MATERIALITY DETERMINATION

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Presentation outline

- Social licence to operate and stakeholder engagement
- Materiality determination
  - What is it?
  - Drivers – why do it?
  - Process and outputs
  - Examples
Social licence to operate depends on how we engage with our stakeholders and the investments we make which benefit our communities and our company.

Social licence to operate....
Looking beyond the horizon
Mining company example

Social Impact Assessment and Management
- Health and safety impacts, traffic, noise, dust, environmental disturbance, quality of life, economic impacts

Societal Issues
- Directly or indirectly related to operations
  - Eg. Health and education standards, infrastructure, corruption, security, conflict, revenue transparency, human rights, poverty

Stakeholder Engagement

Direct Community Benefits Opportunities
- Opportunities for local communities and broader society to benefit from operations
  - Jobs and local suppliers, infrastructure developments, spend in local economy, taxes, royalties

Community Investment
- Measurable and sustainable contributions to local communities and broader society - partnerships with government and NGOs
  - Supporting local business development, educational, employment and health programs
Materiality determination – what is it?
Drivers for materiality determination

› Provides confidence and assurance to the Board and Executive that....
› Organisation knows what its material issues are
› Facilitates prioritisation of effort and strategy
› Risk to the business taken into account
› Importance to external stakeholders understood
› Reporting focused on material issues
Drivers for materiality determination

› Robust and independent process
› Materiality matrix - quantifiable snapshot
› Demonstrates best practice
  » GRI G4 Sustainability Reporting Guidelines
  » IIRC <IR> Framework
  » AccountAbility AA1000AS
  » ISAE 3000
Materiality determination process and outputs

- Document review
- Internal and external stakeholder issues ranking
- Internal and external stakeholder interviews
- Materiality matrices - full rankings and top 3 issues
- Overall list of material issues in priority order
- Internal versus external priority order
- Interview report – what issues mean, Report feedback
What does success look like?
Document review

› Establish a starting point – initial list of material issues
› Risk registers – group, business and site level
› Board papers – relevant committees
› Business plan
› Outputs of ongoing stakeholder engagement, feedback
› Media coverage
› External reports – sector bodies, global consultancies
Document review

› Peer Reports

› Surveys:
  › Employee engagement
  › Community trust index
  › Brand equity
Stakeholder issues ranking – any “front runners”?
Stakeholder issues ranking

- Internal and external stakeholders – balanced numbers
- Representative sample – across business and externally
- Rank issues 1 to 5 – other scales can work
- 5 - extremely important
- 1 – not important
- Highlight top 3 issues
- Explain why top 3 issues most important to them
Stakeholder interviews

- One-on-one half hour interviews
- Speak freely to independent person
- Explore issue rankings
- Further discuss top 3 issues – why selected
- Feedback on most recent Annual or Sustainability Report
- Same process for external and internal stakeholders
Examples of best practice
MMG, CPA Australia, Toyota, Australia Post
Power company example materiality outputs
Example material issues order of priority
Example materiality matrix

- Business Impact
  - Customer satisfaction/experience
  - Energy affordability/hardship
  - Digital smart metering
  - Govt regulation of retail prices
  - Workplace H&S
  - Employee engagement
  - Diversity/inclusion
  - Talent attraction/retention
  - Industrial relations
  - Corporate governance
  - Ethical conduct
  - Legislative compliance
  - Renewable investment
  - Unburnable carbon
  - Distributed generation
  - Emerging technology development
  - Energy efficiency
  - Water management
  - Water consumption
  - Air emissions
  - Noise/non-audible sound
  - Waste
  - Biodiversity/cultural heritage
  - Climate change adaptation

- Stakeholders
  - Climate change adaptation
  - Air emissions
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  - Energy affordability/hardship
  - Customer satisfaction/experience
Example key findings

› Group material issues (eg. H&S) re: overall importance
› 8 “front runners” -> then 8 issues -> 7 -> 7 -> 10
› 8 “front runners”:
  » Legislative compliance    Ethical conduct
  » Customer satisfaction/experience    Employee engagement
  » Corporate governance    Energy policy uncertainty
  » Workplace H&S    Talent attraction/retention
Example key findings

- Top 3 issues paints a different picture
- Customer satisfaction/experience clear “front runner”
- Workplace H&S   Legislative compliance   Profitability
- Energy affordability/hardship   Emerging technology development   Community impacts/engagement
- Energy policy uncertainty
- 13 issues drop off completely
# Example internal versus external

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<thead>
<tr>
<th>External</th>
<th>Internal</th>
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<tbody>
<tr>
<td>Legislative compliance</td>
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<td>Energy policy uncertainty</td>
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<td>Public policy</td>
<td>Talent attraction/retention</td>
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<td>Supply/demand disruption</td>
<td>Profitability</td>
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<td>Energy efficiency</td>
<td>Declining demand</td>
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<td>Generation efficiency/availability</td>
<td>Community impacts/engagement</td>
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<td>Energy market design</td>
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What does success look like?

Examples of best practice

MMG, CPA Australia, Toyota, Australia Post

Next steps for you
Next steps for you

› Social licence to operate – what does success look like for you?
› Materiality determination – get back to basics:
   » Make sure you are focusing on the right things
   » Potential business risk
   » Stakeholders’ most important issues
› Invest time and effort on material issues
› Use material issues as the basis for your strategy
› Structure reporting around material issues
THANK YOU FOR LISTENING

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