

ESG Materiality Assessment Process

Why is ESG important?

When stakeholders examine a business to assess its likelihood of long-term success, they typically evaluate areas like growth, cash flow, and market share. These factors remain essential, but alone they do not present the entire picture. Stakeholders also examine material risk factors which relate to the financial performance of a company in areas often termed “ESG” or Environmental, Social, and Governance.

What is ESG?

“E”: environmental criteria, to consider how a company safeguards the environment; factors include natural resource use, carbon emissions, energy efficiency, and pollution.

“S”: social and human rights criteria to consider how a company safeguards people. Factors include human capital; employee and workforce related issues including diversity, equity, and inclusion; respect for human rights across the value chain; and broader societal issues such as engagement with wider stakeholders and communities.

“G”: governance criteria to consider company’s leadership, accountability, and how well a company is managed; factors include board independence, composition, relevant expertise, diversity, shareholder rights, management compensation, and corporate ethics.

A company’s management of these topics could have material impacts on its financial performance and stakeholders now increasingly recognize how the mismanagement of the environmental, social, and economic challenges of climate change, the need to respect shared natural resources, and business’ responsibility to respect human rights, can result in material impacts relevant to the performance and longevity of a company.

Why are ESG materiality assessments important?

The sheer breadth of ESG as a subject matter means there exists an entire universe of potential ESG themes, issues and topics that may be relevant for a company. Materiality assessments enable a company to systematically take stock, assess, and determine which topics and themes are most material to its operations.

A thorough materiality assessment should consider all themes from two perspectives. The first perspective is “outside in” and considers the potential of ESG factors to impact the success of the company. The second perspective is an assessment of risks which the company may pose to others, during our process we referred to this as a “saliency assessment.” In Europe the Corporate Sustainability Reporting Directive refers to this as “impact materiality.” This assessment should consider ways in which a company, through its own operations and value chain could potentially impact people, society or the environment – an “inside out” perspective. Together, these “outside in” and “inside out” assessments constitute what is called a “double materiality approach.”

These are important processes for a company so that it can surface and define which ESG issues are most relevant to the business and enable prioritisation of resources to the most material ESG issues. This in turn will serve to strengthen the implementation of its existing ESG strategies, effectively communicate priorities (internally and externally) and by predicting and proactively managing ESG issues, reduce reputational, legal, and operational risk.

How did Intel conduct our ESG materiality assessment for 2023? – A double materiality approach

We have conducted formal ESG Materiality Assessments for the past decade, with each assessment building on the one prior. While the formal process is undertaken at least every two years, we consider our Materiality Assessment to be a living document, to be adapted in line with the dynamic environment in which we operate.

We value transparency and open, direct internal and external communication, working to foster and develop trusted relationships with our stakeholders, including employees, customers, suppliers, governments, NGOs, and communities. We maintain formal management systems to engage with our stakeholders and to incorporate their input into our thinking and planning. In addition to face-to-face meetings, several online channels provide us with valuable, ongoing input to our performance and strategy. Some of the ways in which we engage with stakeholders include:

- Corporate social responsibility and social media channels
- ESG investor outreach meetings
- Results of community advisory panels and surveys
- Customer data requests and survey data
- Employee open forums and surveys
- Meetings with governments, international organizations, and NGOs
- Engagements with international and local experts and CSOs
- Human rights impact assessment and ethics and compliance processes

The input from each of these sources is invaluable; and for our ESG materiality assessment we bolstered this data by working with a third party who specializes in business and human rights to provide relevant expertise and an external perspective. For our last two ESG materiality assessments, we worked with Article One who facilitated a process to help us identify, assess, and prioritise our ESG material issues by way of a formal materiality assessment. For our 2023 materiality assessment, we worked with Article One to tailor a methodology that built on our management and subject matter expertise and incorporated select internal and external stakeholder perspectives.

Most internal stakeholders will be familiar with the “outside in” perspective as such risk assessments are relatively routine in a corporate setting. However, we found it important to encourage and prompt Intel stakeholders to consider the potential “inside out” impacts throughout our assessment and we sought to create an open environment to enable them to do so. It is equally important that external perspectives are gathered and considered within the process, and that these external stakeholders are also asked to consider both the “outside in” and “inside out” perspectives.

While ESG materiality assessments may differ in form, we utilized an eight-step process, grounded in a double materiality approach considering “inside out” and “outside in” perspectives.

1. **Stakeholder identification:** To begin our assessment we identified relevant internal stakeholders and subject matter experts, those within the company who on a daily basis as part of their role, work with themes related to ESG. We sought to ensure diverse perspectives were considered, including hands-on technical employees, leaders, policy and legal experts and obtained perspectives from every part of the business and across multiple geographies.
2. **Scope:** Internal stakeholders then worked with Article One to define the universe of ESG themes that were potentially relevant to Intel. In 2023, this included a kick-off workshop where internal stakeholders were encouraged to identify relevant themes. We then collaboratively reviewed Intel’s previous ESG Materiality Matrix and identified ways in which the global and internal landscape may have changed since the exercise was last undertaken.
3. **Deeper Intel Stakeholder Engagement:** Following the identification of potentially relevant themes, Intel’s Corporate Responsibility team and Article One facilitated two processes to harness employee feedback on ESG issues. This included a survey of select Intel staff who were asked to rank the importance of relevant ESG themes for Intel. Following the staff survey, Article One facilitated a series of focus groups on the most material themes for Intel. In 2023, this included in-depth and cross-functional conversations on climate and energy; chemicals and circular economy; diversity, equity, and inclusion; supply chain and product responsibility among others. These focus groups discussed the specific ESG theme, from both perspectives and identified the most material issues.

4. **External Stakeholder Engagement:** Importantly, the materiality assessment considered the perspectives of external stakeholders with expert knowledge of broad and specific ESG themes from a variety of organizations including peers, customers, investors, governments, and NGOs. To gain these perspectives Article One conducted qualitative interviews, on our behalf and anonymized the feedback. We feel it is particularly important to engage a third party for this aspect of the assessment, so that stakeholders are comfortable in providing honest feedback through an open dialogue.
5. **Analysis and Prioritization:** Article One gathered these inputs and analyzed internal and external perspectives. In assessing Intel stakeholder perspectives, Article One considered responses from Intel's employee survey and quantitative analysis of the Intel focus groups. In assessing external stakeholder perspectives, Article One considered external survey responses, quantitative analysis of stakeholder interviews, and external surveys of ESG investor priorities. The output of the materiality assessment is the materiality matrix, wherein findings from the assessment were plotted within a matrix to visualize the theme's importance to Intel on the horizontal axis and importance or impact to stakeholders on the vertical axis.
6. **Presentation:** For 2023, we sought to enhance the legibility and broader material understanding of our matrix and make the findings from our assessment more accessible. This was achieved by presenting each theme within a 3x3 quadrant and assigning each theme as "environmental," "social," or "governance" with topics of equal relevance listed alphabetically in each quadrant. We recognize that many ESG issues and themes are multi-faceted and intersectional in nature and as such, in practice do not fall neatly into one designation as depicted within our materiality matrix. However, for ease of interpretation we chose the designation more traditionally understood for each theme. It is important to underscore that *all* themes, regardless of where they fall in this year's matrix, represent a material theme for Intel.
7. **Review:** Following the preparation of the Materiality Matrix, Intel ESG stakeholders were invited to review and discuss the placement of specific themes. For some themes slight adjustments were needed to align our qualitative understanding of material themes.
8. **Publication:** Intel's final ESG Materiality Matrix is a clear and succinct articulation of ESG materiality for Intel and is made publicly available for all stakeholders through our [Corporate Responsibility Report](#) at intel.com/responsibility. It is also used internally to help focus our integrated, [2030 RISE](#) strategy and goals which aim to create a responsible, inclusive, and sustainable world enabled through technology and employee collaboration.

Intel 2023 ESG Materiality Matrix

