



ESG Reporting: Different Measures of Materiality

THE CONFERENCE BOARD
SUSTAINABILITY WATCH



Housekeeping

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Panelists:



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The Conference Board



Dr. Uwe G. Schulte (Moderator)
Leader, Global Sustainability Center
The Conference Board



About The Conference Board Sustainability Center

Our purpose



Sustainability Centre

Support member companies to **create long-term value** and **positive impact** through **sustainability integration**

Timely, thought-provoking and relevant research

| | | | | | | | | |
|---|-------------------------|---------------------------------------|---|--------------------|------------------------------|-------------------------------|-----------------------------------|---|
| 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | Guided by responsible standards & frameworks |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 17 PARTNERSHIPS FOR THE GOALS | |
| Fact-based | | | | Independent | | | | |

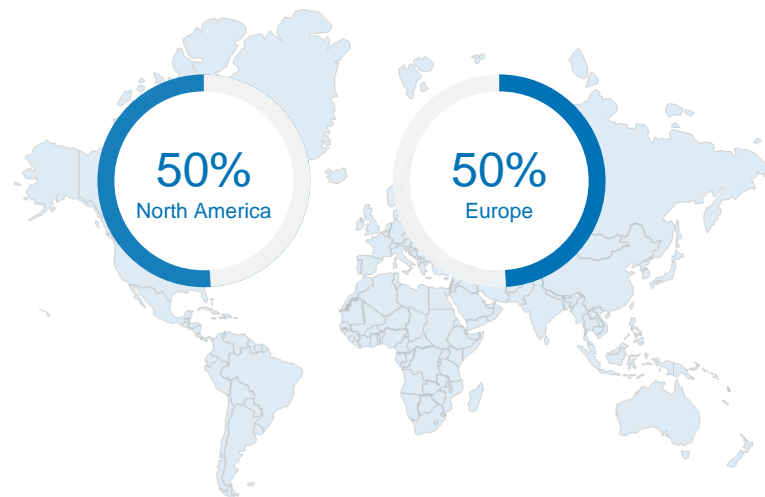


Materiality – Overview of Current Practices

Findings from The Conference Board study on materiality practices

About the study

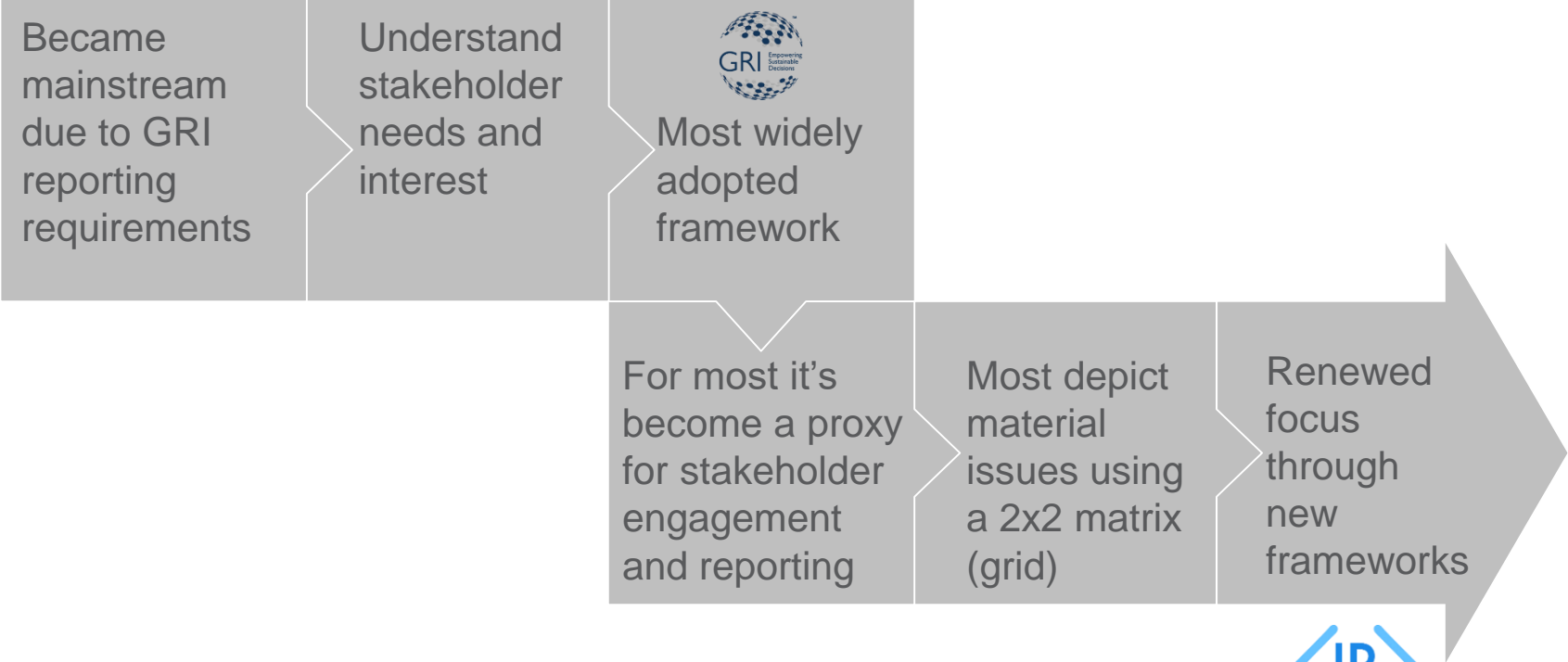
- Based on survey responses and discussions with sustainability functions heads/reporting leads
- Range of industries including manufacturing, financial & insurance, transportation, healthcare and construction
- Majority had turnover between 10 - 40 US\$ billion



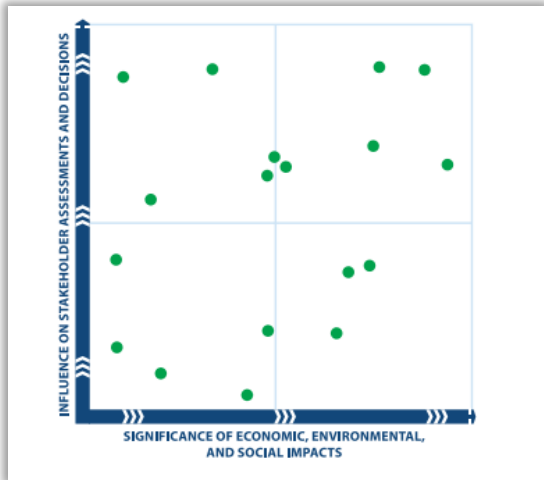
- Survey and interviews undertaken in September – October 2018



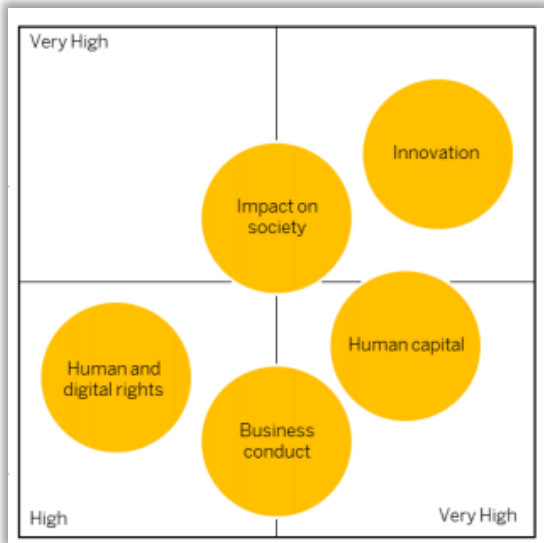
Materiality storyline: findings from the survey



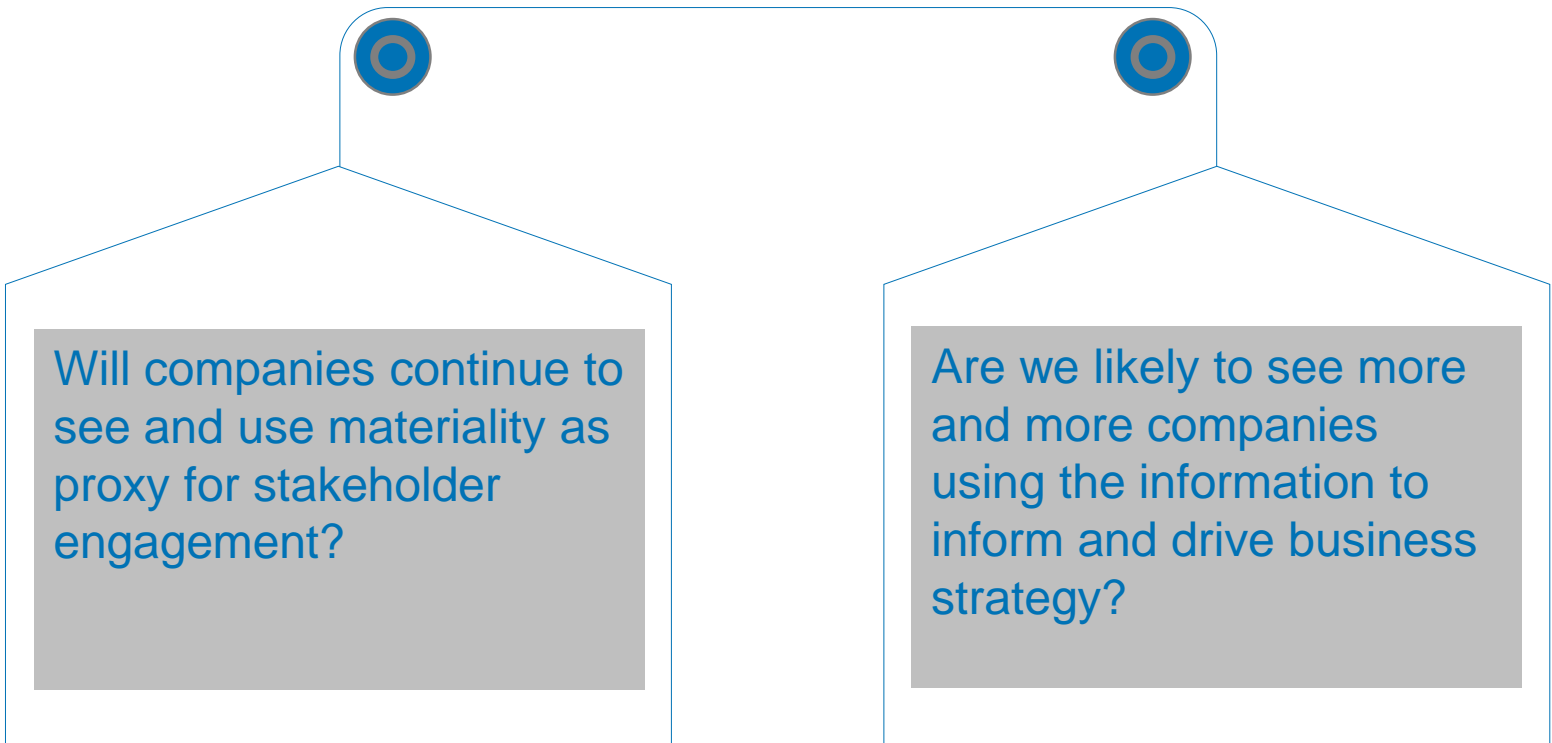
Examples of materiality matrix



| Material issues 2015 | Material issues 2017 |
|--|--|
| Governance <ul style="list-style-type: none"> Compliance Standards in the Value Chain Data Protection & Security | Governance <ul style="list-style-type: none"> Compliance Standards in the Value Chain Data Protection & Security |
| Employees <ul style="list-style-type: none"> Employee Engagement Employee Development Occupational Health & Safety | Employees <ul style="list-style-type: none"> Respect for Human Rights Employee Engagement Employee Development Occupational Health & Safety |
| Environment <ul style="list-style-type: none"> Energy Efficiency & Climate Change Air Pollution & Noise | Environment <ul style="list-style-type: none"> Energy Efficiency & Climate Change Air Pollution |

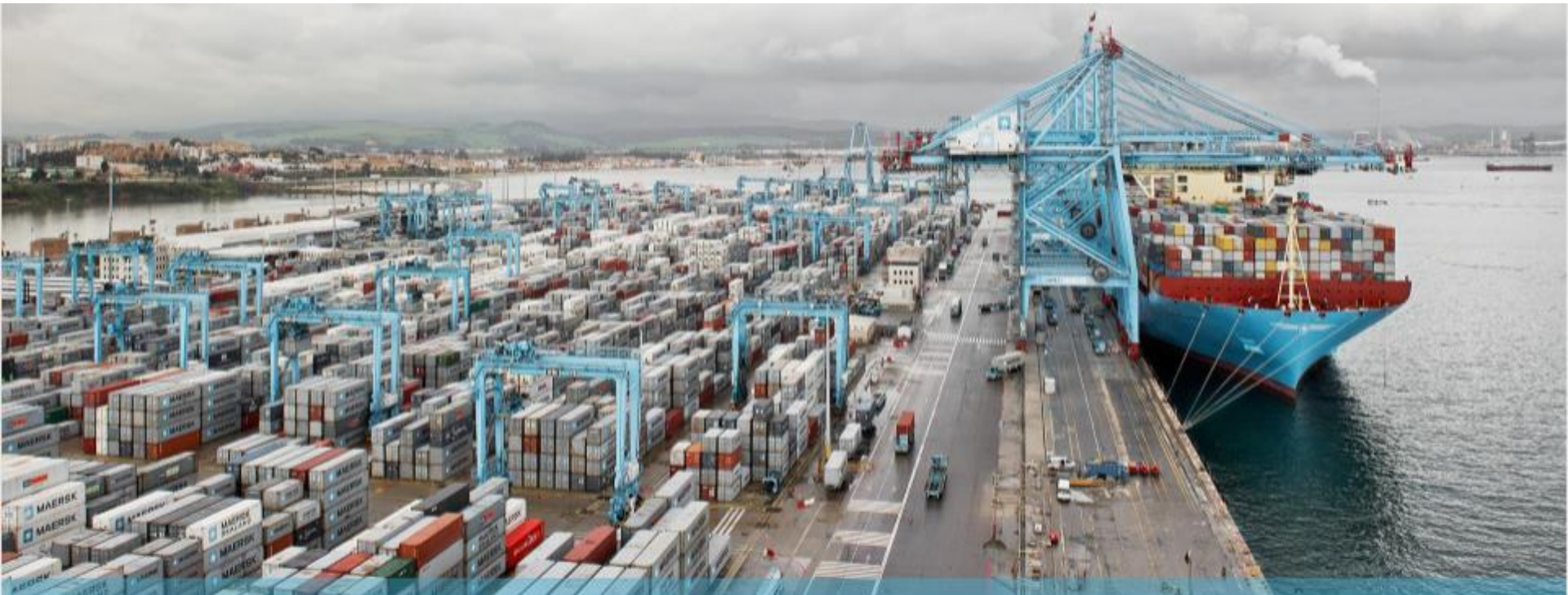


Materiality will continue to be a key aspects of corporate sustainability lexicon, but....



Materiality

Risk, Responsibility and Shared Value



MATERIALITY

RISK, RESPONSIBILITY, SHARED VALUE



Lene Bjørn Serpa, Head of Organisational Engagement and Reporting, Maersk Sustainability
The Conference Board webinar, 21 March 2019

Our business in 2018

Employees
84,404

Present in
130+
Countries

Revenue
39,019
USD million

Profit
220
USD million

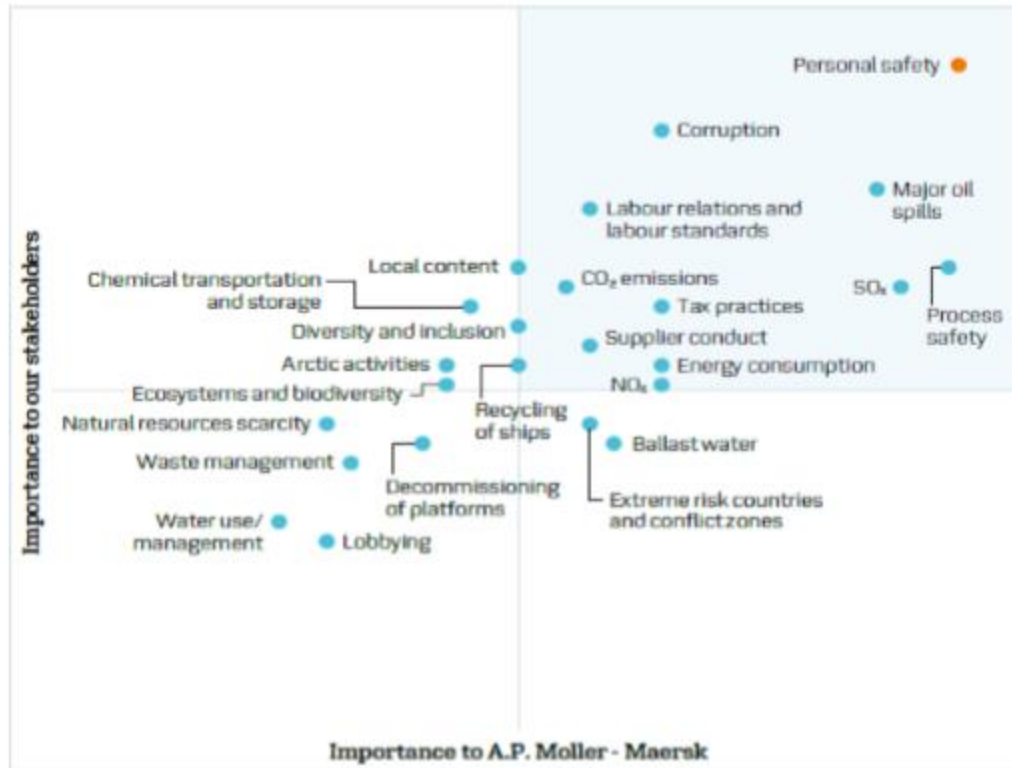
Our vision

To provide our customers with an end-to-end offering of products and services across digital platforms and an end-to-end delivery network, taking the complexity out of global supply chains.

Connecting and simplifying global value chains



How we started: The matrix (2012-15)



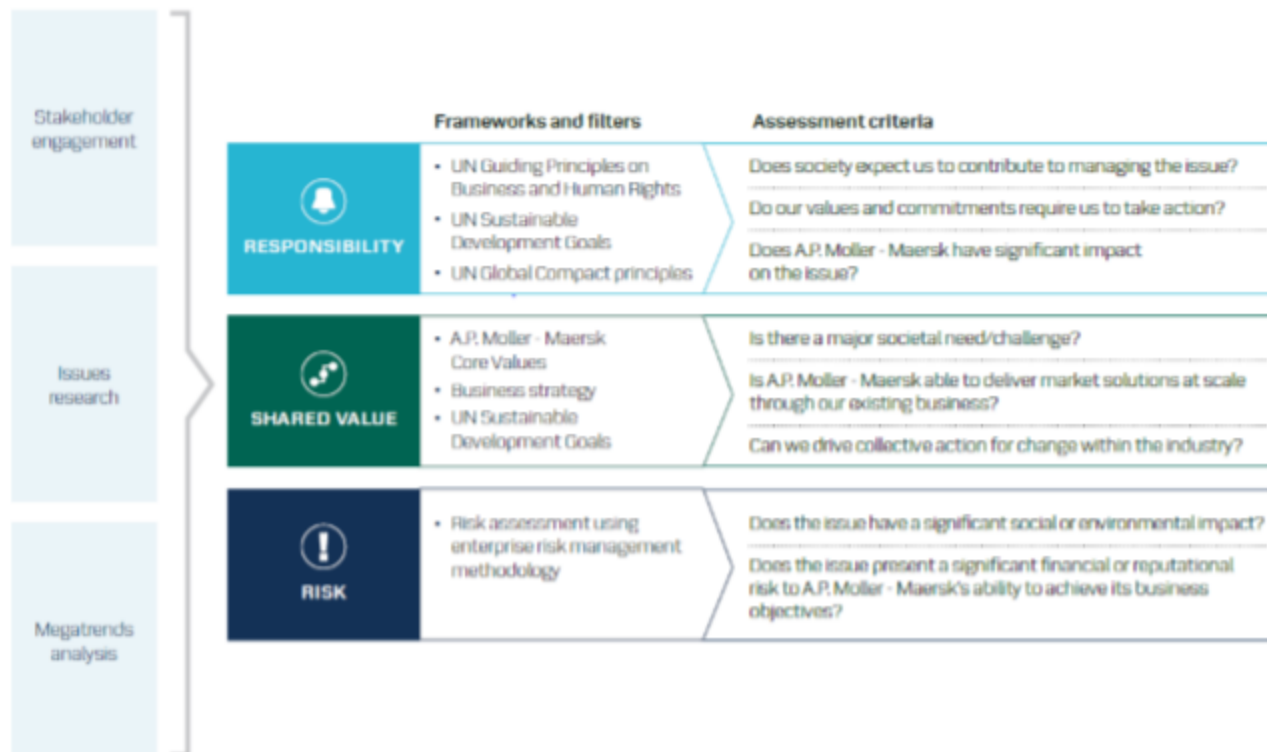
STRENGTHS

- Effective filtering framework
- Highly structured and documented
- Internally anchored

SHORTCOMINGS

- 'Tick the box' exercise
- Prioritization of issues within top right unclear
- Overemphasized the risk perspective
- Too rigid

A new lens: Risk, responsibility, shared value



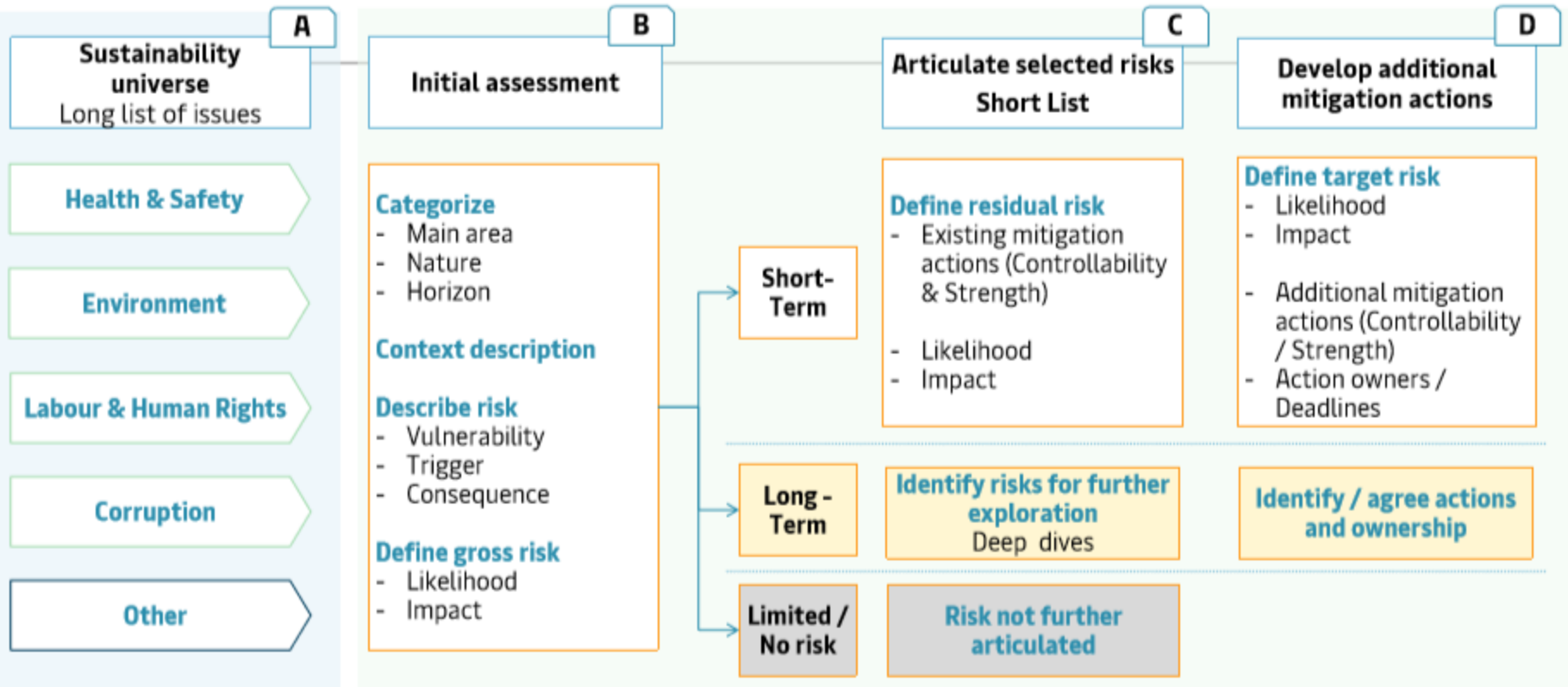
STRENGTHS

- Relies on existing analyses
- Enables a more action-oriented understanding of issues
- Allows more room for incorporation of our Core Values and societal perspectives
- Issues are either material or not

SHORTCOMINGS

- More complex approach
- Some subjectivity in determining materiality

Sustainability risk framework



Sustainability risk register – results (2016)

Financial risk mapping

| | | | | | | |
|------------|--|-------------------|--------|--|---|----|
| Likelihood | Almost certain > 75% Annually | 2, 13, 16 | | | | |
| | Probable < 75% Once in 1 – 4 years | 4, 17, 20, 21, 23 | 12, 18 | | 3 | |
| | Possible < 25% Once in 4 – 20 years | 5, 19, 22 | 10 | | | 7 |
| | Unlikely < 5% Once in 20 – 50 years | 6, 8, 9, 11, 24 | | | | 19 |
| | Almost never < 1% Once in > 50 years | | | | | 1 |
| USD | | | | | | |

Financial impact

Assessing responsibility



SCOPING & IDENTIFICATION

PRIORITISATION

MITIGATION

Materiality assessment 2018

RESPONSIBILITY

Where do we have a responsibility to mitigate significant potential negative impact on people, society or the environment?

Issues:

Injuries and fatalities

Labour rights

Diversity and inclusion

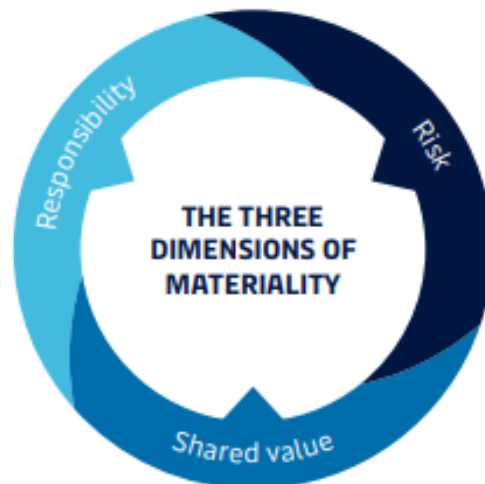
Tax practices and transparency

Human rights

Disaster response

Ocean health

New issue in 2018 is highlighted in blue and rescope issues in grey.



SHARED VALUE

Where can we, through our business, pursue and scale solutions to meet significant systemic challenges for the benefit of society and, at the same time, create opportunities for our business?

Issues:

Disposal of vessels and rigs for recycling

Decarbonising logistics

Multiplying the benefits of trade

Food loss

RISK

Where do sustainability issues pose a significant financial or reputational risk to our business?

Issues:

Major accident/oil spill/chemical spill

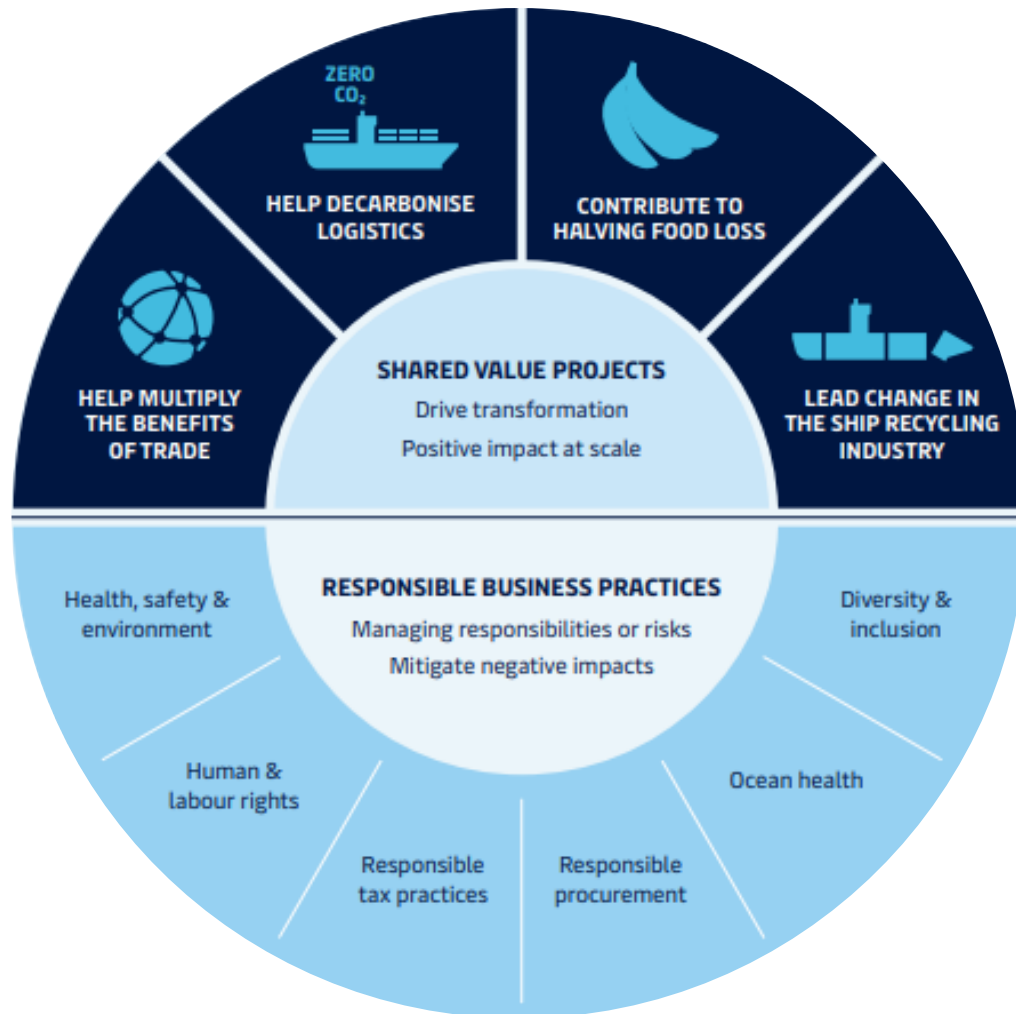
Major non-compliance with corruption regulations

Supplier non-compliance with A.P. Moller - Maersk Third-Party Code of Conduct

Uneven playing field in the enforcement of global SO_x regulations

Physical impacts of climate change

Our sustainability strategy



On the radar & next steps

Upcoming issues on our radar

Issues identified through our trendspotting and materiality processes that are not yet highly material

Sample Issues

Sustainable consumption

Sustainable urbanisation

Responsible use of digital technology

Next steps

- Continue to improve reputational risk assessment
- Further incorporate science-based and absolute impact-based perspectives on responsibility issues



Read more in our 2018 Sustainability Report

[maersk.com/about/sustainability](https://www.maersk.com/about/sustainability)



Questions and discussion

Upcoming webcast

UN SDGs in China: *Discussion on how companies can support SDGs*

Thursday, 18th April 2019

Responsible Digital: What is it and how can you make a start?

Thursday, 16th May, 2019

03:00 PM CET [15:00] (Brussels)

09:00 AM ET [09:00] (New York)

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