

# Materiality Assessment

March 2024



# Executive Summary

Each year Aker Solutions assesses its sustainability impacts on environmental, social and governance (ESG) topics. The review process includes commissioning an external analysis of existing material topics and identifying potentially new material topics.

This year, Aker Solutions commissioned Position Green Advisory (PGA) to complete this assessment based on the implementation guidance for the double materiality assessment (DMA) requirement of the European Sustainability Reporting Standards (ESRS) as set forth by the Corporate Sustainability Reporting Directive (CSRD).

The standard requires reporting companies to assess the significance of their actual and potential impacts across two dimensions, impact materiality and financial materiality, independently from one another.

Over 30 internal experts participated in Aker Solutions' DMA process. In addition, a comprehensive survey was sent to 270 members of the company's workforce. To reduce bias and maintain an open and transparent dialogue, external stakeholder interviews were managed by PGA.

The four-month process of assessing over 150 impacts, risks and opportunities was documented in an online tool, also managed by PGA. The final 22 topics were validated with Aker Solutions' executive management and presented to the Audit Committee of the Board of Directors for review.



# 2023 ESG Reporting

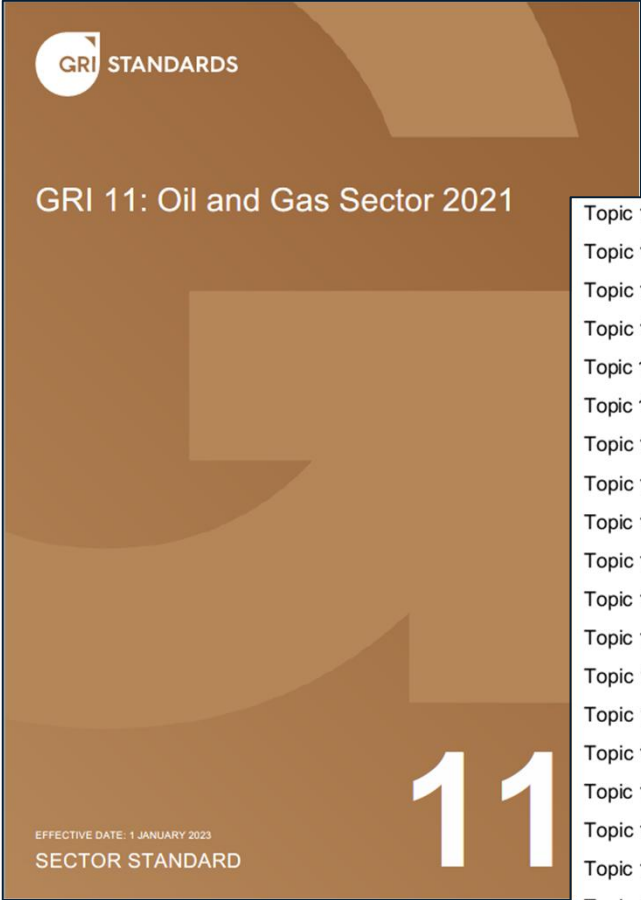
For 2023 reporting, Aker Solutions will report in accordance with the GRI Standards (GRI 1: Foundation 2021 and GRI 11: Oil and Gas Sector).

The DMA process prescribed by the ESRS meets the GRI materiality assessment requirement, thus this assessment will be used for 2023 reporting.



# GRI 11: Oil and Gas Sector Standard Topics

All topics from GRI 11: Oil and Gas Sector Standard 2021 were cross-referenced with the long list of over 150 impacts, risks and opportunities and were included in the review, though several were determined as not material for Aker Solutions.



- Topic 11.1 GHG emissions
- Topic 11.2 Climate adaptation, resilience, and transition
- Topic 11.3 Air emissions
- Topic 11.4 Biodiversity
- Topic 11.5 Waste
- Topic 11.6 Water and effluents
- Topic 11.7 Closure and rehabilitation
- Topic 11.8 Asset integrity and critical incident management
- Topic 11.9 Occupational health and safety
- Topic 11.10 Employment practices
- Topic 11.11 Non-discrimination and equal opportunity
- Topic 11.12 Forced labor and modern slavery
- Topic 11.13 Freedom of association and collective bargaining
- Topic 11.14 Economic impacts
- Topic 11.15 Local communities
- Topic 11.16 Land and resource rights
- Topic 11.17 Rights of indigenous peoples
- Topic 11.18 Conflict and security
- Topic 11.19 Anti-competitive behavior
- Topic 11.20 Anti-corruption
- Topic 11.21 Payments to governments
- Topic 11.22 Public policy

# ESRS Sustainability Matters

The European Sustainability Reporting Standards (ESRS) define ten topics and over 100 sub- and sub-sub-topics as potentially material for a company.

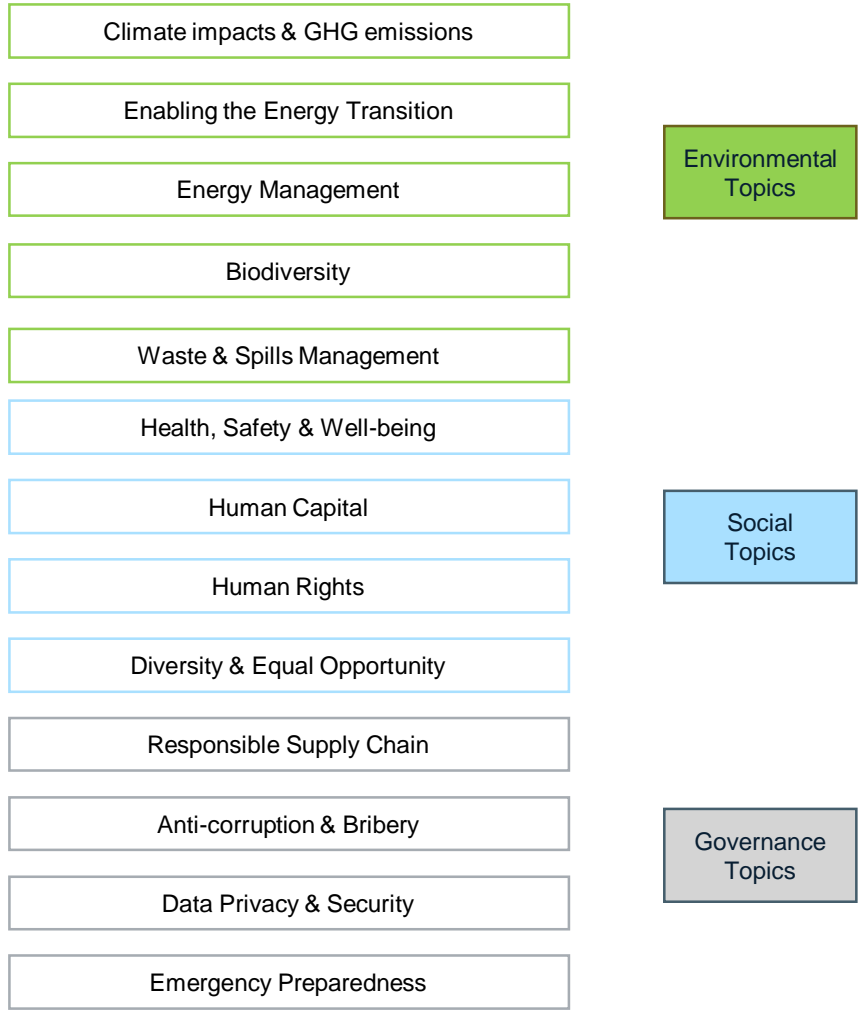
Aker Solutions assessed over 150 impacts, risks and opportunities related to these topics during the materiality assessment process.

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS E1	Climate change	<ul style="list-style-type: none"> <li>Climate change adaptation</li> <li>Climate change mitigation</li> <li>Energy</li> </ul>	
ESRS E2	Pollution	<ul style="list-style-type: none"> <li>Pollution of air</li> <li>Pollution of water</li> <li>Pollution of soil</li> <li>Pollution of living organisms and food resources</li> <li>Substances of concern</li> <li>Substances of very high concern</li> <li>Microplastics</li> </ul>	
ESRS E3	Water and marine resources	<ul style="list-style-type: none"> <li>Water</li> <li>Marine resources</li> </ul>	<ul style="list-style-type: none"> <li>Water consumption</li> <li>Water withdrawals</li> <li>Water discharges</li> <li>Water discharges in the oceans</li> <li>Extraction and use of marine resources</li> </ul>
ESRS E4	Biodiversity and ecosystems	<ul style="list-style-type: none"> <li>Direct impact drivers of biodiversity loss</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change</li> <li>Land-use change, fresh water-use change and sea-use change</li> <li>Direct exploitation</li> <li>Invasive alien species</li> <li>Pollution</li> <li>Others</li> </ul>
		<ul style="list-style-type: none"> <li>Impacts on the state of species</li> </ul>	<ul style="list-style-type: none"> <li>Examples:</li> <li>Species population size</li> <li>Species global extinction risk</li> </ul>
		<ul style="list-style-type: none"> <li>Impacts on the extent and condition of ecosystems</li> </ul>	<ul style="list-style-type: none"> <li>Examples:</li> <li>Land degradation</li> <li>Desertification</li> <li>Soil sealing</li> </ul>
		<ul style="list-style-type: none"> <li>Impacts and dependencies on ecosystem services</li> </ul>	

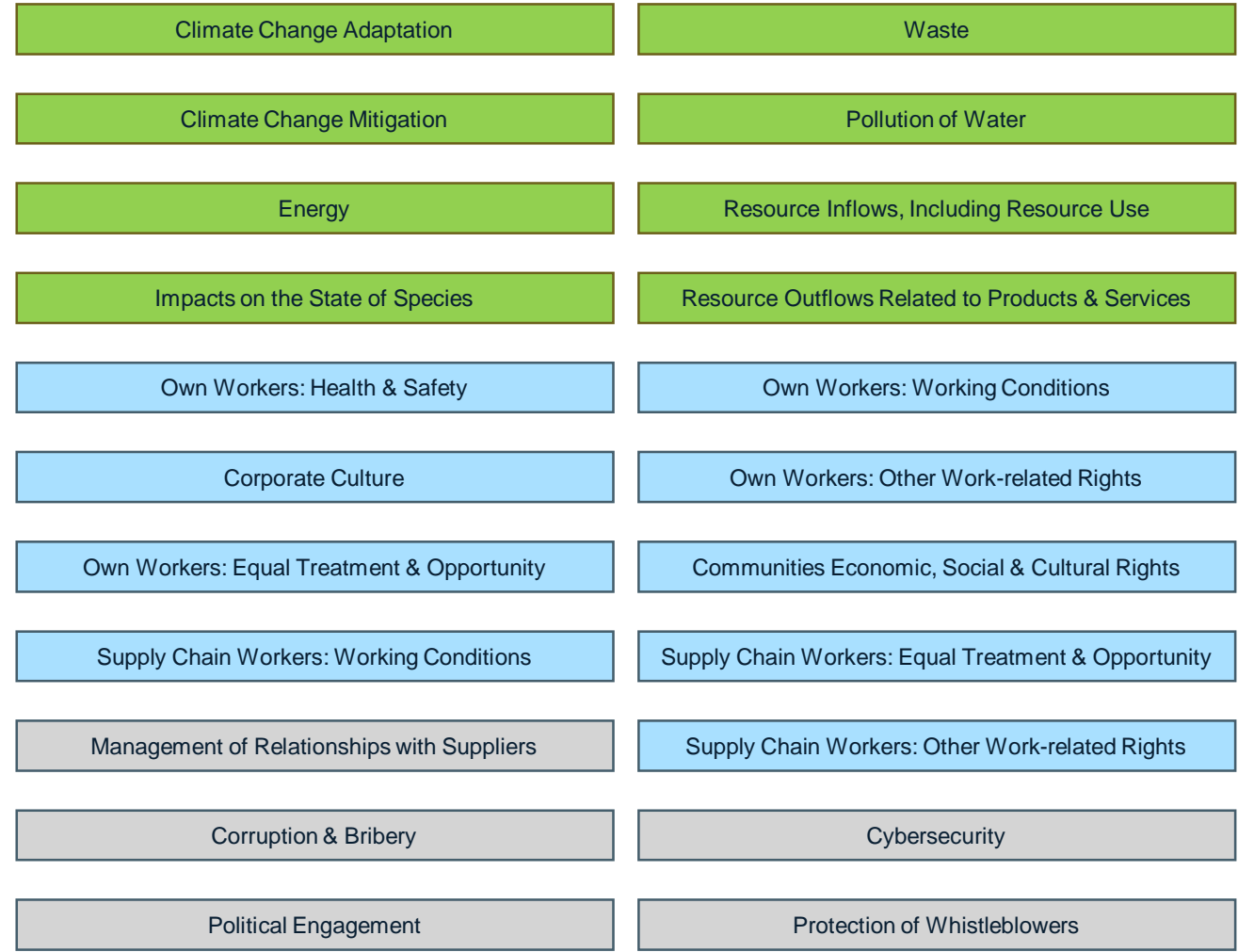
Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS E5	Circular economy	<ul style="list-style-type: none"> <li>Resources inflows, including resource use</li> <li>Resource outflows related to products and services</li> <li>Waste</li> </ul>	
ESRS S1	Own workforce	<ul style="list-style-type: none"> <li>Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>Secure employment</li> <li>Working time</li> <li>Adequate wages</li> <li>Social dialogue</li> <li>Freedom of association, the existence of works councils and the information, consultation and participation rights of workers</li> <li>Collective bargaining, including rate of workers covered by collective agreements</li> <li>Work-life balance</li> <li>Health and safety</li> </ul>
			<ul style="list-style-type: none"> <li>Equal treatment and opportunities for all</li> </ul>
		<ul style="list-style-type: none"> <li>Other work-related rights</li> </ul>	<ul style="list-style-type: none"> <li>Child labour</li> <li>Forced labour</li> <li>Adequate housing</li> <li>Privacy</li> </ul>
ESRS S2	Workers in the value chain	<ul style="list-style-type: none"> <li>Working conditions</li> </ul>	<ul style="list-style-type: none"> <li>Secure employment</li> <li>Working time</li> <li>Adequate wages</li> <li>Social dialogue</li> <li>Freedom of association, including the existence of work councils</li> <li>Collective bargaining</li> <li>Work-life balance</li> <li>Health and safety</li> </ul>
			<ul style="list-style-type: none"> <li>Equal treatment and opportunities for all</li> </ul>
		<ul style="list-style-type: none"> <li>Other work-related rights</li> </ul>	<ul style="list-style-type: none"> <li>Child labour</li> <li>Forced labour</li> <li>Adequate housing</li> <li>Water and sanitation</li> <li>Privacy</li> </ul>

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS S3	Affected communities	<ul style="list-style-type: none"> <li>Communities' economic, social and cultural rights</li> </ul>	<ul style="list-style-type: none"> <li>Adequate housing</li> <li>Adequate food</li> <li>Water and sanitation</li> <li>Land-related impacts</li> <li>Security-related impacts</li> </ul>
		<ul style="list-style-type: none"> <li>Communities' civil and political rights</li> </ul>	<ul style="list-style-type: none"> <li>Freedom of expression</li> <li>Freedom of assembly</li> <li>Impacts on human rights defenders</li> </ul>
		<ul style="list-style-type: none"> <li>Rights of indigenous peoples</li> </ul>	<ul style="list-style-type: none"> <li>Free, prior and informed consent</li> <li>Self-determination</li> <li>Cultural rights</li> </ul>
ESRS S4	Consumers and end-users	<ul style="list-style-type: none"> <li>Information-related impacts for consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Privacy</li> <li>Freedom of expression</li> <li>Access to (quality) information</li> </ul>
		<ul style="list-style-type: none"> <li>Personal safety of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Security of a person</li> <li>Protection of children</li> </ul>
		<ul style="list-style-type: none"> <li>Social inclusion of consumers and/or end-users</li> </ul>	<ul style="list-style-type: none"> <li>Non-discrimination</li> <li>Access to products and services</li> <li>Responsible marketing practices</li> </ul>
ESRS G1	Business conduct	<ul style="list-style-type: none"> <li>Corporate culture</li> <li>Protection of whistle-blowers</li> <li>Animal welfare</li> <li>Political engagement</li> <li>Management of relationships with suppliers including payment practices</li> </ul>	
		<ul style="list-style-type: none"> <li>Corruption and bribery</li> </ul>	<ul style="list-style-type: none"> <li>Prevention and detection including training</li> <li>Incidents</li> </ul>

# Previous Material Topics



# New Material Topics



Excerpts from  
Double Materiality  
Assessment Report  
compiled by  
Position Green Advisory  
for Aker Solutions



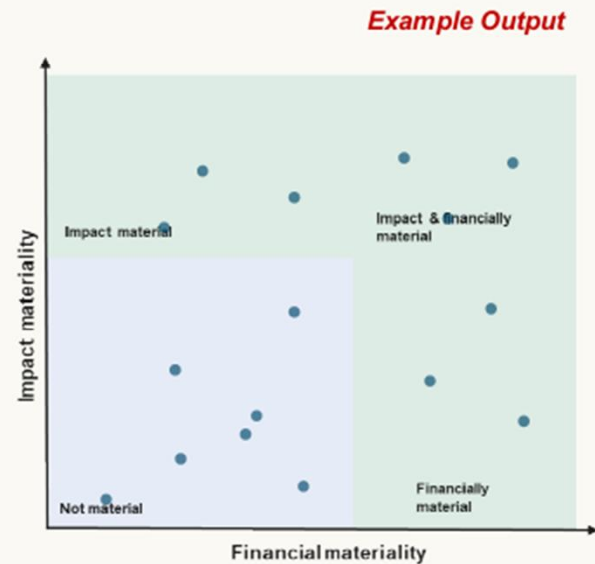
# Double Materiality Assessment Explained

## What it is...

Examines materiality of each ESG-topic across *two-dimensions*, independently from one another:

- I. **'Impact materiality'**: impact the business has on people and the environment (the inside-out perspective)
- II. **'Financial materiality'**: sustainability matters that trigger material financial effects on the company (the outside-in perspective)

An ESG topic meets the criterion of double materiality if it is material from **either** the impact perspective or the financial perspective **or both**.



## ...and why it's important

1. It is a **core compliance requirement** of the ESRS
2. Determines **the ESRS sustainability matters** that companies are required to disclose
3. Dictates the content of the company's **sustainability statements**
4. Informs business **strategy**
5. Ensures **nothing is missed** and mitigates risk of legal liabilities





# Understanding Impacts, Risks and Opportunities (IROs)

## Impacts

A **sustainability-related impact** is an effect the undertaking has or could have on the environment and people, as a result of the company's activities or its business relationships. It can be either positive or negative, potential or actual, and occurs if a stakeholder group is, or potentially might be, affected.


- The materiality of an actual impact is determined by the **severity** of the impact (**scale**, **scope**, and **irremediable character**) times the likelihood of the impact itself.
- Positive impacts do not consider “*irremediability*” as a factor
- The mitigation of a negative impact is not in itself a positive impact!

 The **likelihood** of an impact occurring within a timeframe:  
Short-term | Medium term | Long term

 The **severity** of an impact is informed by:

 **Scale**: how substantial the harm/good is or would be


 **Scope**: how widespread the harm/good is or would be on the stakeholder group


 **Irremediability**: how hard it is or would be to put the harm right

## Risks and Opportunities

A **financial effect** can be either positive (opportunity) or negative (risk) and occurs if a stakeholder group is/or potentially might affect the undertaking financially.

- The materiality of a financial impact is determined by the **expected magnitude** of the impact (magnitude times likelihood).
- The assessment should be based on the risk assessment of the company.

 The **likelihood** of a financial impact materializing within a timeframe:  
Short-term | Medium term | Long term

 The **magnitude** of a financial impact is informed by the approximated size of the financial impact.

# Scoring Methodology used by Position Green Advisory

### Method: Risk and Opportunity Scoring and Terminology

#### Financial Materiality

Magnitude/size of financial effect

--- Threshold

Likelihood

#### Scoring Methodology\*

**Magnitude**

The **magnitude** of a financial impact is informed by the approximated size of the financial impact.

**Primarily based on Cash flow impact:**

- 1 = Minor (< NOK 100m)
- 2 = Moderate (NOK 100m – NOK 500m)
- 3 = High (NOK 500m – NOK 1000)
- 4 = Very high (NOK 1000m – NOK 2000m)
- 5 = Severe (> NOK 2000m)

**Likelihood**

The **likelihood** of a financial impact materializing within a timeframe.

**5 phases of % of likelihood:**

- 1 = Very low (<=20%)
- 2 = Low (20-40%)
- 3 = Medium (340-60%)
- 4 = High (60-80%)
- 5 = Very high (>80%)

Financial impact scoring methodology should be based on the ESRS in general with magnitude and/or likelihood intervals based on the clients ERM system. Given likelihood intervals have proven to work very well in ESG setting.

### Method: Impact Scoring and Terminology

#### Impact Materiality

Severity

--- Threshold  
--- Human rights

Likelihood

#### Scoring Methodology\*

**Severity**

1 - 5

**Likelihood**

%

The **likelihood** of an impact occurring within a timeframe:

- Short-term
- Medium term
- Long term

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**Scale**

1 - 5

**Scale:** how substantial the harm/good is or would be

**Scope**

1 - 5

**Scope:** how widespread the harm/good is or would be on the stakeholder group

**Irremediability**

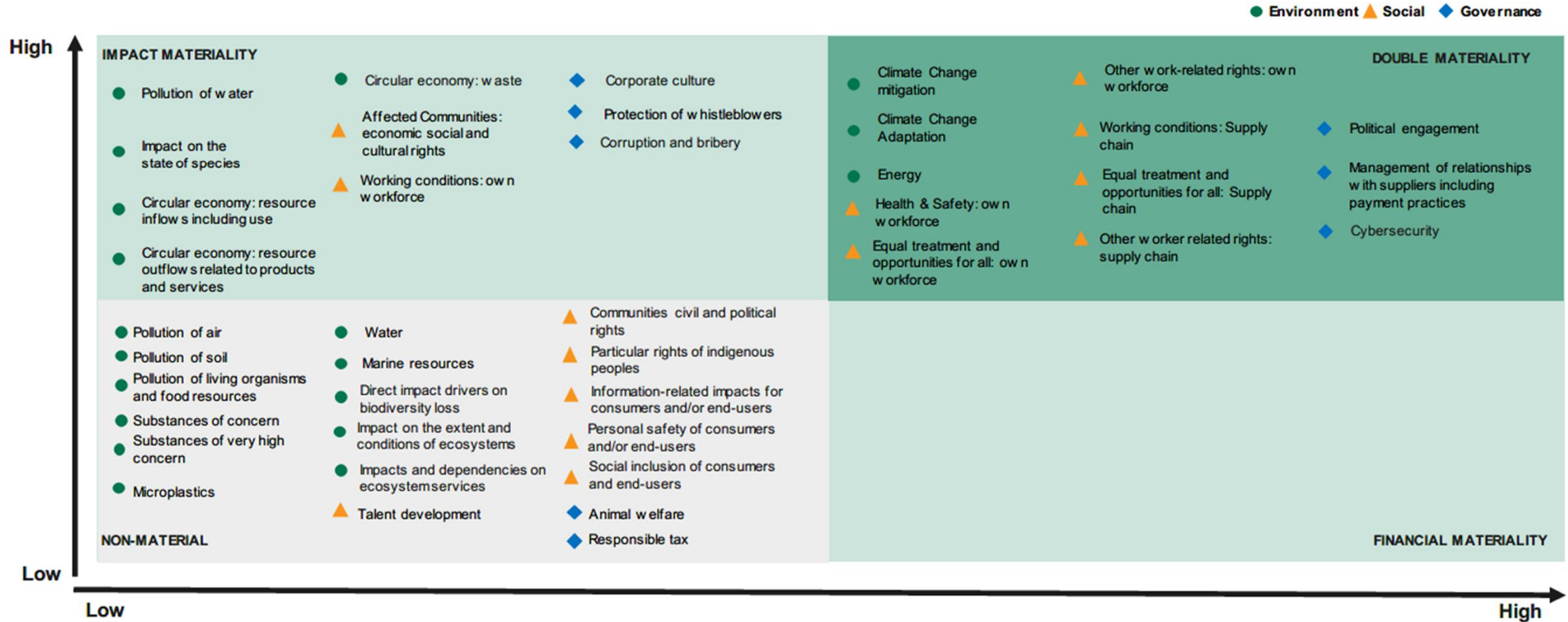
1 - 5

**Irremediability:** how hard it is or would be to put the harm right

Threshold to be lowered for human rights related impacts based on ESRS guideline.

\*Impact scoring methodology based on the ESRS in general. Likelihood intervals should be adapted based on the ERM system of the client. The scoring method of the parameters of severity are based on PG expertise founded on human rights due diligence.

# Final Results – 22 Material Topics across E/S/G





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