

ESG  17
SCREEN

2023

**MATERIALITY
WEIGHTS**



Screen17 Materiality Weights

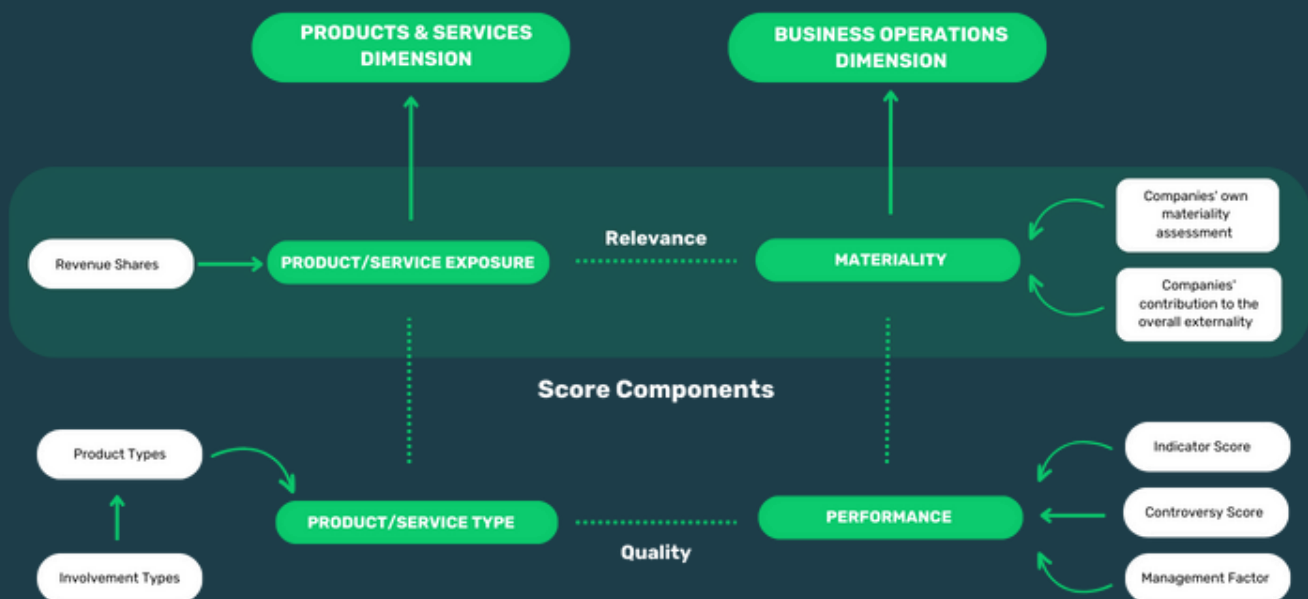
Making the SDGs investible

Sustainability Driver Dimensions & Materiality

The Screen17 Sustainability Driver Scores provide an assessment of different aspects of corporate sustainability. These are divided into two main dimensions, the Products and Services Dimension and the Business Operations Dimension. When considering multiple Sustainability Drivers or comparing Sustainability Driver scores of different companies, it is important to determine the relevance or importance of each of the drivers.

With respect to the Product dimension of the Screen17 Sustainability Drivers, the relevance of those drivers is naturally provided by the relative revenue-based exposure to specific products and services. This assessment is provided via the Product Exposure Scores

However, as the relevance of Business Operations cannot be measured using revenue contribution as a metric the relevance is measured by assigning each company industry-specific materiality weights (see image below)



Purpose of Materiality Weights

Materiality is a concept used in financial accounting and sustainability reporting to measure the relative financial importance of certain factors among companies' ESG considerations. In other words, it considers which ESG factors are reasonably likely to impact the financial condition or operating performance of a company (and are therefore most important to investors) and what the magnitudes of the impacts of these factors are.

Similarly, the Screen17 Materiality Weights indicate the relative importance of the Business Operations Sustainability Drivers (assessing the company's business operations) for different industry-groups (based on the Global Industry Classification Standard (GICS)). Thereby, the Materiality Weights fulfil two main functions:

01| Indication of Importance

Indicate the industry-group specific relative importance of particular Screen17 Sustainability Drivers for companies (e.g., the importance of GHG emissions efficiency for utilities (very high) versus financial institutions (rather low)).

02| Aggregation of Drivers

Provide weights for aggregating all Business Operations Sustainability Drivers to a single aggregated Business Operations Score on an entity level.

To ensure easy comprehensibility, Screen17 Materiality weights for each single company sum up to 100% and provide a relative importance of drivers across industry groups.

Industry Level Materiality Weights

Within the Screen17 sustainability assessment, the concept of materiality is slightly adapted to increase transparency and comprehensibility regarding the applied sustainability assessment. The Screen17 materiality analysis is performed on an industry-group level instead of determining company specific materiality due to the following prevailing advantages:

✓ GICS universe-wide coverage

By taking advantage of the fact that similar companies within the same industry-group are exposed to a very similar set of material issues, we are able to offer materiality weights for the whole (GICS) universe instead of only covering companies that publish their individual materiality assessment.

✓ Elimination of individual bias

Company specific material assessments should not be biased by individual company views; therefore, we smooth the data by considering a representative sample for each (GICS) industry group. For the Screen17 materiality assessment, we selected the GICS industry- group level (second level of the GICS classification) because for this classification level a sufficient coverage of companies' materiality assessment as well as a meaningful trade-off between generalization and industry specific characteristics can be guaranteed.

Composition of Materiality Weights

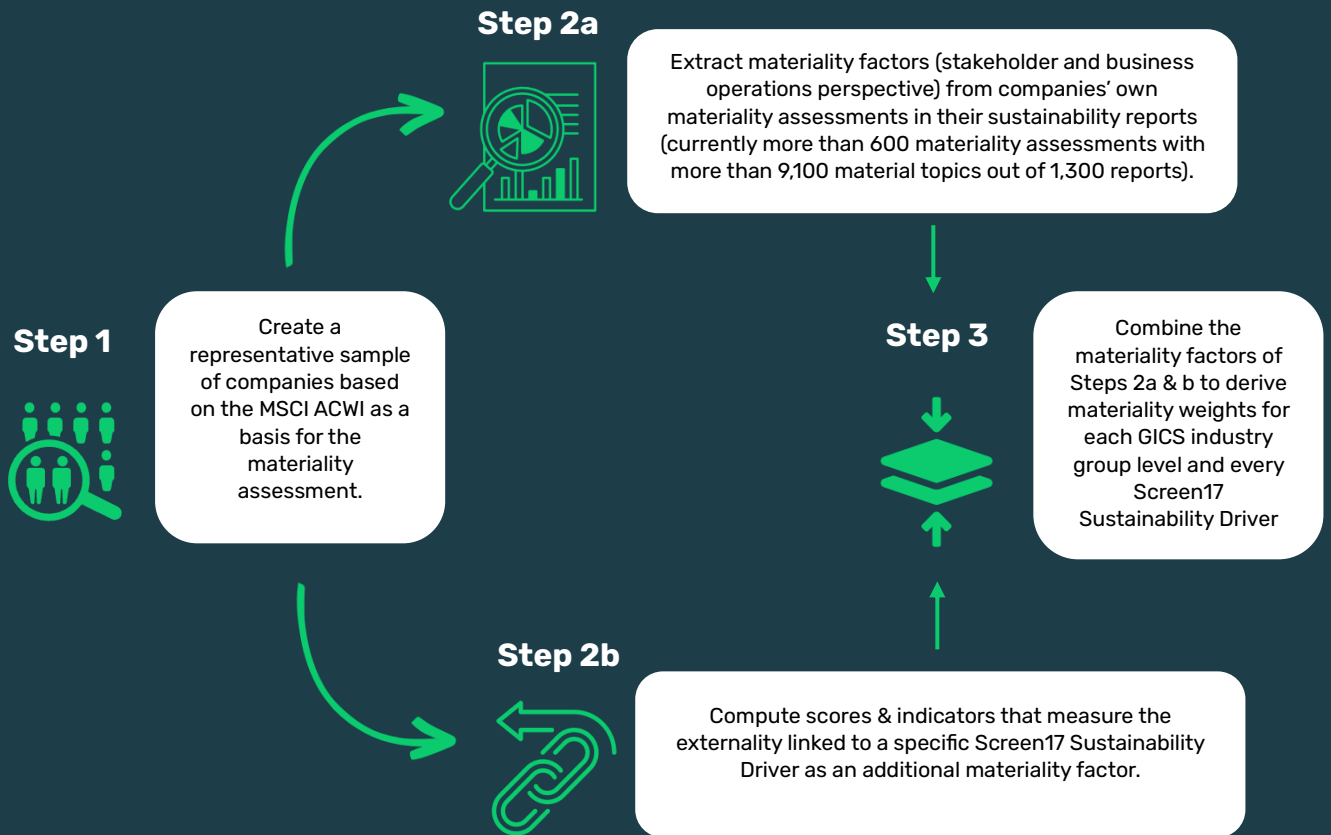
The final weight for each Business Operations Sustainability Driver per GICS industry-group is determined through a combination of three indicators:

Dimension	Used Indicator	Resulting Factor	Description
Companies' own materiality assessment	Relative importance of various sustainability dimensions to stakeholders extracted from companies' materiality assessment	Relative cross-industry group importance (stakeholder perspective)	Relative cross-industry group importance for material sustainability dimensions based on the materiality assessment of companies with respect to the importance of these dimensions for the companies' stakeholders
	Relative importance of various sustainability dimensions to business operations extracted from companies' materiality assessment	Relative cross-industry group importance (business operations perspective)	Relative cross-industry group importance for material sustainability dimensions based on the materiality assessment of companies with respect to the importance of these dimensions for business operations
Companies' contribution to the overall externality	Indicators measuring the externality linked to a specific Sustainability Driver	Relative cross-industry group contribution to the externality	Approximated contribution of an industry group to the overall externality

For each of the indicators, a cross-industry group evaluation is performed to derive importance factors that represent the relative importance of the Sustainability Drivers for the different industry-groups. Combining the resulting factors in a within-industry-group perspective results in the final materiality weights, summing up to 100% for each industry-group.

The final materiality weights are provided for each GICS industry-group level (i.e., 25 different industry-groups according to the latest update of the GICS classification) and are derived based on constituents of the MSCI ACWI to ensure a meaningful selection of companies and a representative sample of the overall universe. The above-described

process and the particular process steps to derive the Screen17 materiality weights are summarized in the image below.



Double Materiality

The Screen17 materiality approach is also aligned with the concept of “double materiality”, a concept for materiality assessment that will be required by the forthcoming European Sustainability Reporting Standard (ESRS). The ESRS’ (2022) current working definition of Double Materiality is:

Definition: “Double materiality is the union (in mathematical terms, i.e., union of two sets, not intersection) of impact materiality and financial materiality. A sustainability matter meets therefore the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.”

In this regard the Screen17 materiality approach considers double materiality as follows:

01| Material for the company (outside-in, financial materiality)

The considered indicators resulting from the companies’ own materiality assessment include considerations regarding future impact, risk, or importance of certain topics to the operations of the companies.

02| Material for the market, environment, and people (inside-out, impact materiality)

The externality indicators include the companies’ impact on their environment via the companies’ contribution to the externality which can be environmental, social, or financial.

Evaluation & Validation

To validate our approach, we compare the Materiality weights against the material topics defined by SASB. Those material topics are identified by SASB via a materiality map and are defined to be important to report on.

In summary, nearly all material topics defined by SASB are also covered within the Screen17 Sustainability Driver Framework and its Materiality assessment. For most industry- groups considered, the Top 20 Sustainability Drivers (sorted by materiality weight) and the Sustainability Drivers that account for 95% of materiality weights cover nearly all SASB topics. Focusing on the Top 10 Sustainability Drivers, we still cover more than 50% of the relevant SASB topics. For Details, see the table on the following page.

Deviations from SASB can occur due to different reasons:

01| The SASB framework has an accounting focus only, while the Screen17 Sustainability Drivers have a universal sustainability performance focus. Assessing several topics from an accounting perspective, might result in a different assessment. For instance, SASB does not directly include human rights, forced labor or child labor.

02| Usage of different classification schemes with varying definitions: SASB applies an own industry classification system, while we use the Global Industry Classification Standard (GICS) and needed to map the industry classifications for the validation.

03| While most of the SASBs issues/topics are also considered within the Screen17 Sustainability Driver framework, there are some topics that are not covered due to the different foci of both frameworks. These include the SASB topics “Access & Affordability”, “Product Design & Lifecycle Management”, and “Supply Chain Management”. Due to the lack of those SASB topics, for some of the industry-groups, a coverage of 100% SASB topics cannot be reached. Vice versa, Screen17 provides additional Sustainability Drivers that account for the sustainability performance of topic that are not covered within the SASB Framework. These are “workforce training”, “child labour”, “forced labour”, and “animal welfare”.

Contact us with any questions or requests via:

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