Material issues summary

This document summarises the materiality assessment that was conducted by Emperor on behalf of Accsys in 2020.

Approach and Methodology

Purpose

The materiality assessment aimed to ensure that Accsys has accurately and objectively identified the most important ESG issues to the business. These are issues that underpin Accsys' ability to create value for its stakeholders and wider society, understanding that its activities and how it carries them out, affects the business' social, environmental and economic performance.

When an issue becomes material

An issue is material to Accsys if it is likely to affect: business growth and the successful delivery of the strategy and expected financial performance; costs incurred by the business; reputation in the industry; impact to employees and the communities it operates in; the value chain, and the ability to attract and retain talent.

The determination of an issue's material ranking is based upon quantitative and qualitative research and stakeholder engagement.

Methodology

The materiality assessment methodology followed a robust and evidence-based approach to identify Accsys' material issues.

The scope of the study considered issues in terms of their impact on Accsys and the geographical locations in which Accsys operates. Additional information collected during stakeholder engagement provided further insights into issue relevance to particular demographic sets, groups and business activities.

The methodology was aligned to best practice principles and frameworks such as AccountAbility's AA1000 Principles Standard, Global Reporting Initiative (GRI) Standards, International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Dow Jones Sustainability Index (DJSI), and the Task Force on Climate-related Financial Disclosures (TCFD) guidelines.

Desk-based research

The desk-based research used a variety of internal and external sources to ensure that all relevant issues related to the business and the wider industry were captured.

External sources included sustainability frameworks (such as GRI, DJSI and the UN SDGs), peer reviews, industry and issue specific publications, and selected legislative frameworks.

Company documents included investor documents, internal engagement results, and internal policies.

Almost 500 initial potential sub-issues were captured, which were then reviewed, revised and consolidated into the issues that are most relevant to Accsys' activities, its sector and supply chains. At this stage, a relevance scoring was applied to each issue based initially on the findings of the research and analysis. Issues deemed to be relevant to the business were then further assessed through stakeholder engagement exercises.

The process of narrowing a longlist of potential sub-issues (approaching 500) down to the final set of material issues was iterative (the process had various stages of trimming, bundling and revision) and involved the consolidation of similar sub-issues and the combination of related issues. To keep integrity between the most granular level of very specific issues through to the highest level material categories, a line-of-sight was maintained, meaning that issues under higher level categories can always be examined along with the relevant sources of the issues.

The outcomes of the desk-based research identified a narrower list of 11 material issues, which were then used as the basis of the subsequent stakeholder engagement exercises to ascertain a more detailed qualitative understanding of the material issues.

Stakeholder engagement

Accsys' relationship with its stakeholders is of paramount importance. Through engagement, the business is able to better understand their expectations, views and preferred ways of communication and engagement, which in turn helps it to address the challenges the business faces both now and in the future.

Following the study's desk-based research, key internal and external stakeholders were engaged with (through the independent third-party consultancy) to understand what their most important and relevant issues are and their perceptions of how Accsys is operating and communicating in each of the material issues.

Online survey

The online survey was sent to approximately 1200 recipients who have signed up to receive investor alerts on the Accsys website, 400 English speaking distributors and product manufacturers, 70 additional contacts including suppliers and industry contacts and 200 Accsys employees. An undisclosed number of Dutch speaking distributors and manufacturers were also sent the survey. The survey was completed in full by 213 internal and external stakeholders. The survey was anonymous but recorded various demographic data points of each participant. Respondents were asked to give their views of the importance of each material issue specific to both their role and business, and the overall importance for Accsys to address as well as provide optional narrative feedback to support their scoring.

Telephone interviews

10 telephone interviews were conducted in May 2020 with both external and internal stakeholders, which included employees, distributers and investors. The interviews were led by the external consultant partner with no other Accsys presence or oversight, ensuring that participants would speak openly under confidential conditions. The sessions allowed interviewees to discuss their sustainability priorities and how they felt both Accsys and the industry in general was performing and communicating.

Focus groups

2 focus groups were held in May 2020, comprising of stakeholders from various business functions within Accsys (Accoya, Tricoya and Group). The sessions addressed the approach to sustainability management, performance, emerging issue and internal and external communications of sustainability issues.

Key findings

Materiality matrix

Our materiality matrix communicates the outcomes of our materiality assessment, and highlights the most important issues and their importance to Accsys and our stakeholders.

11 top priorities

- Sustainable and quality products
- Responsible sourcing
- Sustainability governance, management and advocacy*
- Energy and climate change
- People and wellbeing*
- Health and safety*
- Innovation and technology*
- Waste, emissions, effluents and pollution
- Fair and ethical conduct
- Water
- Society and communities*

* During the course of our materiality assessment which was conducted across April to June 2020, we recognise that the circumstances of COVID-19 has placed greater emphasis on these specific material issues.
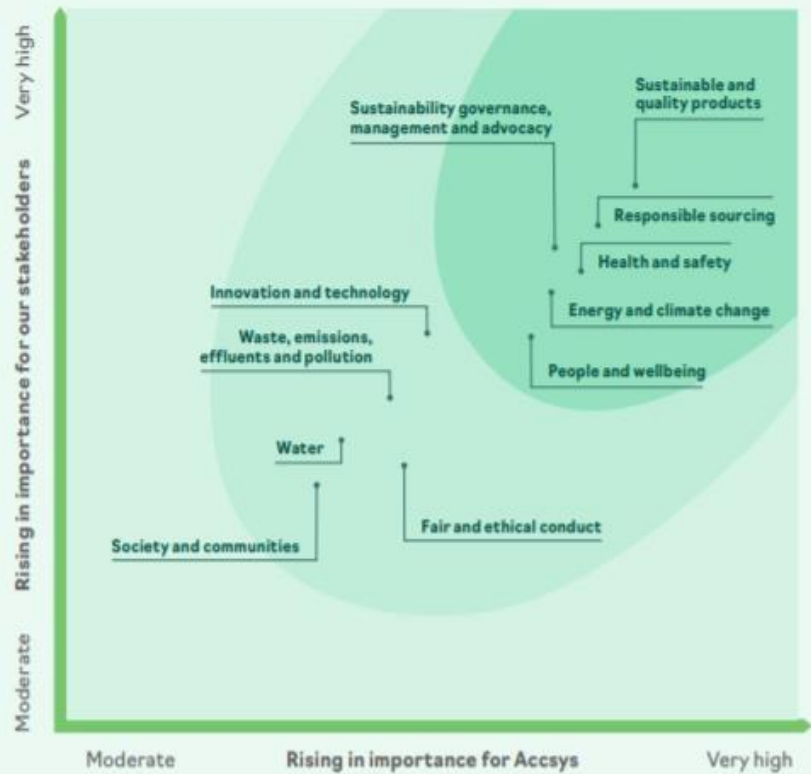
Six material issues were scored at the upper range of importance to both stakeholders and Accsys, and all potential material issues identified during the desk-based research phase were confirmed as material issues through stakeholder engagement. These findings will be used to feed into ESG strategy development and target setting.

Material issue list

Based on all aspects of the materiality assessment, the definitions of the materiality assessment have been refined to the below:

Material issues	Description
Sustainable and quality products	Issues include considerations around product quality and the sustainability benefits of products, which benefit the value chain and built environment industry. Sustainability benefits include circular economy considerations, energy use and contribution to climate change, health and wellbeing of end-users, for example, around chemicals and benefits over plastic. Considerations around the environmental impacts related to the acetylation of the product are also considered. (also identified in the water, climate change and waste, emissions, effluents and pollution and responsible sourcing material issues).
Responsible sourcing	Issues include the use of FSC certified timber, and where FSC is not widely available, understanding the credentials needed to ensure that timber is still high quality and sustainable. This issue also includes the environmental and social impacts related to the sourcing of timber, such as sustainable forest management, biodiversity, deforestation, human and labour rights, water stress, and supplier code of conducts. Availability, sourcing and use of resources, such as acetic anhydride and acetic acid are also included.
Governance, management and advocacy	Issues include high corporate governance standards, and governance around environmental and social issues, compliance, quality management systems and policies around such matters. Stakeholder engagement and advocacy, such as partnerships with industry, education of key partners, policy influence and efforts to promote greater responsibility are also included. Considerations around corporate values and culture are also included.
Energy and climate change	Issues include the carbon footprint across the value chain, from emissions arising from the development of materials, transportation of timber, direct operations of Accsys to the use-phase of the products. This also includes climate change governance and strategy around mitigation and adaptation, energy use, efficiency and carbon reduction. Considerations also the movement towards a low carbon economy.
People and wellbeing	Issues include employee satisfaction, talent attraction and development and. Other issues could include diversity and inclusion, discrimination, remuneration, staff turnover and employees' rights (such as trade union membership). Employee wellbeing can also include mental health considerations.

Health and safety	Issues include challenges around fatality, accident and disease prevention, together with requirements for training, supervision, monitoring, assurance and breach reporting. Beyond the direct workforce, there is the safety management of contractors/subcontractors and joint ventures/associate partnerships.
Innovation and technology	Issues include innovation, technologies, and research and development around products. Intellectual property and the safeguarding of it could also be a consideration. Innovation also corresponds with business adaptability and innovation in uncertain times.
Waste, emissions, effluents and pollution	Issues include the efficient use of resources (such as packaging), waste reduction and recycling and waste management. It also included the managing and disposal of hazardous waste, and ensuring pollution and emissions, such as Volatile Organic Compounds (VOCs) are managed, and the related impacts related to the use of as acetic anhydride.
Fair and ethical conduct	This includes issues around ethical business concerns, such as anti-bribery and corruption, anti- competitive behaviour, political contributions, and policies in place around whistleblower processes. This also include customer related issues, such as considerations around fair disclosures, marketing and advertising.
Water	Issues include water stewardship in Accsys' areas of operation, water recycling and reuse, and water and wastewater management.
Society and communities	Issues include community engagement and supporting local livelihoods, for example, ensuring that economic value is generated and distributed, and efforts are made to create value and social impact.