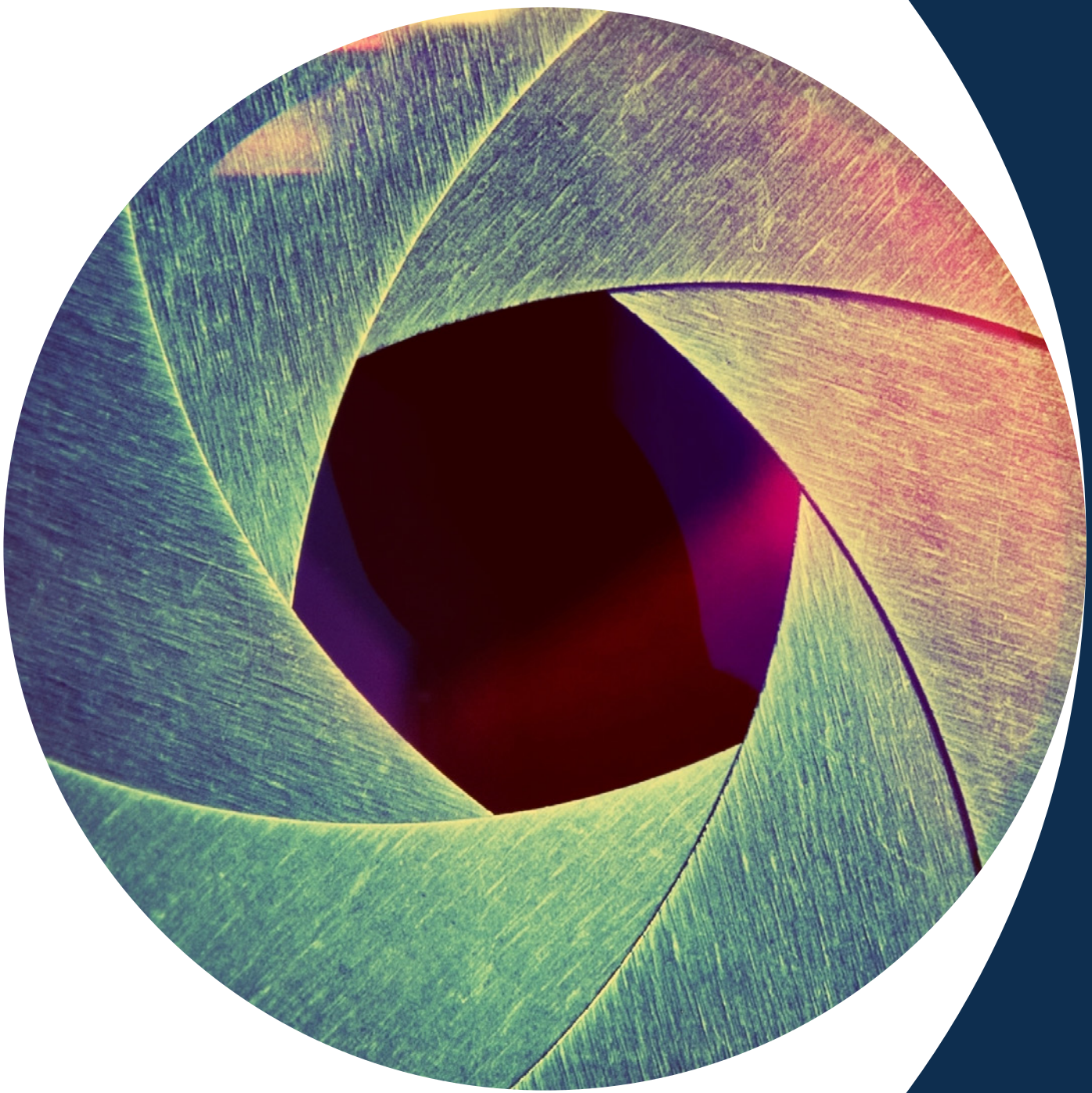
Defining What Matters

Do companies and investors agree on what is material?



Mining, Metals and Electric Utilities

In collaboration with

ROBECOSAM
We are Sustainability Investing.

ABOUT GRI

GRI is an independent international organization that has pioneered corporate sustainability reporting since 1997. GRI helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. With thousands of reporters in more than 90 countries, GRI provides the world's most trusted and widely used standards on sustainability reporting, enabling organizations and their stakeholders to make better decisions based on information that matters. Many countries and regions reference GRI in their policies. GRI is built upon a unique multi-stakeholder principle, which ensures the participation and expertise of diverse stakeholders in the development of its standards. GRI's mission is to empower decision makers everywhere, through its standards and multi-stakeholder network, to take action towards a more sustainable economy and world.

ABOUT ROBECOSAM

Founded in 1995, RobecoSAM is an investment specialist focused exclusively on Sustainability Investing. It offers asset management, indices, engagement, voting, impact analysis and investing, sustainability assessments, and benchmarking services. Asset management capabilities cater to institutional asset owners and financial intermediaries and cover a range of ESG-integrated investments (in public and private equity), featuring a strong track record in resource efficiency theme strategies. Together with S&P Dow Jones Indices, RobecoSAM publishes the globally recognized Dow Jones Sustainability Indices (DJSI). Based on its Corporate Sustainability Assessment (CSA), an annual ESG analysis of over 3,800 listed companies, RobecoSAM has compiled one of the world's most comprehensive databases of financially material sustainability information. The data of the CSA is also included in USD 84.6 billion of assets under management by Robeco.

RobecoSAM is a member of the global pure-play asset manager Robeco, which was established in 1929 and is the center of expertise for asset management within the ORIX Corporation. As a reflection of its own commitment to advocating sustainable investment practices, RobecoSAM is a signatory of the UNPRI and a member of Eurosif, ASrIA and Ceres. Approximately 130 professionals work for RobecoSAM, which is headquartered in Zurich. As of December 31, 2015, RobecoSAM had assets under management, advice and/or license in listed and private equity of approximately USD 10.7 billion. Additionally, RobecoSAM's Governance & Active Ownership team had USD 238 billion of assets under engagement and USD 49 billion of assets under voting.

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Foreword

Thousands of companies in more than 90 countries have used GRI Sustainability Reporting Standards (GRI Standards), making them the world's most trusted and widely used standards on sustainability reporting. They enable organizations and their stakeholders to make better decisions based on information that matters. GRI Standards make it clear that material information is at the center of good reporting, and provide high-level guidance to companies on how to identify and report material topics. It is up to companies to bring this guidance to life – to identify the issues that are material to them, in the context of their business model, sustainability impacts and stakeholder relationships.

As an asset manager, RobecoSAM has always focused on identifying financially relevant sustainability factors when evaluating companies. For this reason, it puts considerable effort into developing and maintaining its own materiality frameworks so that its analysis focuses on those factors that are most relevant to a company's financial performance. This enables RobecoSAM to integrate financially material sustainability factors into its investment process in a structured manner. The importance of these factors is also reflected in the questionnaires it uses to support the Dow Jones Sustainability Index.

Corporate disclosures such as financial reports, integrated reports, sustainability reports and investor presentations are key sources of information used by financial analysts. As a result, for the deeper integration of sustainability into investment decisions it is also important that companies are able to communicate on the priority issues for investors. This includes discussing risk exposures and opportunities, and articulating the strategies they are deploying to mitigate risks and build on their strengths. As companies confront sustainability challenges with particular financial relevance it is increasingly important that investors see how they are making progress towards relevant goals and targets.

The aim of the research described in this publication is to understand how companies in the selected sectors are defining the issues that are material, and whether this aligns with the needs of one key stakeholder group: investors (as represented by RobecoSAM). The research was done through collaboration between GRI and RobecoSAM, and with support from the Alcoa Foundation.

We hope this research publication inspires discussion on the relevance of reported information, not only in the featured sectors but also in other sectors, helping reporters, investors and other stakeholders to better understand the information needs of investors, and to empower sustainable decisions.

GRI

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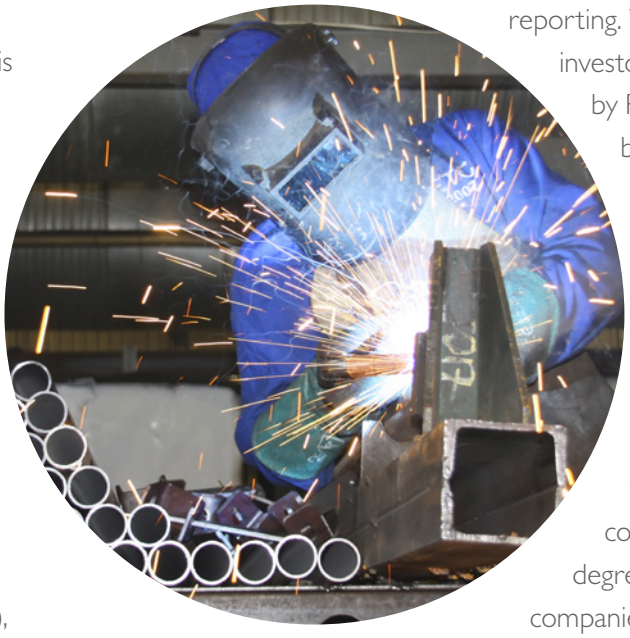
Executive Summary

The risks posed and opportunities created by the shift towards greater sustainability present companies with complex, multi-dimensional, and sometimes interconnected issues. By developing a robust understanding of what issues are material to their operations, the environment and communities, companies can better prevent or mitigate these risks and gain access to the opportunities. Reporting plays a pivotal role in communicating these management actions to a variety of stakeholders.



Choosing what to report is an important decision for a company and can be guided by determining the materiality of each sustainability topic. The importance of materiality in the reporting process – to both reporters and report users – is underscored in GRI Sustainability Reporting Standards (GRI Standards), as done at page 4. Materiality is the threshold at which sustainability topics become sufficiently important that they should be reported.

The aim of this research was firstly to understand whether companies are undertaking materiality processes, and whether they are disclosing information about these processes and the results. The second aim was to compare this information to the needs of one key stakeholder group: investors, as represented by project partner RobecoSAM.

The research investigates reports from companies in Mining, Metals, and Electric Utilities sectors to obtain an understanding of what companies consider material from the point of view of reporting. This is compared to the investor perspective provided by RobecoSAM, which is based on materiality underpinning both its own investment decisions and the Dow Jones Sustainability Index (DJSI) questionnaire. The resulting material topics have been compared to explore the degree of alignment between companies' sustainability reporting and investors' needs.

The research shows that generally there is alignment. Environmental Management is among the most material topics for both the companies and the investors across all three sectors. There is good alignment in the Mining sector with

important topics being Occupational Health and Safety, Communities, and Labor. Similarly, in the Metals sector companies and investors agree on the importance of Occupational Health and Safety, Climate Strategy, and Communities. However, there is less alignment in the Electric Utilities sector, where investors consider Customers and Innovation important topics, while companies find Occupational Health and Safety and Communities most important. This could be due to differences in how issues are categorized or named, or a reflection of the needs of other stakeholders besides investors.

By highlighting the alignment between what companies are reporting and what investors want to see, the research suggests that GRI Standards are well placed to form the basis of companies' sustainability reporting if the companies want to ensure they meet the needs of their investors.

The study shows that companies are generally good at reporting on their operational performance. However, investors would like to see more in depth information. For their decision making, investors require more detailed information on the strategic relevance of the topics to the business and companies' responses: the risk exposure, approach to opportunities, sustainability targets and progress towards them. As such, there may still be some work for reporters to do in delivering more detailed and in-depth information backed by robust data.

1. Introduction

Following the positive reception of the publication *Defining Materiality: What Matters to Reporters and Investors* (March 2015), which featured the Technology Hardware & Equipment and Banks & Diverse Financials sectors, this new research publication again seeks to uncover whether sustainability report issuers and investors as report users identify the same topics as material. This publication covers a new group of sectors in order to establish a comprehensive picture of materiality trends across three sectors: Mining, Metals and Electric Utilities.

The importance of materiality in the reporting process – to both reporters and report users – is underscored in GRI Standards. Materiality is the threshold at which Aspects and other sustainability topics[1] become sufficiently important that they should be reported.

GRI and RobecoSAM continued their collaboration for this research, once again comparing the content of GRI reports to the views of investors. The core element of this collaboration remains the examination of whether the topics organizations report on correlate to what investors want to know.

We hope the results of this research will help strengthen reporting organizations' understanding of, and commitment to, completing a robust materiality analysis. Although this publication only presents research on three sectors, we believe the underlying logic in the process of defining material topics is relevant for the whole reporting community in compiling or using reports.

1 In the G4 version of GRI's Sustainability Reporting Guidelines, the term 'Aspect' is used to refer to the list of sustainability subjects covered by the Guidelines and the term 'topic' is used to refer to any possible sustainability subject.

2. How to Define What is Material

The concept of materiality is central to sustainability reporting, and it factors into investors' evaluations of the companies in which they invest. GRI provides high-level guidance in its Sustainability Reporting Standards to help companies undertake a process through which topics are identified and prioritized for reporting and communicating. Companies put this guidance into practice by considering their main sustainability impacts and, in dialogue with their stakeholders, prioritize certain topics and issues to report on. RobecoSAM represents one of these stakeholder groups – investors – and has developed its own understanding of the financially material sustainability topics it expects companies to be reporting on.

The aim of the research described in this publication is to analyze the two different approaches to defining material topics and make some observations about the alignment between what companies and investors consider material.

GRI'S GUIDANCE

Materiality is at the center of sustainability reporting, and organizations face a wide range of topics on which they could report. GRI Standards emphasize the need for organizations to focus their reporting on topics that reflect their economic, environmental and social impacts on the basis of a dialogue with their stakeholders. The Materiality Principle in the G4 version of the GRI Guidelines states:

"The report should cover Aspects that reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders."[2]

Materiality, then, is the threshold at which Aspects and other topics become sufficiently important that they should be reported. Not all Aspects and other topics are equally important, and the organization's report should emphasize information on performance regarding the most material Aspects.

Simply put, the GRI materiality process guides companies in how to identify their major sustainability impacts, and then enter into a dialogue with key stakeholders – which they define themselves – to answer the question 'What are the material Aspects, and to whom?' Each company designs its unique process as a reflection of its needs and in the context of its business model and sustainability strategy. Some companies engage a wide range of stakeholders,

2 GRI, G4 Sustainability Reporting Guidelines, Implementation Manual (p.11), 2013.

such as their employees, investors, customers, local communities and the general public. Other companies may prioritize a specific group – for example, their providers of capital. In every case, the process should be systematic, documented and replicable, and used consistently in each reporting period.

The focus on material issues makes reports more relevant with reference to the global sustainability challenges the company faces, and more credible and accessible to stakeholders. The process of defining material aspects, including the stakeholder engagement element, is highly strategic and its results stretch far beyond just the production of a sustainability report – it touches on the company's overall strategy, risk management, relationships, communications and even the design of products and services with sustainability impacts in mind.

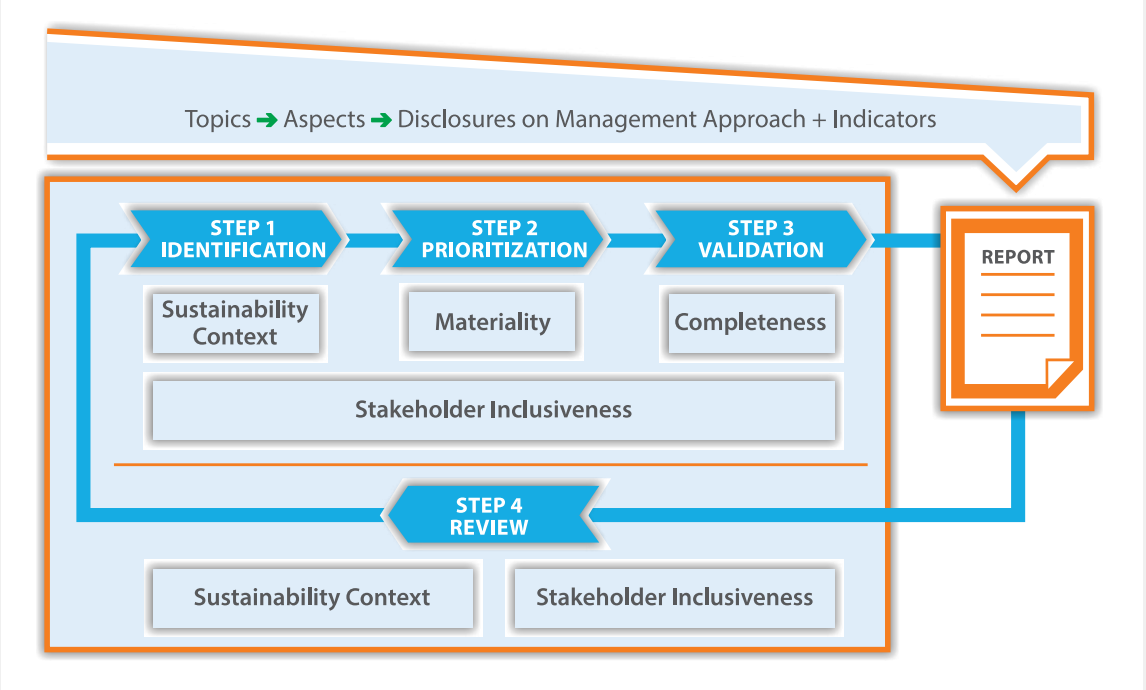
The Process of Defining Material Aspects and Boundaries

In the G4 version of the Guidelines, GRI describes a four-step process (see figure 1) an organization can follow in order to determine the specific content to be included in its report.

Step 1 is the **Identification** of the Aspects and their Boundaries[3] that might be considered for inclusion based on the impacts related to all of the organization's activities, products, services and relationships, regardless of whether these impacts occur within or outside the organization.

Step 2 is the **Prioritization** of the previously identified Aspects and topics to determine those that are material and therefore should be reported on. The Materiality Principle is implemented by assessing each Aspect and topic according to its influence on stakeholder

FIGURE 1. PROCESS OVERVIEW OF DEFINING MATERIAL ASPECTS AND BOUNDARIES



Source: GRI, G4 Sustainability Reporting Guidelines, Implementation Manual (p. 32), 2013.

3 Aspect Boundary refers to the description of where impacts occur for each material Aspect. Aspect Boundaries vary depending on the Aspects reported. With regards to drawing the reporting Boundary for a material Aspect (relevant for G4-18, G4-20 and G4-21), the phrase "where the impacts occur" means which entities inside the organization, or which entities or groups of entities outside the organization, cause the impact and are responsible for it.

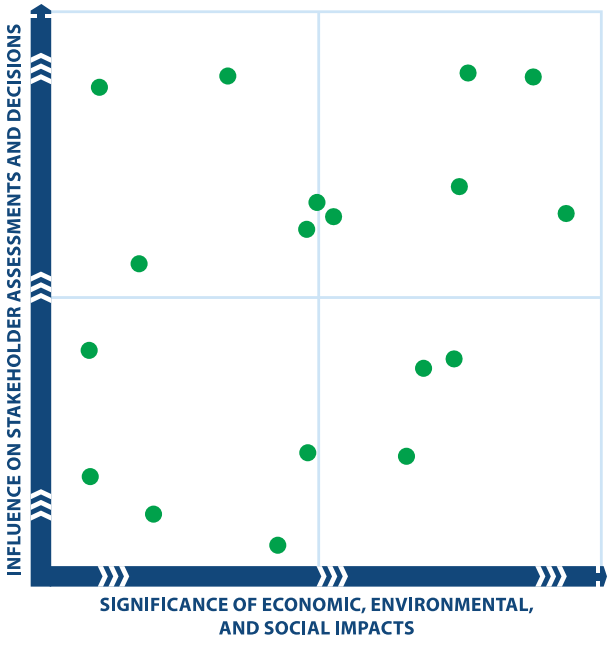
assessments and decisions, and the significance of economic, environmental and social impacts (see figure 2). The organization now defines thresholds (criteria) that render an Aspect material.

Step 3 is the **Validation** of the identified Aspects and topics as material prior to gathering the information to report. The aim is to ensure the report provides a reasonable and balanced representation of the organization's sustainability performance and impacts.

Step 4 is the **Review** of Aspects and topics that were material in the previous reporting period and the consideration of stakeholder feedback. It takes place after the report has been published, and the organization is preparing for the next reporting cycle.

The steps to define report content are expected to be systematic, documented and replicable, and used consistently in each reporting period. The methodology applied in each of the steps to identify the material Aspects and other material topics to report varies between organizations depending on their specific circumstances.

FIGURE 2. VISUAL REPRESENTATION OF THE PRIORITIZATION OF ASPECTS AND TOPICS



Source: GRI, G4 Sustainability Reporting Guidelines, Implementation Manual (p. 12), 2013.

ROBECOSAM'S APPROACH

RobecoSAM represents one specific stakeholder, the investor, who is interested in topics that are considered financially material. This is reflected in RobecoSAM's definition of the materiality of sustainability factors:

"Any factor which might have a present or future impact on companies' value drivers, competitive position, and thus on long-term shareholder value creation."

In considering the impact on a company's value drivers and competitive position, RobecoSAM takes into account:

1. Revenue opportunities and risks arising from changes in market growth, market share and competitive position.
2. Cost implications arising from expenses related to regulatory compliance, maintenance of social license to operate, environmental management, safety and human resources management.
3. Capital efficiency trends reflecting additional investments required to meet regulatory and other stakeholder requirements, environmental management, trends in the cost of installed capacity and trends in the operational life of assets.
4. Risk exposure arising from governance, regulatory, business conduct, environmental and social connection to non-investor stakeholders.

When RobecoSAM looks at the likelihood of impact it considers experience within the industry sector as well as reasonable expectations. For instance, many companies experience a large number of smaller environmental incidents but the very large ones are much less frequent. Also, climate change may not have affected some industries in the past but can be reasonably expected to do so in the future.

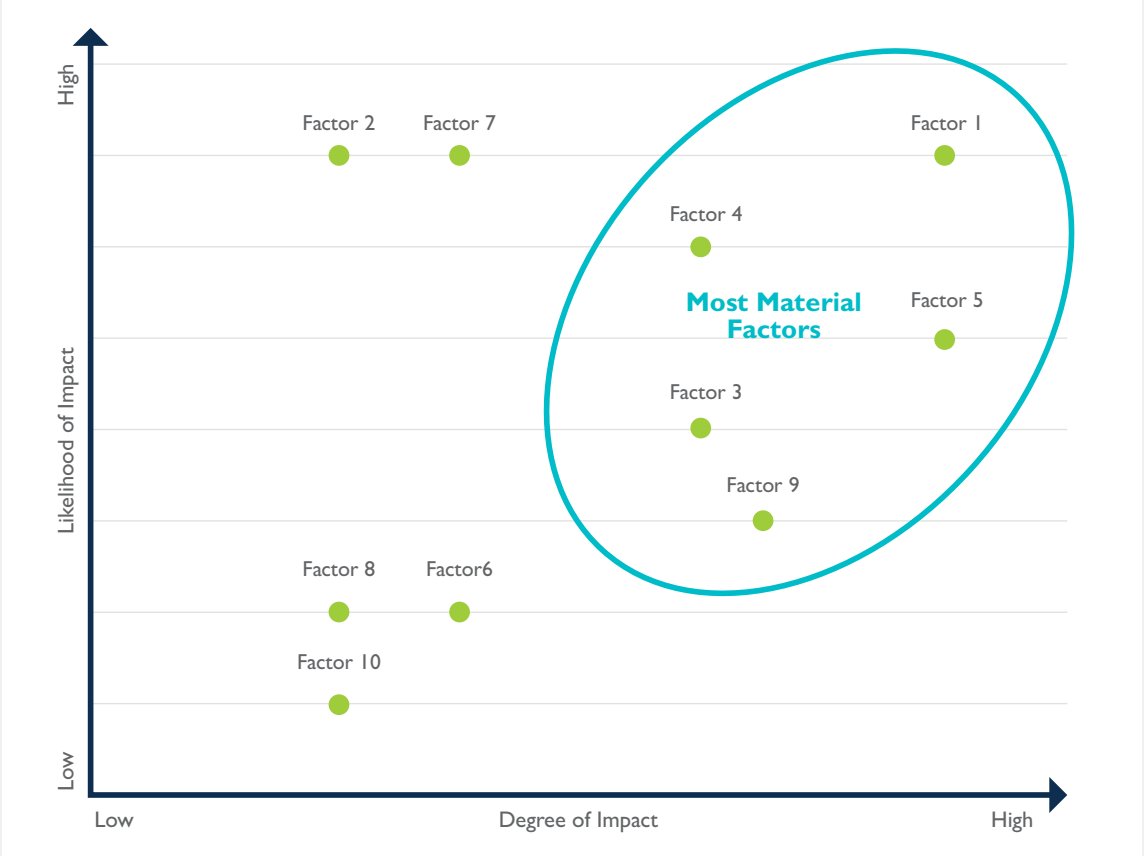
RobecoSAM's approach to materiality also concerns time: it considers not only immediate impacts but also long term ones. The time horizon for specific issues is typically three to five years, but longer horizons have to be considered when it comes to integrating sustainability views into a valuation model.

Because different issues are material in different sectors, RobecoSAM has conducted separate materiality analyses for each of the 59 sectors classified according to the Global Industry Classification Standard (GICS). Relevant issues are identified for each sector and prioritized based on the magnitude and the likelihood of impact on business value drivers. Issues are identified and prioritized in the context of long-term trends within the industry. RobecoSAM's assessment shows similarities to a risk mapping approach, as it depicts the degree of impact on one axis and

the likelihood of impact on the other. It considers both possible risks and potential opportunities for a specific sector. The results of the prioritization can be visualized in a materiality matrix as shown in figure 3 where the higher priority issues are located in the upper right section of the chart.

RobecoSAM looks at a company's economic, environmental and social impacts in terms of the likely impacts on the company itself and, consequently, what implications this will have for the value of an investment in the company. Impacts on the company's business value drivers are used to adjust company valuation and investment recommendations. It is important to note that while the materiality framework helps RobecoSAM focus on what issues to analyze for investment cases, there are some cross-cutting topics that are evaluated irrespective of their position on the materiality matrix. These include topics such as corporate governance, codes of conduct and reputational risk through media and stakeholder analyses.

FIGURE 3. VISUAL REPRESENTATION OF RESULTS OF PRIORITIZATION



Source: RobecoSAM.

COMPLEMENTARITY BETWEEN GRI'S GUIDANCE AND ROBECOSAM'S APPROACH

GRI's guidance on materiality provides a process through which companies decide which stakeholders' perspectives and needs they will take into account, and how to prioritize these when determining the material Aspects and other sustainability topics to report on.

As an investor, RobecoSAM looks deeper at the impact of material topics on the business. Behind this, however, is the expectation that the management of the company is taking a broad view of its material sustainability topics and incorporating the needs and perspectives of other key stakeholders that may be affected by business impacts.

This makes the two approaches to materiality complementary. In comparing the GRI and RobecoSAM approaches to materiality, the key points of comparison are:

- **Stakeholder perspectives**: GRI's Standards state that the reporting company should identify its stakeholders and explain how it has responded to their reasonable expectations and interests. RobecoSAM represents the perspective of one of these stakeholder groups.
- **Impacts**: GRI's Materiality Principle states that the report should cover the impacts of the company on people and the environment. RobecoSAM's materiality assessment focuses on the impacts on the company's value drivers.
- **Information use**: GRI's materiality guidance informs reporting decisions, outlining the flow of information on management and outcomes from the company to its stakeholders.

RobecoSAM's materiality framework guides analysis for investment decisions, where for material issues investors need to know the risks and opportunities that arise from these issues, and how these affect the business performance and the valuation of the company's equity and fixed income.

- **Using the guidance**: GRI provides guidance that companies can apply on the process of defining and prioritizing material Aspects and other sustainability topics. For the DJSI, RobecoSAM not only evaluates the materiality process companies use, but also assesses the business rationale for the prioritized issues, the corresponding priorities and the related targets companies are working toward.

In this publication we make a distinction between materiality for reporting and financial materiality. **Materiality for reporting** is the result of a process outlined in GRI Standards to arrive at a list of Aspects and other sustainability topics about which the company communicates to its stakeholders

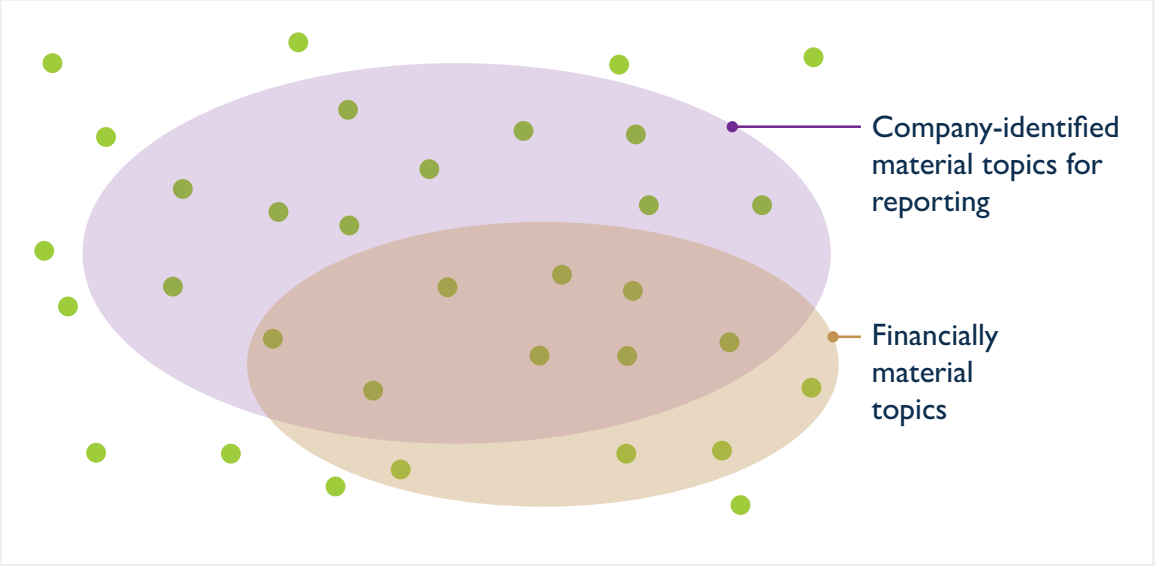
through reporting. **Financial materiality**, on the other hand, narrows this list of topics to identify where there is a link to the business value drivers of a company. They have some influence in the revenue generation, costs, capital efficiency or risks that a company faces today or in the future. Financially material issues will affect the value of the company's equity or borrowings.

In general, materiality for reporting can often represent a larger set of issues (see figure 4). Companies may still consider topics that are not financially material as being material for reporting and prioritize them for many reasons. For example:

- The issue is important to other stakeholders besides investors.
- The issue is significant for other reasons such as license to operate or reputational considerations, not easily monetizable.
- The issue may not yet have crossed the threshold into being financially material but there is potential that it may in the future.

FIGURE 4. THE UNIVERSE OF MATERIAL TOPICS

Simplified representation of sustainability topics and how they might be classified as being material for reporting and/or financially material



3. What Do Companies Consider Material?

By reporting on Aspects and other sustainability topics, companies give their stakeholders a view of what matters to them and where it matters. Some issues may be specific to a sector while others are broadly applicable across sectors.

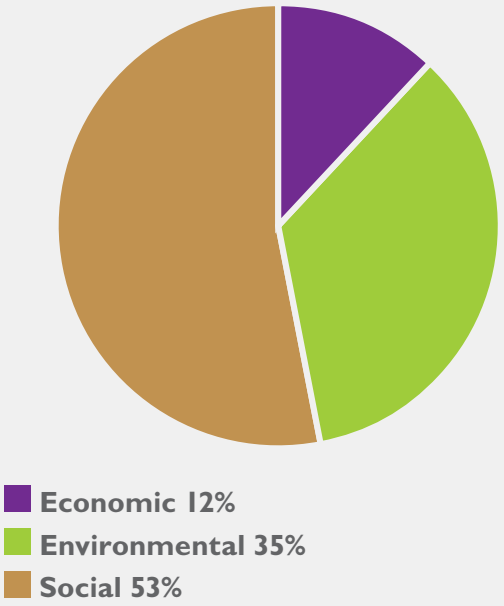
For the research, GRI searched its *Sustainability Disclosure Database*, identified reports published in 2014 and 2015 (up to October 2015) and filtered according to predefined search criteria. The final research sample included 72 G4 Guidelines-based reports from the Mining sector, 25 from Metals and 76 from Electric Utilities. The reports were then searched for lists of the material topics identified by each company, and these were categorized and analyzed (see Annex 1 for more details on methodology and sample used in GRI's analysis).

MINING

96 reports published by organizations in the Mining sector[4] in 2014 and 2015 were identified in GRI's Sustainability Disclosure Database. After filtering according to the predefined research criteria, a final sample of 72 G4 Guidelines-based reports was analyzed (see Annex 1 for the list of companies). In the Mining sector only one report that met the initial sample criteria did not include a list of material Aspects or other topics. Of the sample reports, 94% (68 reports) included a description of the stakeholder engagement process. Almost all the reports (92%; 66 reports) that contained a list of material topics also included a description of the process used to define material Aspects and other topics.

The 72 sample reports contained 1178 disclosures. Of these disclosures, 986 fell into the GRI Specific Standard Disclosures' Categories (see figure 5), 41 fell into GRI General Standard Disclosures (e.g. Governance, Strategy and Analysis, etc.) and 151 were classified as other topics.

FIGURE 5. REPORTED TOPICS BY GRI CATEGORY IN THE MINING SECTOR



N=72 reports, 986 topics identified as GRI Standards related.
Source: GRI.

4 The Mining sector includes companies involved in the exploration, diversified production or extraction of coal mining, and production and mining of coal. It also includes companies engaged in the diversified production or extraction of materials, including, but not limited to, gold, platinum, silver and other precious metals, and companies engaged in the diversified production or extraction of materials, including, but not limited to, nonferrous metals, salt and borate and phosphate rock.

The most frequently reported GRI Aspect in the sample reports from the Mining sector was Occupational Health and Safety (see figure 6).

The Aspects Local Communities, Economic Performance, Training and Education, and Effluents and Waste were also mentioned in most reports.

FIGURE 6. TOP TEN GRI ASPECTS REPORTED IN THE MINING SECTOR

Economic **Environmental** **Social**

	Aspect	Frequency*
1	**Occupational Health and Safety** (health and safety in the workplace)	89
2	**Local Communities** (impact on local communities and local community engagement)	71
3	**Economic Performance** (direct economic impact of operations)	56
4	**Training and Education** (training and career development of employees)	53
5	**Effluents and Waste** (water and waste resulting from operations)	51
6	**Water** (water usage)	49
7	**Energy** (energy consumption and reductions)	46
8	**Employment** (employee profile)	41
9	**Biodiversity** (impact on biodiversity)	40
10	**Emissions** (air emissions resulting from operations)	36

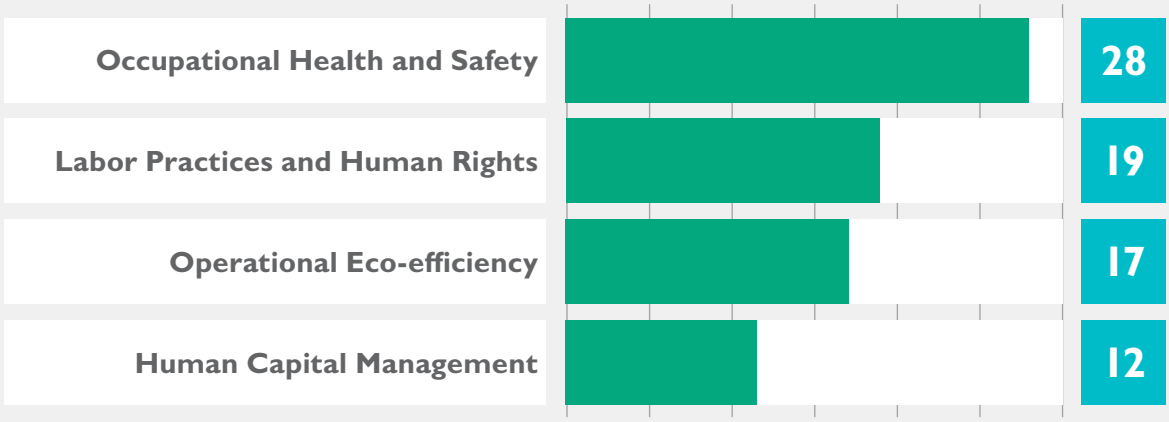
N= 72 reports, 986 topics identified as GRI Standards related.
** Number of times the related topics are listed as material.*
Source: GRI.

Being most frequently reported does not necessarily indicate whether a topic was also considered most material. To determine this, the results from the RobecoSAM *DJSI Assessment* were used to get an insight into the alignment between the most reported and most material topics. The RobecoSAM assessment asks companies to list what they consider their most material social and environmental issues (see figure 7).

The issues companies identify as material and include in their sustainability reports align quite well with the issues companies identify as most material in the RobecoSAM assessment (although one-to-one alignment is difficult to accomplish, partly due to differences in the naming and coverage of the issues). The main exception relates to Human Rights, which is recognized by companies as one of the most material topics but is still infrequently reported. Companies reported to RobecoSAM that their less important issues include Tax Strategy and Supply Chain Management. In general, RobecoSAM has identified a strong alignment between companies' and investors' views on materiality.

Several Aspects indicated as important to Mining sector stakeholders and interest groups for the sector[5] were infrequently reported, including Artisanal and Small-scale Mining (information on the management of sites where artisanal and small-scale mining takes place), Resettlement (information on the sites where resettlements took place) and Emergency Preparedness (information on emergency plans, how they are prepared and what they contain). Each of these Aspects was reported on in fewer than 10 reports from the sector, although 79% of the reports from the sector stated they used GRI's Sector Disclosures.

FIGURE 7. TOP MATERIAL ISSUES IDENTIFIED BY MINING COMPANIES



N= 45 companies.
Source: RobecoSAM.

5 GRI, G4 Mining and Metals Sector Disclosures, 2013.

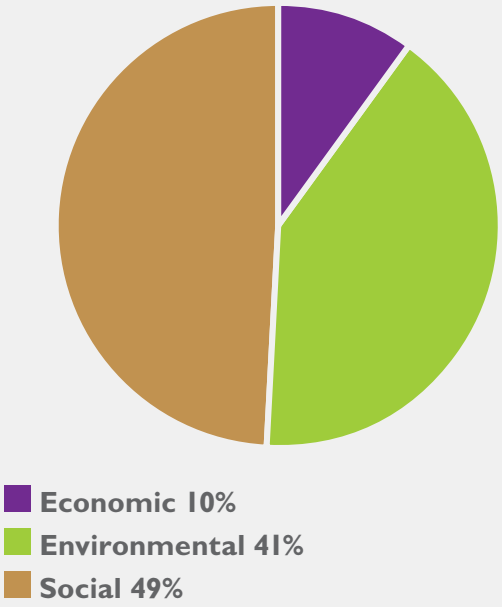
The reports mentioned 151 other topics that did not fall directly into any of the GRI Categories. The most frequently reported of these topics was compliance with legislation unspecified to any of the GRI Categories. Other frequently reported topics included productivity and efficiency, operational considerations, supply chain and the market for resources.

METALS

45 reports published by organizations in the Metals sector[6] in 2014 and 2015 were identified. The predefined research criteria were then applied to the reports, resulting in the final sample of 25 G4 Guidelines-based reports (see Annex 1 for the list of companies). In the Metals sector, all of the reports in the sample included a list of material Aspects, and they all included a description of the stakeholder engagement process. All but one included a description of the process used to define material Aspects and other sustainability topics.

In total, the 25 sample reports contained 613 disclosures. Of these disclosures, 469 fell into the GRI Specific Standard Disclosures' Categories (see figure 8), 46 fell into GRI General Standard Disclosures (e.g. Governance, Strategy and Analysis, etc.) and 98 were classified as other topics.

FIGURE 8. REPORTED TOPICS BY GRI CATEGORIES IN THE METALS SECTOR



N= 25 reports, 469 topics identified as GRI Standards related.
Source: GRI.

6 The Metals sector includes companies involved in exploration and production of iron ore and steel, aluminum and related products.

The most frequently reported Aspect in the Metals sector was Occupational Health and Safety (see figure 9). Other frequently reported Aspects included Economic Performance, Energy, Emissions and Local Communities.

FIGURE 9. TOP TEN GRI ASPECTS REPORTED IN THE METALS SECTOR

Economic **Environmental** **Social**

	Aspect	Frequency*
1	**Occupational Health and Safety** (health and safety in the workplace)	44
2	**Economic Performance** (direct economic impact of operations)	34
2	**Energy** (energy consumption and reductions)	34
3	**Emissions** (air emissions resulting from operations)	27
3	**Local Communities** (impact on local communities and local community engagement)	27
4	**Effluents and Waste** (water and waste resulting from operations)	25
4	**Training and Education** (training and career development of employees)	25
5	**Materials** (environmental impacts of materials used)	24
5	**Employment** (employee profile)	24
6	**Water** (water usage)	18

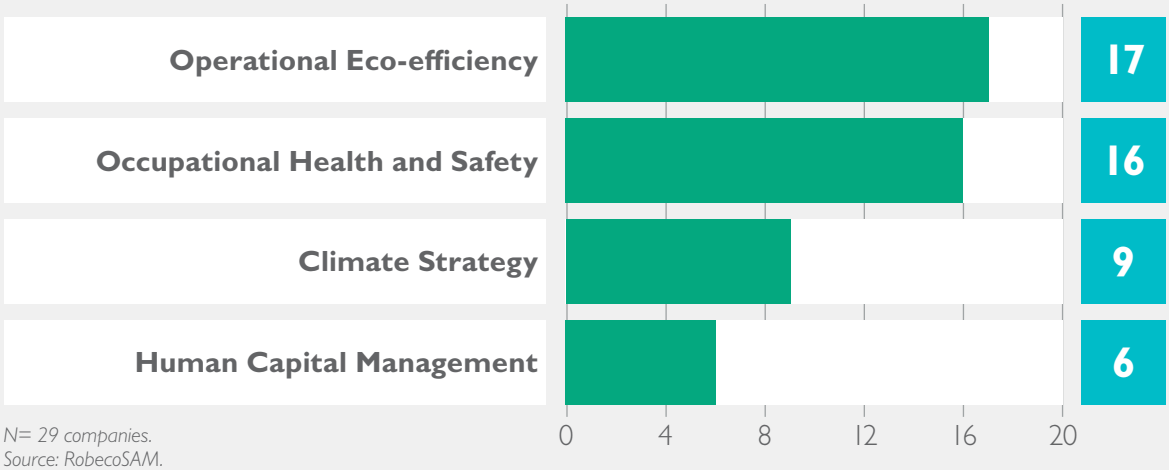
N= 25 reports, 469 topics identified as GRI Standards related.
** Number of times the related topics are listed as material.*
Source: GRI.

In the assessment conducted by RobecoSAM, companies are asked to provide their most material social and environmental issues, and the issues raised as material were similar to those identified in the reports. The respondents identified Operational Eco-efficiency as their most material issue (see figure 10), which matches with the GRI Aspects Energy, Emissions, Effluents and Waste indicated in the reports. Both the assessed companies and the researched reports rank Occupational Health and Safety high on the list of material issues.

These findings are reflected in interviews with representatives from companies in the Metals sector. Kevin McKnight from Alcoa framed the balance of their materiality assessment: "On the one hand, it's important for metal suppliers – on a global basis – to work relentlessly to minimize their impacts: air and water emissions, the generation of waste, and the efficient use of natural resources. On the other, we also play a key role in helping to de-carbonize the world through our technology and products solutions we bring to our customers, and to the world."

Several Aspects indicated as important to Metals sector stakeholders and interest groups[7] were infrequently reported, including Materials Stewardship (programs and progress relating to materials stewardship) and Emergency Preparedness (information on emergency plans, how they are prepared and what they contain). Each of these Aspects was reported on in five or fewer reports from the sector. 40% of the Metals sector reports used the Sector Disclosures. Companies reported to RobecoSAM that their less important issues include Tax Strategy and Customer Relationship Management, which is in line with RobecoSAM's view.

FIGURE 10. TOP MATERIAL ISSUES IDENTIFIED BY METALS COMPANIES



N= 29 companies.
Source: RobecoSAM.

7 GRI, G4 Mining and Metals Sector Disclosures, 2013.

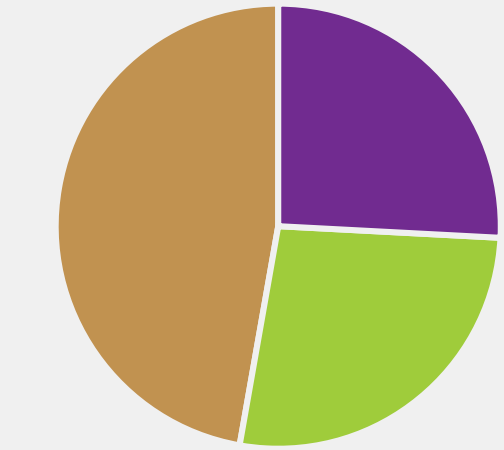
Ninety-eight of the other topics mentioned in the reports did not fall into any of the GRI Categories. Reports most frequently included compliance with legislation, supply chain concerns and operations concerns as other topics. Also mentioned were many topics that fall under the General Standard Disclosures within GRI Standards, such as Governance and Stakeholder Engagement, but which were not included in the overall set examined in this research.

ELECTRIC UTILITIES

122 reports published by organizations in the Electric Utilities sector[8] in 2014 and 2015 were identified. The predefined research criteria were then applied to the reports, resulting in the final sample of 76 G4 Guidelines-based reports (see Annex 1 for the list of companies). In the Electric Utilities sector, nearly all of the sample reports (91%; 69 reports) included a list of material Aspects. Additionally, many of these reports (88%; 67 reports) included a description of the stakeholder engagement process, with slightly fewer (79%; 60 reports) including a description of the process used to define material Aspects and other sustainability topics.

In total, the 76 sample reports contained 1152 disclosures. Of these disclosures, 871 fell into the GRI Specific Standard Disclosures' Categories (see figure 11), 75 fell into GRI General Standard Disclosures (e.g. Governance, Strategy and Analysis, etc.) and 206 were classified as other topics.

FIGURE 11. REPORTED TOPICS BY GRI CATEGORY IN THE ELECTRIC UTILITIES SECTOR



N= 76 reports, 871 topics identified as GRI Standards-related.
Source: GRI.

8 The Electric Utilities sector includes companies engaged in the generation, transmission, distribution or retail of electricity.

The most frequently reported Aspect in the Electric Utilities sector was Occupational Health and Safety (see figure 12). Other frequently reported Aspects included Local Communities, Economic Performance, and Energy.

FIGURE 12. TOP TEN GRI ASPECTS REPORTED IN THE ELECTRIC UTILITIES SECTOR

Economic **Environmental** **Social**

	Aspect	Frequency*
1	**Occupational Health and Safety** (health and safety in the workplace)	65
2	**Local Communities** (impact on local communities and local community engagement)	54
3	**Economic Performance** (direct economic impact of operations)	51
4	**Energy** (energy consumption and reductions)	49
5	**Employment** (employee profile)	48
6	**Availability and Reliability**** (availability and reliability of electricity supply)	47
7	**Research and Development**** (activities and expenditure on providing reliable electricity and promoting sustainable development)	44
8	**Training and Education** (training and career development of employees)	40
9	**Emissions** (air emissions resulting from operations)	38
10	**Biodiversity** (impact on biodiversity)	33

N= 76 reports, 871 topics identified as GRI Standards related.
** Number of times the related topics are listed as material.*
*** Sector-specific Aspects.*
Source: GRI.

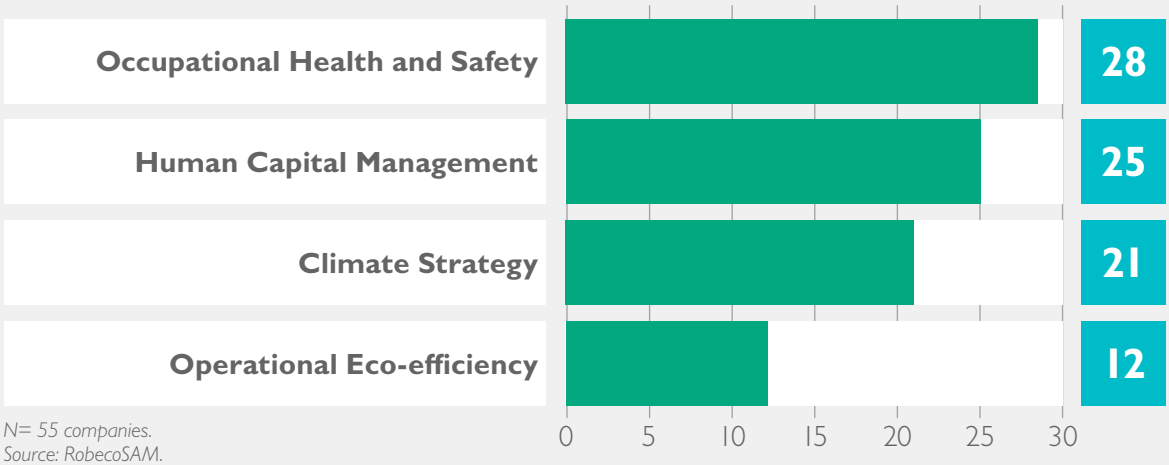
Similar topics arose as being most material in RobecoSAM's assessment. Much like in the Mining and Metals sectors, Occupational Health and Safety was the most reported and most material topic in the Electric Utilities sector (see figure 13). Human Capital Management was identified by companies as a material topic in the RobecoSAM assessment; this can be matched to the Employment and Training and Education Aspects identified in the research into the companies' reports. Other key topics were climate and environment-related disclosures and sector-specific metrics such as Availability and Reliability, and Research and Development.

Companies reported to RobecoSAM that their less important issues are Tax Strategy and Scorecards or Measurement Systems, which is consistent with RobecoSAM's view.

The Electric Utilities companies interviewed for this research reflected some of these findings in their responses, frequently listing Emissions, Climate Change and Human Rights as important material topics for their sector. Water Management was also noted as important, especially for companies and regions dependent on hydropower.

Beatriz Esteban Vaca from Gas Natural Fenosa noted: "The extension of the ESG criteria in the management of the supply chain or the incorporation of human rights aspects in business management are increasing their importance in the

FIGURE 13. TOP MATERIAL ISSUES IDENTIFIED BY ELECTRIC UTILITIES COMPANIES



N= 55 companies.
Source: RobecoSAM.

sustainability agenda and this will increase in the coming years."

Several Aspects indicated as important to Electric Utilities sector stakeholders and interest groups[9] were infrequently reported, including Disaster/Emergency Planning and Response (contingency planning measures, disaster/emergency management plan and recovery/restoration plans), and Plant Decommissioning (provisions for decommissioning of nuclear power sites). Each of these Aspects was reported on in fewer than six reports from the sector, even though 87% of the reports used the GRI Sector Disclosures.

Of the other topics mentioned in the reports, 206 did not fall into any of the GRI Categories. Reports most frequently included compliance with legislation, supply chain concerns and other climate change-related topics. Also mentioned were many topics related to the General Standard Disclosures in the G4 Guidelines, most typically Governance, Ethics and Integrity, and Stakeholder Engagement; these topics were outside of the scope of this research.

9 GRI, G4 Electric Utilities Sector Disclosures, 2013.

4. What Do Investors Consider Material?

RobecoSAM looks at industry-specific environmental, social, and governance factors that are financially material in the long-term. The Global Industry Classification Standard (GICS) is used to define the industries. The materiality matrices highlight the most important issues, which then provide the basis for questions in the Dow Jones Sustainability Index (DJSI)[10] assessment. Companies are assessed on industry-specific environmental, social, and governance topics; those that are more material are given a greater emphasis. The assessment includes how companies approach materiality and what targets they have set for priority issues.

RobecoSAM's research into material issues for each sector is presented in a materiality matrix and the priority issues are discussed. The matrices were created by sector specialists who used their knowledge, discussion with internal and external analysts, contacts with companies and understanding of industry trends to develop an investor perspective on what is financially material.

The starting point is that the scale of the social and environmental footprint in any sector shapes the financial materiality of opportunities and risks in any sector, both in terms of potential magnitude and the likelihood of occurrence.

MINING

The traditional investment analysis of mining companies focuses primarily on commodity price exposure and the operating costs of operating assets. RobecoSAM believes that for investors to obtain a deeper grasp of 'asset quality' in the Mining sector, there is a need to understand how companies and their mine management address a variety of sustainability issues.

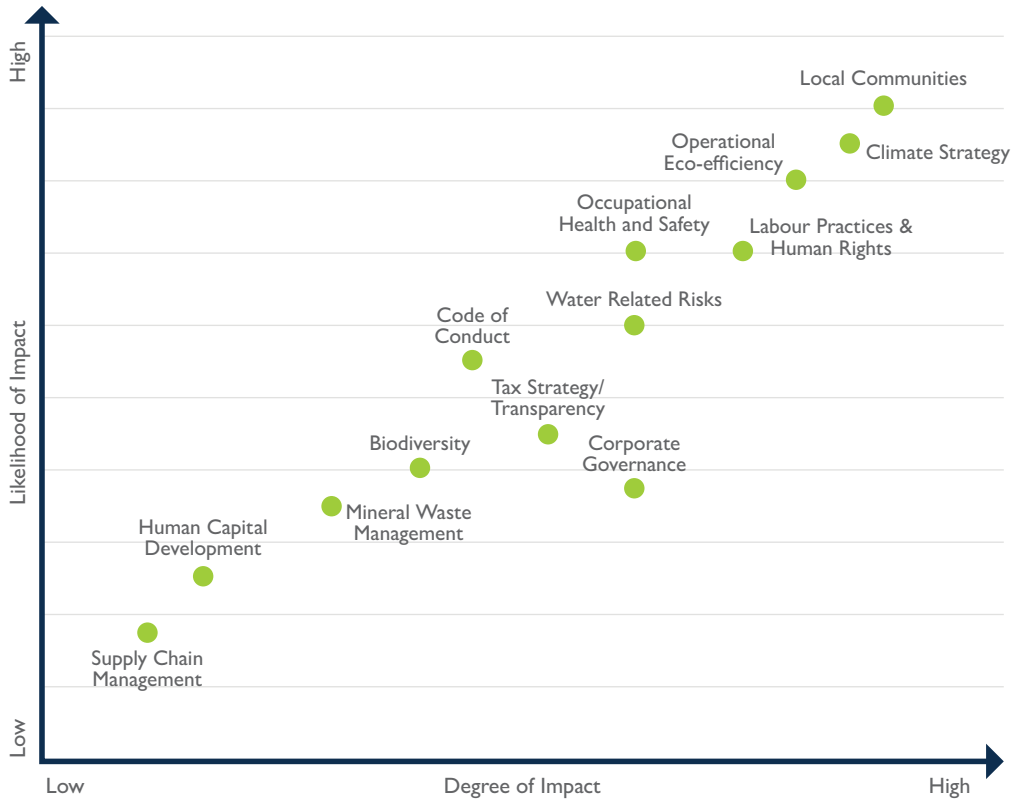
For the Mining sector, RobecoSAM has identified and prioritized 13 financially material sustainability issues (see figure 14 on the following page). Mining operations can have substantial environmental and social footprints. At the highest level, companies seek to manage their risk exposure through diversification, but there is also an ongoing need to establish corporate-wide practices and to implement the right management of these issues at the individual site level. This can vary based on the commodity. For example, gold mines are located in different areas and use different technologies than iron ore mines. RobecoSAM's materiality work in this sector seeks to establish a single framework, while the questionnaires and company analyses aim to apply these issues as appropriate to each different mining company.

MOST MATERIAL ISSUES

By focusing on the most material issues, companies are able to develop the projects they need for growth, while also meeting investors' expectations for production, cash flow and value in developed assets. From an investor perspective, the four

10 For more information on the Corporate Sustainability Assessment and DJSI, see the website.

FIGURE 14. MATERIALITY MATRIX FOR THE MINING SECTOR



Source: RobecoSAM.

issues with the greatest financial materiality are Environmental Management (including Climate Strategy), Management of Local Stakeholders, Occupational Health and Safety and Labor Relations.

Environmental Management

Mining operations occur at a scale that has scope for significant changes in the local environment. This includes the management of high volumes of waste rock, as well as substantial water withdrawal and surface run-off. Noise and dust may also pose significant environmental issues, and some mines require the dynamic storage of process tailings – the waste materials left over after processing the valuable metal ore. As well as environmental management during the life of a mine, maintenance activities may continue after a mine has closed in order to monitor and minimize acid mine drainage from waste rock dumps. Insufficient management of environmental impacts may lead to fines and penalties but these issues become even more financially significant in the event of a suspension of operating permits. In addition, environmental problems can undermine the trust of local

stakeholders and negatively impact on the social license to operate with implications for operations and future mine development or expansion plans.

Management of Local Stakeholders
Mining activities may interact with local stakeholders through land use, water consumption and quality, transportation routes and the environmental impacts of operations. Maintaining the social license to operate requires building and maintaining trust with local stakeholders as well as more formally with government institutions. The need is often greater in countries where there are weaker institutions in place to support local stakeholders. Understanding the perspectives of local stakeholders, operating in ways that address local concerns, undertaking community liaison and monitoring grievance mechanisms all provide mining companies with the tools to manage these risks. RobecoSAM also sees an increasing need to understand the role of mining companies in developing local economies. Loss of the social license to operate may have implications for both current operations and future mine development or expansion plans.

Occupational Health and Safety
Mining involves significant scope for harm through issues such as the failure of ground structures, heavy vehicle traffic and blasting. In general, companies that are better able to manage occupational health and safety issues are also better able to manage other aspects of the mining operation. The industry has made significant strides in management of safety over the last two decades. Where safety issues affect local communities, however, these may become an issue for management of local stakeholders. The inability to protect employees may also become an issue for labor relations.

Labor Relations
The workforce of mining operations is increasingly being drawn from local communities and host nations. Maintaining good relations with the workforce in terms of sharing in economic benefits as well as keeping employees safe from harm is an important element in maintaining the operating availability of production assets.

METALS

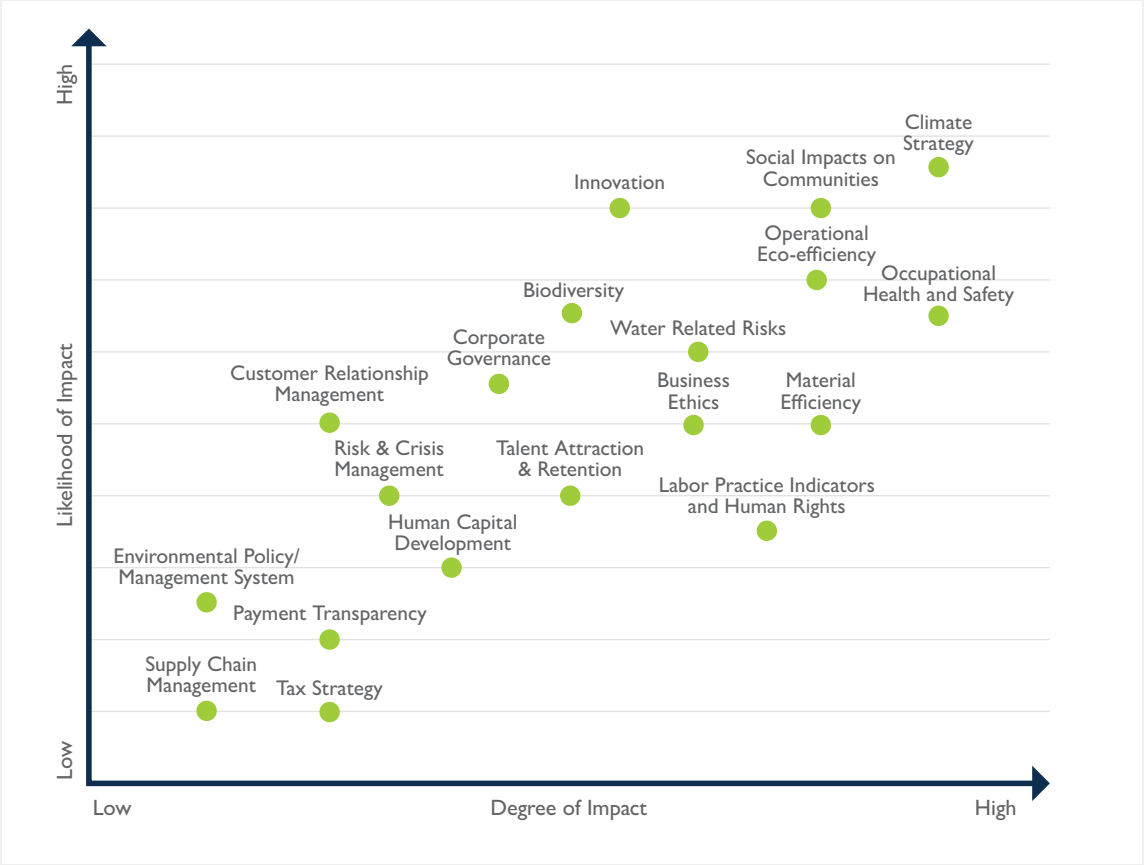
The metals industry includes the production of aluminum and steel. This production can have a significant environmental and social impact if not properly managed. Most large companies have production in several locations. Corporate standards and commitments provide a consistent approach, which can then be applied to local site conditions to reduce the impacts. RobecoSAM has identified and prioritized 19 financially material issues (see figure 15 on the following page).

MOST MATERIAL ISSUES

Steel and aluminum companies operate in a highly competitive environment, facing overcapacity and margin pressures. On top of this, customer demands for stronger, lighter, more durable and more flexible materials pose both threats and opportunities. Focusing on the material sustainability issues helps companies identify and manage their risks and opportunities. This in turn contributes to cost savings and revenue generation. From an investor perspective, the four issues with the greatest financial materiality are Climate Strategy, Operational Eco-efficiency, Occupational Health and Safety, and Social Impact on Communities.

Climate Strategy
The production of aluminum and steel is very

FIGURE 15. MATERIALITY MATRIX FOR THE METALS SECTOR



Source: RobecoSAM.

energy intensive and, consequently, the industry is exposed to climate change risks. Energy accounts for about 30-40% of production costs and any improvements would contribute directly to the bottom line. Steel companies require coal to transform iron ore into steel, and aluminum companies require large quantities of electricity for the electrolysis process. Having strategies in place to reduce risks related to climate change is of high priority. A sound strategy considers risks (for example, regulatory changes or operational disruption) and opportunities (for example, enabling GHG savings during product use).

Operating costs can be lowered through energy efficiency improvements and increasing the use of scrap metal. Products that contribute to weight reduction of vehicles, for example, provide GHG emission savings downstream and are growth opportunities.

Operational Eco-efficiency

Extraction and manufacturing activities can result in significant environmental impacts, including through air emissions, water and waste. The high temperatures needed to manufacture metal result in air emissions. Improving the combustion process

or installing more efficient pollution control devices reduce emissions to the environment. Metal production requires water in the extraction of the raw materials and for cooling in the manufacturing process. Ensuring reliable access to water is essential, particularly for aluminum companies that rely on hydropower.

Main wastes generated include red mud and spent pot liners from aluminum manufacturing. Typically, red mud is dewatered in open ponds and then landfilled, spent pot liners are landfilled. There are opportunities to further process the pot liners to make them usable in cement manufacturing. Steel manufacturing generates slag, which, due to its cement-like properties, is also used as an alternative raw material in cement manufacturing. Opportunities exist for companies that convert the remaining wastes into usable byproducts.

Sound environmental management goes beyond compliance with local requirements and taking a proactive approach to reduce impacts. Excessive emissions indicate inefficiency and can lead to increased costs for penalties or more stringent requirements for capture, treatment and discharge. The risk profile can also increase due to stakeholder concerns, impacting the social license to operate.

Occupational Health and Safety

Safety is critical in heavy manufacturing and resource extraction environments. Companies must instill a safety culture and work to minimize injury and fatality frequency rates. This applies not only to the management of direct employees, but also to contractors that work onsite. Good Occupational Health and Safety performance improves both risk and profitability through reduced production and penalty costs, improved operational efficiency and increased productivity.

Social Impact on Communities

Community concerns can arise due to the presence of large production facilities. Issues could include excessive noise, emissions, traffic, land impacts or property rights, for example. Active community engagement builds positive relations, which are essential for a company's social license to operate. Well-managed community engagement can reduce reputational risk and reduce costs incurred due to operational disruptions or delays, or denials of permits.

ELECTRIC UTILITIES

The global need to replace an aging infrastructure (in the developed world) or to create new infrastructure (in developing countries) leads to trillions of dollars in investment needs for the industry in the coming years. Therefore, the Electric Utility sector has traditionally provided attractive (and rather defensive) investment opportunities. However, the sector also contributes some of the worst polluters on the planet, and is responsible for a large share of global air emissions (CO_2, SO_2, NO_x, etc.). As the world is waking up to the threat of climate change and environmental degradation, changing regulation (especially following the Paris Agreement at COP21), new technologies (renewable energies, storage) and novel business models are overturning the whole industry. As the Electric Utility sector is undergoing dramatic changes, investors are reorienting themselves; they need to focus on key factors that can provide guidance on how a utility is able to cope with the changing business landscape. For Electric Utilities,

RobecoSAM has identified and prioritized 15 financially material sustainability issues (figure 16).

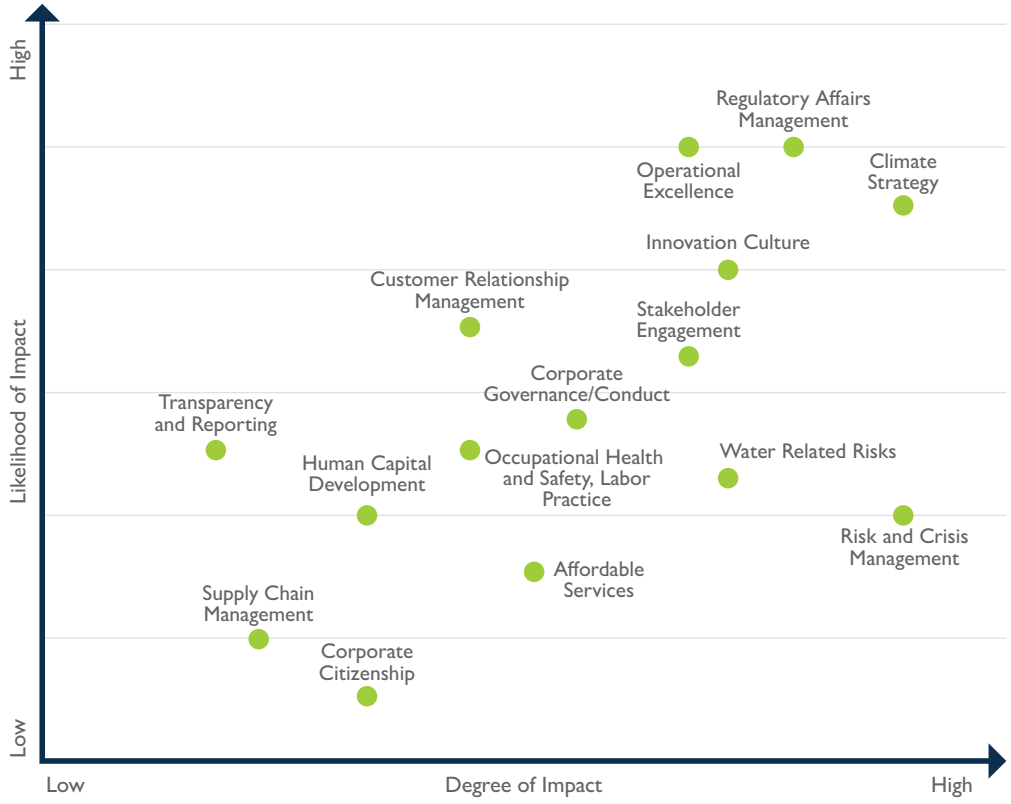
MOST MATERIAL ISSUES

RobecoSAM believes that for investors to obtain a deeper grasp of 'asset quality' in the Electric Utilities sector, there is a need to understand how companies address the new industry challenges that go beyond the traditional focus on regulation, commodity prices and operating costs. From an investor perspective, the four issues with the greatest financial materiality today are Climate Strategy, Regulatory Affairs Management, Operational Excellence and Innovation Culture.

Climate Strategy

The threat of climate change and increasing political pressure (resulting from agreements like the one made at COP21) are forcing Electric Utilities companies to switch their generation assets to less CO_2 intensive or more renewable energy sources. But even without the added cost of CO_2, reducing the dependency on fossil fuels is a sound strategy for utilities. Clean and

FIGURE 16. MATERIALITY MATRIX FOR THE ELECTRIC UTILITIES SECTOR



Source: RobecoSAM.

efficient operations reduce fuel price risk as well as pollution risks and related cleanup costs. Companies that are well positioned with a sound climate and environmental strategy will have a strong competitive position in markets in which regulators put high demands on environmental performance and customers are increasingly demanding clean energy.

Regulatory Affairs Management

The good handling of regulatory affairs is a critical success factor for utilities to win long-term concessions and the license to operate. The relationship of utilities with local governments is complex and requires a high level of trust. This trust can only be built with a solid track record in safe, clean and reliable business operations, good corporate conduct and engagement with local stakeholders. In addition, transparency and good reporting practices are required to create goodwill not only with local authorities but also with the local community, which in the end has the final vote on the local government.

Operational Excellence

The affordable, reliable, safe and clean provision of infrastructure services is the overarching goal of every regulator, and it is therefore imperative for every utility. Operational Excellence – including Eco-efficiency – is a prerequisite for the provision of these services, even under the radically changing nature of the energy infrastructure. For Electric Utilities, diversification and an optimized generation mix is essential for Operational Excellence and efficiency. Given the high volatility of fuel prices combined with the rapidly decreasing cost of renewable energies, long-term affordability also increasingly means a higher share of renewable energy generation. However, because of the intermittency of most renewable energies, reliability also requires a reasonable share of dispatchable energy (hydropower, biomass, or natural gas) or energy storage. For fossil fuel generation assets, Operational Excellence means an efficient, reliable and clean operation as well as sound (secure) supply chain and price risk management. For large power stations (nuclear, coal, hydro), Operational Excellence is effectively a precondition for the license to operate.

Innovation Culture

The Electric Utilities sector is going through its most fundamental change since its emergence more than 100 years ago. Political efforts to mitigate climate change, increasingly decentralized (renewable) energy generation and growing liberalization of markets are leading to a complete transformation of the sector's competitive and regulatory environment. In many places around the world regulatory frameworks are undergoing dramatic changes, for example, with the emergence of capacity markets and other novel compensation schemes for infrastructure services.

At the same time, new technologies for distributed generation, energy management and storage enable disruptive new business models. But energy-related products and services are opening up opportunities for new entrants, too. Companies that find innovative ways of generating new business from the changing energy landscape and the blurring of different major sectors (including electricity, transportation and heat) can engage in new business fields and attract new customers. Innovative companies have, therefore, a tremendous opportunity to create new, highly profitable businesses based on synergies emerging from the expansion and overlapping of new energy technologies.

5. Analysis

This research set out to uncover whether sustainability reporters and report users – specifically investors – identify and agree on the same topics as being material. It investigated reports and assessment results of companies in Mining, Metals, and Electric Utilities sectors.

WHAT ARE COMPANIES REPORTING ON?

Comparing GRI's assessment of what companies report as material issues with what RobecoSAM considers as material shows a reasonable level of agreement. In analyzing the results of the research it is important to recognize the practicalities of capturing the issues that companies find material. GRI reviewed G4 Guidelines-based reports, looking for information on the process of defining the material Aspects, which companies often base on the guidance provided in the G4 Guidelines, as well as the Aspects reported. RobecoSAM, through its Corporate Sustainability Assessment, also asks companies what issues are material to them. There is inevitably some incompatibility that arises from the different frameworks involved and terminology used. However, we believe that there are some strong conclusions that can be drawn from this research.

Companies in all three sectors are reporting extensively on Occupational Health and Safety, which is the most reported GRI Aspect in each of the sectors and the most material of the top four issues revealed in RobecoSAM's Corporate Sustainability Assessment. Occupational Health and Safety also links to other issues related to labor practices. The GRI Aspects Employment and Training and Education were also among the most reported Aspects. Similarly, company responses to RobecoSAM's questionnaire identified Labor Practices and Human Capital Management as important topics in all three sectors.

The Aspect Local Communities is the second most reported Aspect in Mining and Electric Utilities sectors and ranks high in the Metals sector as well. It also features in RobecoSAM's top four financially material issues for the Mining and Metals sectors. In the analysis of the reported data, RobecoSAM noted that although companies are disclosing this information, the quality and depth of data is still falling short of the needs of investors.

Companies in all three sectors are reporting extensively on environmental management and climate-related metrics. The most reported Aspects include Emissions, Energy, Effluents and Waste, and Water. RobecoSAM's assessment also indicates the importance of environmental management through its own indicators of Operational Eco-efficiency. For Metals and Electric Utilities sectors an important topic is Climate Strategy, which was identified by the companies in RobecoSAM's assessment among the top issues for them. Climate Strategy is linked mainly to changing regulations, market demands and emerging risks. In GRI's research, climate strategy and climate change came through in a variety of Aspects as the topic is embedded across GRI Standards.

ARE COMPANIES REPORTING INFORMATION THAT MEETS INVESTORS' NEEDS?

In approaching this question it is recognized that there are many types of investors, with a diversity of needs. In addition to assessing companies for the Dow Jones Sustainability Index, RobecoSAM is an asset manager, focusing solely on sustainability-oriented investment strategies. It also supports the integration of sustainability into the equity and fixed income portfolios of its parent company, Robeco. While RobecoSAM may not be representative of all investors it does have deep experience of what is required to effectively integrate sustainability into investment decision making. It does this through its own sector-specific materiality analysis, which is the starting point for sector overviews and individual company research.

At this higher level, there does seem to be a reasonable level of agreement on the things that matter most for the three sectors. This is illustrated in figure 17.

There is some level of consistency in the big issues that have been prioritized by RobecoSAM for all three sectors: Climate, Environment, Occupational Health and Safety, and Communities. In all cases companies are disclosing on these issues, although figure 17 shows that exact alignment in terms of prioritization is rare. Although the issues apply to all three sectors, investors consider this information in a sector-specific context.

However, this comparison also raises some interesting observations. Investors look at a broad range of issues and it is notable that the

FIGURE 17. COMPARISON OF ISSUES IDENTIFIED BY COMPANIES AND INVESTORS

	MINING		METALS		ELECTRIC UTILITIES	
Issue	Companies	Investors	Companies	Investors	Companies	Investors
1	Environment	Environment	Environment	Climate	Environment	Climate
2	Occupational Health and Safety	Communities	Occupational Health and Safety	Environment	Occupational Health and Safety	Environment
3	Communities	Occupational Health and Safety	Communities	Occupational Health and Safety	Climate	Customers
4	Labor	Labor	Climate	Communities	Communities	Innovation

Please note that in this figure the GRI Aspects identified as most reported in section 3 of this publication are aggregated into larger themes for the purposes of comparison, for example, the issue of environment includes the GRI Aspects Energy, Biodiversity and Water.
Source: GRI and RobecoSAM.

RobecoSAM materiality matrices also include corporate governance, human capital development and codes of conduct. These meet investors' needs to understand both today's operational and tomorrow's strategic directions.

Some division between operational and strategic factors is evident in this research. Operational issues are where there appears to be closest agreement on what is material. This is evident in the Mining and the Metals sectors. The characteristics of both sectors include a high level of capital intensity, relatively slow technology development and the diversification of risk. There is a strong understanding of what the sustainability risks and opportunities in these sectors are and, for now, a sense that little will change in the future (aside from divestment of thermal coal assets).

In contrast, there is much less agreement on the issues concerning strategic direction. The example of the Electric Utilities sector illustrates this sharp contrast. This is an industry facing considerable change as the result of climate change pressures, with consequences for business models, revenue growth, cost models, and asset life and capital efficiency. For investors, these are key concerns alongside the ability of the company to manage its operations efficiently and minimize any negative environmental and social footprint.

WHERE DO WE STAND NOW?

We believe this analysis, conducted across three capital-intensive sectors, shows that there is a reasonable level of agreement on the things that matter most in sustainability reporting. Overall, the companies in the Mining, Metals and Electric Utilities sectors do seem to report on what investors consider the most material information. From the perspective of the alignment of topics it is encouraging that G4 Guidelines-based reports are meeting the needs of this stakeholder group.

GRI provides the foundation of reporting and guides companies to identify and focus on material issues. Overall, companies and investors agree on the important topics for the three sectors. This is complemented by a generally good level of disclosure of companies' sustainability performance.

For investors this is just a starting point. GRI Standards cover a wide range of Aspects that are important for a number of different stakeholders. In contrast, investors have a much more focused perspective, so they can be more selective in their analysis. Knowing what the material issues are is essential, but investors require more detailed information on why certain issues are material to a company. Specifically, investors want to know: How do these issues impact the business value drivers? What are the company's strategies for responding to the issues? What is the progress towards achieving related targets? Effective reporting of the business relevance of the issues can provide investors with information they need to integrate sustainability into their investment decisions.

6. Conclusions

The research set out to answer the question: Are companies reporting information that meets investors' needs? Overall, the research revealed alignment between what companies in the Metals, Mining and Electric Utilities sectors and investors consider as material topics. There appears to be closer alignment of the issues in the Mining and Metals sectors, which are heavy on operational issues, and less so in the Electric Utilities sector, where strategic issues are fast-changing and emerging. Investors welcome the general alignment and shared priorities, but still seek better quality and more strategic information from companies on these topics.

What does this say about GRI Standards? There is a need for both companies and investors to know what the material issues are. GRI Standards provide guidance for companies to undertake the process to determine material issues and communicate these to their stakeholders. This highlights the critical role that the materiality assessment process plays in meeting stakeholders' needs: a robust materiality assessment process that helps companies identify and prioritize the material topics to report on benefits companies and ensures they are responding to investors' needs.

SUSTAINABILITY TOPICS FROM THE COMPANY PERSPECTIVE

Emissions, climate change and water are the topics which the companies interviewed for this research identified as trending in the three sectors. The GRI reports analyzed included all of these topics. RobecoSAM highlights climate strategy as an important topic, as well as environmental management, which covers topics such as emissions and water.

Companies from all three sectors are demonstrating an awareness of and sensitivity towards sustainability megatrends such as climate

change, water management and human rights. But perhaps more interesting is the awareness companies are also demonstrating of an emerging expectation to provide value to society, as reflected by Kevin McKnight from Alcoa: "The other aspect that is emerging, particularly for our value-add business, is on the value side of the equation. I believe in the next three to five years, companies will all be required to better demonstrate their value to society from an overall sustainability perspective."

Looking forward, material topics are likely to shift along with changes in the three sectors, such as commodities prices in mining, and developments in broader issues like climate change and resource scarcity. It will be important for companies to continue engaging their stakeholders – including investors – to keep up with these changes.

What do you foresee as the material topics to report on in 3-5 years?

"The development and access to alternative sources of energy, management and water conservation, as well as human rights remain highlighted in the coming years, since there is plenty of room for progress in these subjects."
– Heloisa Covolan, ITAIPU Binacional (Electric Utilities)

INVESTOR ENGAGEMENT

Traditionally, investors have been considered separately to other stakeholders, but there is a visible movement towards sustainability and financial indicators being considered together, making environmental, social, and governance issues increasingly important to investors.

Are the information needs of investors different to those of other stakeholders?

"Most of our investors are interested in classic financial indicators, but the group of those interested in sustainability topics seems to be increasing."
– Karin Kichler, VERBUND (Electric Utilities)

By highlighting the alignment between what companies are reporting and what investors want to see, the research suggests that GRI Standards, and the guidance on materiality definition therein, are well placed to form the basis of companies' sustainability reporting if they want to ensure it meets the needs of their investors.

The stakeholder perspective has always been an integral part of the development of GRI Standards, and investors are included in that process. As such, the major topics covered by GRI Standards – and included in companies' reports – are relevant to a wide range of stakeholders.

In using GRI Standards, companies also conduct their own stakeholder analysis, and may well decide that their investors are important stakeholders. They are unlikely to be the only group, though; companies will tend to include the views of their customers, employees, local communities and others when determining their material topics due to the interrelated nature of sustainability risks and impacts. While this can dilute the investor

perspective, investors themselves consider it important to engage other stakeholders too, as the impacts on those groups have financial implications: what harms non-financial stakeholders harms a company's finances.

Ultimately, investors want to see action: they want to know whether companies are fulfilling their commitments and working towards their targets. Organizations are increasingly recognizing sustainable business practices as valuable, not only to society but also to themselves – and investors see the added value too. By setting clear targets, taking action and reporting on progress, companies can benefit from sustainable business practices, showing investors how they are managing risk and grasping opportunities.

Are the information needs of investors different to those of other stakeholders?

"Investors, by their nature, are much more focused on information that they can tie directly to revenue growth, growth in profitability, and growth in market share, because these are the data elements that most investors trade on day in and day out. But that doesn't mean those same investors aren't interested in the social aspects of sustainability."

– Kevin McKnight, Alcoa (Metals)

Annex 1 – Methodology and Sample Used in GRI's Analysis

METHODOLOGY: IDENTIFYING TOPICS IN GRI-BASED REPORTS

The research was based on the content analysis of GRI-based sustainability reports published in 2014 and 2015 by organizations in the Mining, Metals and Electric Utilities sectors. The research aimed to find out what topics the reporting organizations considered material. While the research also looked at the process used to determine the material topics, its main focus was the analysis of the lists of material topics published in the reports.

The research and categorization in no way intended to suggest a right or wrong approach to defining or reporting on material topics, but rather to explore the current practices of reporters in the Mining, Metals and Electric Utilities sectors.

The data was sourced from GRI's *Sustainability Disclosure Database* – a freely accessible database that holds information on more than 33,000 GRI-based and other sustainability reports. The data available in the database is collected by GRI in collaboration with its data partners and captures all reports of which GRI is aware. The reports were analyzed to establish their main characteristics and trends. Basic organizational information was collected in addition to the information on the stakeholder engagement process and the lists of material topics published in the reports. The lists of identified material topics were extracted from the reports and the topics were categorized as far as possible into the existing GRI Categories and Aspects, as presented in the G4 Guidelines[11] and the supplementary GRI Sector Disclosures for the analyzed sectors[12]. The remaining material sustainability topics that did not fall directly into any specific GRI Category or Aspect were analyzed and grouped separately under ad-hoc topics. Each of the material topics identified in the reports was included in only one Category, Aspect or other topic based on its main focus, even if a secondary topic was incorporated. For example, 'Emissions, effluents and waste' was categorized into the Aspect 'Emissions'. Throughout the research, sample checks of the analysis were made to confirm the results. It is noted that some of the disclosures identified fell into GRI General Standard Disclosures (e.g. Governance, Strategy and Analysis, etc.). Although this kind of information are highly relevant, this was not included in the overall set examined in this research.

In order to gain additional insight into the future trends and material topics in these sectors, GRI approached 15 companies from the researched sectors by email and asked them to answer the following questions:

- What do you consider to be the current trends in material topics in your sector?

11 The G4 Guidelines have Categories, which are broad groupings of sustainability topics. The Categories included in the Guidelines are: Economic, Environmental and Social. The Social Category is further divided into four sub-Categories: Labor Practices and Decent Work, Human Rights, Society, and Product Responsibility. The word 'Aspect' is used in the Guidelines to refer to the list of subjects covered by the Guidelines. The word 'topic' is used in the Guidelines to refer to any possible sustainability topic.

12 The GRI Sector Disclosures used in this research were Mining and Metals Sector Disclosures and Electric Utilities Sector Disclosures.

- Is there any topic you think organizations in your sector should address, but are not yet doing so?
- What do you foresee as the material topics to report on in your sector in 3-5 years?
- Do you think the information needs of investors are different to the information needs of other stakeholders?

Seven responses were received and the key points from the interviews are included in section 6.

SAMPLE

The sample of this study comprises sustainability reports published in 2014 or 2015, to provide an up-to-date overview of what companies in the Mining, Metals and Electric Utilities sectors consider to be material. The sample cutoff date was 1 October 2015.

Sample criteria:

- The report was published by an organization from one of the three sectors. Sectors are defined according to Business Activity Groups[13] and sector disclosures
- The report was published in 2014 or 2015
- The report was based on the GRI G4 Guidelines[14]
- The report was accessible or downloadable online
- The report was available in English

Furthermore, as the research focuses on material topics identified by the organizations and included in their reports, only reports listing the material topics that were included in the report were analyzed fully. In total 263 reports from the three sectors were identified in GRI's Sustainability Disclosure Database published in 2014 and 2015. After filtering according to the predefined research criteria, a final sample of 173 reports was analyzed. See figure 18 for an overview.

FIGURE 18. REPORTS IDENTIFIED AND ANALYZED[15]

Sector	Reports in Database	Reports analyzed
Mining	96	72
Metals	45	25
Electric Utilities	122	76

MINING

The Mining sector is defined by GRI as including companies involved in the exploration and diversified production or extraction of coal, including metallurgical (coking). It also includes companies primarily involved in the production and mining of coal, including bituminous (thermal) coal mining companies. Also included are companies engaged in the diversified production or extraction of materials, including, but not limited to, gold, platinum, silver, other precious metals. Companies engaged in the diversified production or extraction of materials including, but not limited to, nonferrous metals, salt and borate, and phosphate rock. The sector is diverse and can include companies that specialize exclusively in one part of the production cycle, as well as large multinational or vertically integrated companies.

13 GRI's Business Activity Groups are based on existing sector classifications such as GICS, GRI, ICB, SAM and Thomson Reuters. For more information on the Business Activity Groups see this document.
14 The G4 Guidelines were introduced in 2013; the sample for this research did not include any reports using previous versions of the Guidelines.
15 These figures differ from the number of companies mentioned in the list of reporters included in the GRI analysis. The reason is that the analysis covers two reporting years, thus it considers more than one report for each of the companies included (when two reports were available).

FIGURE 19. MINING SECTOR REPORTERS INCLUDED IN THE GRI ANALYSIS

Company	Country/Market
ALROSA	Russian Federation
Anglo American Platinum	South Africa
AngloGold Ashanti	South Africa
Antam	Indonesia
Aquarius Platinum	Bermuda
ARMZ Uranium Holding	Russian Federation
Avalon Rare Metals	Canada
BHP Billiton	Australia
Boliden	Sweden
Bukit Asam	Indonesia
Cliffs Natural Resources	United States
Codelco	Chile
Collahuasi	Chile
Compass Minerals	United States
De Beers	United Kingdom
DRDGold	South Africa
Dundee Precious Metals	Canada
Eldorado Gold	Canada
Endeavour Silver	Canada

Company	Country/Market
Exxaro Resources	South Africa
Fairmount Santrol	United States
Fortescue	Australia
Gold Fields	South Africa
Bogdanka	Poland
Harmony	South Africa
HudBay	Canada
Implats	South Africa
Indo Tambangraya Megah	Indonesia
KGHM	Poland
Lucara	Canada
Lundin Mining	Canada
Nevsun	Canada
New Gold	Canada
Nordgold Management	Russian Federation
Norilsk Nickel	Russian Federation
Northam	South Africa
OZ Minerals	Australia
Paladin	Australia
Pan American	Canada

FIGURE 19. MINING SECTOR REPORTERS INCLUDED IN THE GRI ANALYSIS *(CONTINUED)*

Company	Country/Market
Peñoles	Mexico
Polymetal	Russian Federation
Polyus Gold International	United Kingdom
Randgold Resources	United Kingdom
Richards Bay Minerals	South Africa
RBPlat	South Africa
Sibanye	South Africa
Talvivaara	Finland
Teck	Canada
Teranga Gold	Canada
Timah	Indonesia
Vedanta	India
Wesizwe Platinum	South Africa

METALS

The Metals sector is defined by GRI as including companies involved in the production of iron ore mining, steel and related products. Producers of aluminum and related products, including companies that mine or process bauxite and companies that recycle aluminum to produce finished or semi-finished products, are also included. Companies that primarily produce aluminum building materials classified as Building Products are excluded. The sector is diverse and can include companies that specialize exclusively in one part of the production cycle, as well as large multinational or vertically integrated companies.

FIGURE 20. METALS SECTOR REPORTERS INCLUDED IN THE GRI ANALYSIS

Company	Country/Market
Alcoa	United States
Aleris	United States
AMAG	Austria
Aperam	Luxembourg
ArcelorMittal	Luxembourg
China Steel	Taiwan
ELG	Germany
Hitachi Metals	Japan
JSPL	India
KIDECO	Indonesia
Kumba Iron Ore	South Africa
La Farga	Spain
LKAB	Sweden
Merafe	South Africa
Novelis	United States
POSCO	Republic of Korea
Qatalum	Qatar
Qatar Steel	Qatar
RHI	Austria

FIGURE 20. METALS SECTOR REPORTERS INCLUDED IN THE GRI ANALYSIS *(CONTINUED)*

Company	Country/Market
Sandvik	Sweden
U.S. Silica	United States
Vallourec	Brazil
Valcambi	Switzerland

ELECTRIC UTILITIES

The Electric Utilities sector is defined by GRI as including companies engaged in the generation, transmission, distribution or retail of electricity. Specifically, the sector includes companies that produce or distribute electricity in nuclear or non-nuclear facilities, operate as independent power producers (IPPs), gas and power marketing and trading specialists, or integrated energy merchants, including producers of solar and wind power to generate electricity and companies generating electricity and/or power through use of biogas, biomass, clean energy, geothermal, waste, water and waves.

FIGURE 21. ELECTRIC UTILITIES SECTOR REPORTERS INCLUDED IN THE GRI ANALYSIS

Company	Country/Market
Atomenergomash	Russian Federation
AES Eletropaulo	Brazil
AGL	Australia
Akenerji	Turkey

FIGURE 21. ELECTRIC UTILITIES SECTOR REPORTERS INCLUDED IN THE GRI ANALYSIS *(CONTINUED)*

Company	Country/Market
AEP	United States
Axpo	Switzerland
BKW	Switzerland
Celsia	Colombia
CLP	Hong Kong
Colbún	Chile
Conocophillips Norge	Norway
Copel	Brazil
CPFL Energia	Brazil
DTE Energy	United States
Duke Energy	United States
E.ON	Germany
E.ON Benelux	Netherlands
Eandis	Belgium
EDP	Brazil
EDP Renováveis	Spain
EGAT	Thailand
Empresa de Energía de Bogotá (EEB)	Colombia
Empresas Públicas de Medellín (EPM)	Colombia
Eneco Groep	Netherlands

FIGURE 21. ELECTRIC UTILITIES SECTOR REPORTERS INCLUDED IN THE GRI ANALYSIS *(CONTINUED)*

Company	Country/Market
EnergyAustralia	Australia
ENMAX	Canada
EVN	Austria
EWE AG	Germany
Exelon	United States
Federal Grid	Russian Federation
Fortum	Finland
Furnas	Brazil
Gamesa	Spain
Gas Natural Fenosa	Spain
HK Electric Investments	Hong Kong
Hydro-Québec	Canada
Iberdrola	Spain
Indonesia Power	Indonesia
ISA	Colombia
ISAGEN	Colombia
Itaipu	Brazil
KEPCO	Republic of Korea
KONČAR	Croatia
KOSPO	Republic of Korea
KOWEPO	Republic of Korea
M Power	Qatar

Company	Country/Market
Masdar	United Arab Emirates
Meridian	New Zealand
NextEra Energy	United States
NRG Energy	United States
PLN	Indonesia
POSCO Energy	Republic of Korea
PowerSeraya	Singapore
RAO ES of EAST	Russian Federation
Ratchaburi Electricity Generating Holding Public Company Limited (RATCH)	Thailand
Red Eléctrica de España	Spain
Rosenergoatom	Russian Federation
RusHydro	Russian Federation
RWE	Germany
State Grid	China
TAURON	Poland
TenneT	Netherlands
Terna	Italy
Tractebel Energia	Brazil
Vattenfall	Sweden
VERBUND	Austria

Annex 2 – Methodology and Sample Used in RobecoSAM's Analysis

METHODOLOGY

RobecoSAM's evaluation of how companies are performing on materiality aims to answer four questions:

1. Is there a robust process of identifying and prioritizing material issues, and is this process disclosed as outlined in the G4 Guidelines? A rigorous and inclusive process includes the involvement of stakeholders, the identification of material issues and prioritization. Reporting of the materiality process gives investors an indication of whether a systematic and thorough approach is used to set sustainability priorities.
2. What do companies report as their most important issues, and is there a clear link to the business case? RobecoSAM evaluates the priority issues and their link to the business case. Looking at what companies report as priority issues with respect to RobecoSAM's materiality framework helps them evaluate whether the company is focusing on what they consider to be the most financially material issues.
3. For their priority issues, what targets have companies set in response, and in what timeframe?
4. How are companies performing on the targets related to these priority issues? While the process is important, even more important is how companies are actually managing and improving their environmental, social, and governance (ESG) performance.

SAMPLE

Every year, the world's largest 3,500 publically traded companies are invited to participate in the DJSI assessment[16]. RobecoSAM applies the Global Industry Classification Standard (GICS) to classify companies into sectors. For the target sectors of this study 208 were invited in 2015 and 129 were evaluated (see figure 22).

FIGURE 22. COMPANIES INVITED AND ASSESSED FOR THE 2015 DJSI ASSESSMENT

Industry	Invited	Assessed
Mining	65	45
Metals	48	29
Electric Utilities	95	55

MINING

Mining companies include those mining and producing precious metals and minerals, gold, silver and diversified metals and mining. Diversified

16 For more information on the DJSI please see the website.

metals and mining companies are those that are engaged in the diversified production or extraction of metals and minerals not classified elsewhere, including, but not limited to, nonferrous metal mining (except bauxite), salt and borate mining, phosphate rock mining, and diversified mining operations.

METALS

Metal companies include producers of aluminum and related products, and steel and related products. The aluminum sector includes companies that mine or process bauxite and companies that recycle aluminum to produce finished or semi-finished products. Companies that primarily produce aluminum building materials are classified in the building products sub-industry. The steel sector includes producers of iron and steel and related products, including metallurgical (coking) coal mining used for steel production.

ELECTRIC UTILITIES

Electric utilities companies are those that produce or distribute electricity, including both nuclear and non-nuclear facilities.

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