials
6	QUALCOMM Inc	Information Technology
7	Dow Chemical	Materials
8	Intel Corp	Information Technology
9	United Technologies Corp	Industrials
10	Avery Dennison Corp	Industrials
11	Advanced Micro Devices	Information Technology
12	General Mills Inc	Consumer Staples

Corporate Knights *The Company for Clean Capitalism*

S&P 500 Clean Capitalism Ranking

RANK	COMPANY	INDUSTRY SECTOR
1	IBM	Information Technology & Services
2	Hewlett-Packard	Technology Equipment
3	Sprint Nextel	Telecommunications
4	Dell	Technology Equipment
5	CA Technologies	Information Technology & Services
6	Nvidia	Technology Equipment
7	Intel	Technology Equipment
8	Accenture	Information Technology & Services
9	Office Depot	Retailers
10	Staples	Retailers
11	EMC	Technology Equipment
12	Microsoft	Information Technology & Services
13	Cognizant Technology	Information Technology & Services
14	Hartford Financial Services Grp.	Financials
15	McGraw-Hill	Media & Publishing

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Stakeholders Expectations

▶ Global Brands and Retailers



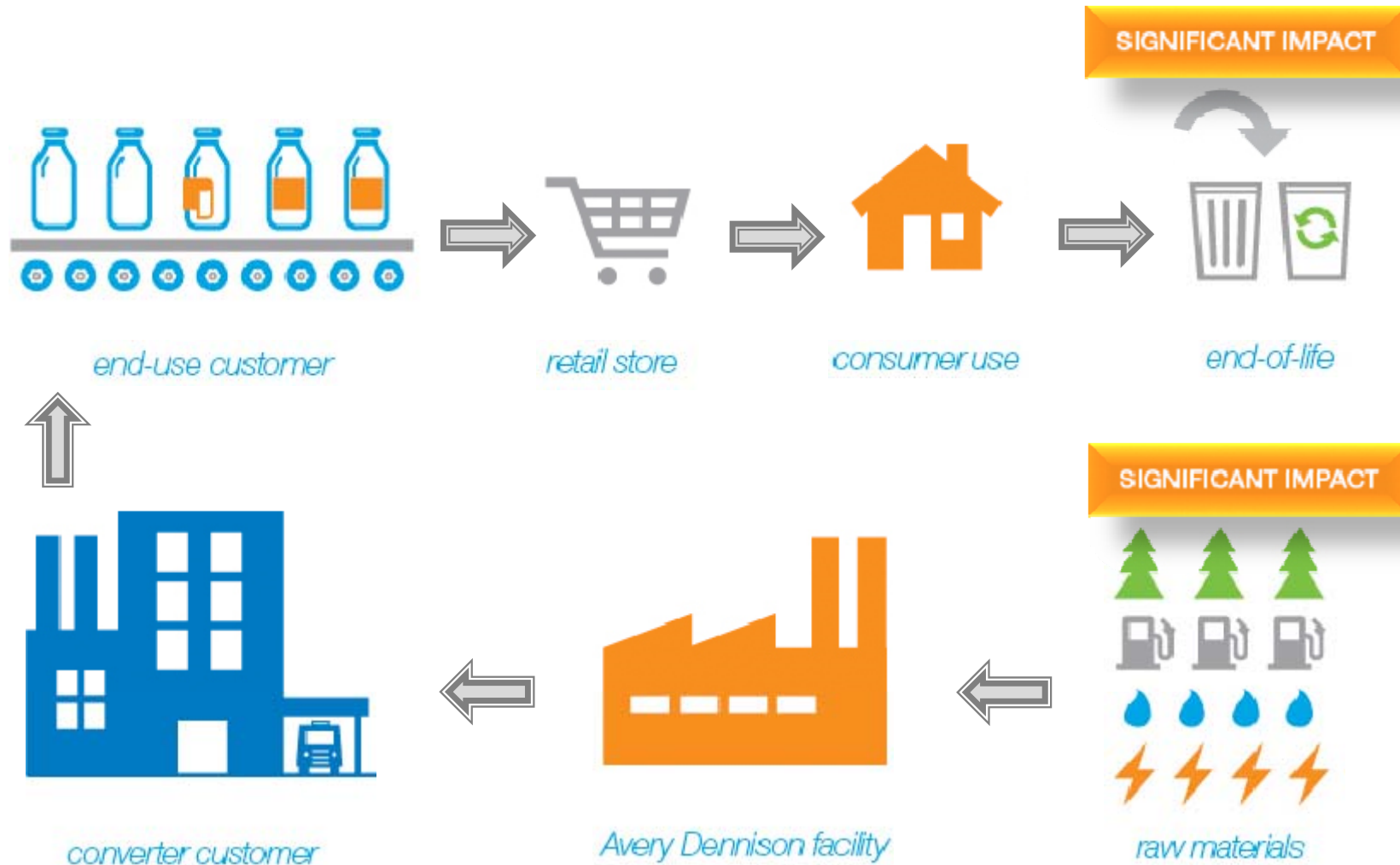
▶ Non-Governmental Organizations



▶ Industry Associations and Groups



PSM Lifecycle Assessment



Avery Dennison “Process”

We are embracing the collaboration that is inherent in sustainability. We are working with upstream and downstream partners to understand our impact and develop materials and processes with them that can improve the footprint of the total value chain. We are pursuing mutually beneficial solutions.

Dean Scarborough, CEO

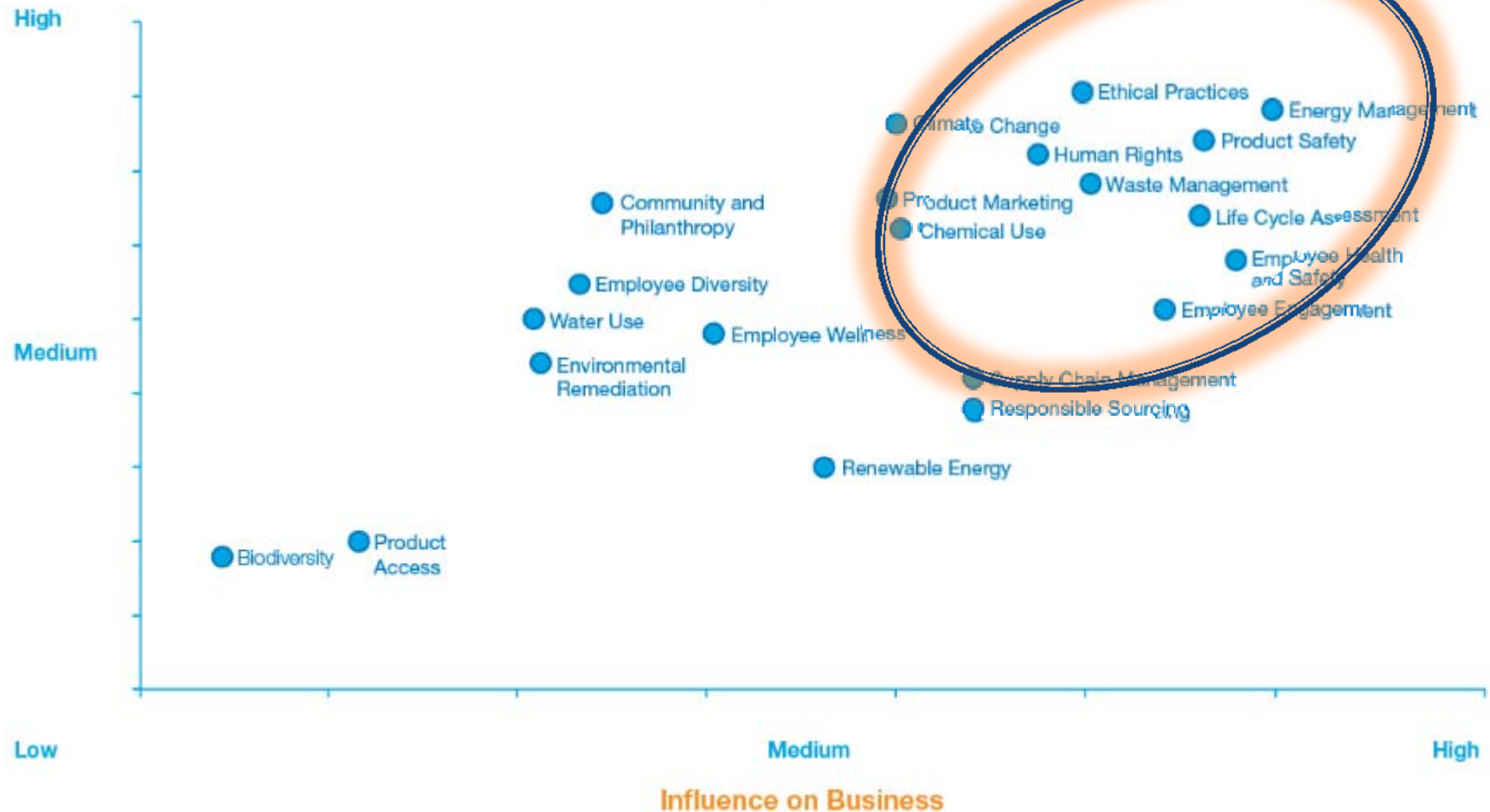


Source: Avery Dennison 2010 Sustainability Report
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Material Aspects

Importance to Stakeholders

Materiality Assessment



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Avery Dennison™ Greenprint

Avery Dennison™ Greenprint Assessment Tool



<http://label.averydennison.com/en/home/solutions/sustainability.html>

Alignment of business and sustainability strategy

Source: <http://label.averydennison.com/en/home/solutions/sustainability.html>
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Materiality Matrix



“Using a set of 13 mega trends as a starting point for discussion, we then prioritized issues on a materiality matrix based on the level of stakeholder concern and level of potential impact on the Company.”

Source:
<http://www.nestle.com/csv/what-is-csv/materiality>



Materiality Matrix



“To determine the materiality of each of these topics, we engaged in a variety of research activities...to help gauge impact on the company... and to gauge the importance of these topics to stakeholders.”

Source:
2012 Biogen Idec Corporate Citizenship Report

2012 MATERIALITY MATRIX	
Importance to Stakeholders	<ul style="list-style-type: none"> > Cost Burdens to Company/ Industry/Society > Cost Burden to Patient > Access to Treatment > Energy > Public Policy > Disclosure of Political Contributions
	<ul style="list-style-type: none"> > Innovation in R&D > Health Outcomes > Climate Change/ GHG Emissions > Medicines for Unmet Needs > Patient Safety & Transparency > Research Ethics > Reporting Transparency > Drug Pricing > Marketing Practices > Water Use > Financial Performance
	<ul style="list-style-type: none"> > Emerging Markets > Philanthropy > Product Lifecycle > Biosimilars
	<ul style="list-style-type: none"> > Recruitment and Retention > Supply Chain > Governance > Employee Satisfaction > Solid Waste > Compensation & Benefits > Occupational Health & Safety > Workforce Diversity > Workforce Development
Impact of Business	

References and Links

Corporate Knights Inaugural S&P 500 Clean Capitalism Ranking, 2012

<http://www.corporateknights.com/report/sp-500-clean-capitalism-ranking/corporate-knights-inaugural-sp-500-clean-capitalism-ranking>

Corporate Register Reporting Awards 2013

<http://www.corporateregister.com/crra/help/CRRA13PressRelease.pdf>

Global Reporting Initiative

G4 Sustainability Reporting Guidelines

<https://www.globalreporting.org/reporting/g4/Pages/default.aspx>

ISSP Sustainability Plan and Reporting Kit

September 2013 On-line Workshop, Wednesdays

<https://www.sustainabilityprofessionals.org/civcrm/event/info?id=5466&reset=1>

Newsweek Green Rankings U.S. 500 Companies, 2012

<http://www.thedailybeast.com/newsweek/2012/10/22/newsweek-green-rankings-2012-u-s-500-list.html>

State of Sustainability Leadership

Cambridge Programme for Sustainability Leadership

<http://www.cpsl.cam.ac.uk/About-Us/Sustainability-Leadership/The-State-of-Sustainability-Leadership.aspx>

Will sustainability reporting standards change the way business does business?

Guardian Sustainable Business blog, August 6, 2013

<http://www.theguardian.com/sustainable-business/blog/sustainability-reporting-standards-change-business>

QUESTIONS?

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