

Double Materiality  
PwC Colombia  
FY 2022





# Our Double Materiality processes

Understanding environmental, social and governance (ESG) issues is vital to us as a Firm working towards shared value creation and sustainability in general. We recognize that managing the impacts we have on the environment and society, as well as the impacts that the environment has on our reputation, finances and strategy, is critical to our long-term success and sustainability.

As part of our new materiality exercise, we decided to strengthen the existing process and conduct a Double Materiality analysis, which helped us to obtain a more accurate view of the relationship we have with our environment and, from this, to identify the material<sup>1</sup> issues for the Firm, allowing us to allocate the necessary time, resources and investment to the activities where we can have the greatest impact. Ultimately, Double Materiality ensures a solid implementation of our sustainability strategy, being in tune with what is happening in the outside world and, consequently, successfully changing and responding to the main challenges that are shaping the planet.



## What is double materiality?

Thinking about materiality, there are two main concepts that, together, make up the concept of “double materiality”:

- Financial materiality (outside-inside view): information related to the impacts of the environment on the organization’s economic value creation (PwC).
- Impact materiality (inside-outside view): information on the impacts of the organization (PwC) on the environment and society.

\*In previous materiality exercises, only impact materiality was taken into account.

*Adapted from: Global Reporting Initiative -GRI (2022). The materiality madness: why definitions matter.*

<sup>1</sup>The material topics represent the most significant impacts (effects) of the organization on the economy, the environment and people, including the impacts on their human rights, which in turn can indicate its contribution (negative or positive) to development sustainable (GRI, 2021, p.28).



At PwC Colombia we update our materiality analysis every two years, in order to be at the forefront of the latest global ESG trends and thereby materialize our purpose of building trust in society. The fiscal year 2022<sup>2</sup> process allowed us to take into account new developments in the environment, internal developments related to our recently announced strategy -**The New Equation**-, the efforts of our Global Network in achieving sustainability objectives, and the most important considerations of our stakeholders and internal experts.

In addition, our new materiality, which is aligned with our business model and our key impacts, took into account the most important industry reporting metrics, new ESG policy and regulatory changes, recent academic research on sustainability trends, emerging best practices in materiality and the latest global megatrends.

Furthermore, these results are aligned with the United Nations Sustainable Development Goals (SDGs), in order to continue to contribute to the important issues we face as humanity.

## Our assessment

The process of double materiality that we carry out is composed of five main stages:



<sup>2</sup> See section "Our evaluation"

# Step 1

## Context analysis

It is essential that our materiality analysis is based on a thorough understanding of the sustainability context of our activities and business relationships, so that we are aware of the impacts we have on our environment and vice versa.

The starting point of our materiality analysis corresponds to the identification of the impacts that, as a Firm, we have on the environment and society, and the risks and opportunities that the environment implies on our ability to create economic value. We developed an analysis, under the concepts of impact materiality and financial materiality, from which we built an initial list of impacts that addressed all areas, services and relationships of our organization.

We took into account our past materiality studies, local and global internal policies and our Firm's current risk and opportunity matrices. We also analyzed applicable ESG regulations, Human Rights principles (e.g. UN Guiding Principles and Global Compact Principles), UN SDGs, sustainability standards and frameworks (e.g. SASB, DJSI, GRI), publications on challenges and opportunities for professional services firms and industry sustainability best practices, as well as global megatrends and behaviors.

Subsequently, to achieve greater objectivity, we determined whether they were actual, potential, positive or negative impacts. This exercise resulted in a list of 119 impacts, grouped into 24 themes.

Impacts can be:

### Positive

Those that have or could have a positive impact on the sustainable development objectives of the organization or its environment.

### Negative

Those that have or could have a detrimental impact on the sustainable development objectives of the organization or its environment.

### Actual

Those that have already occurred.

### Potential

Those that could occur but have not yet occurred.

Adapted from: Global Reporting Initiative -GRI (2021). GRI Standards. GRI 3: Material Topics 2021.

# Step 2

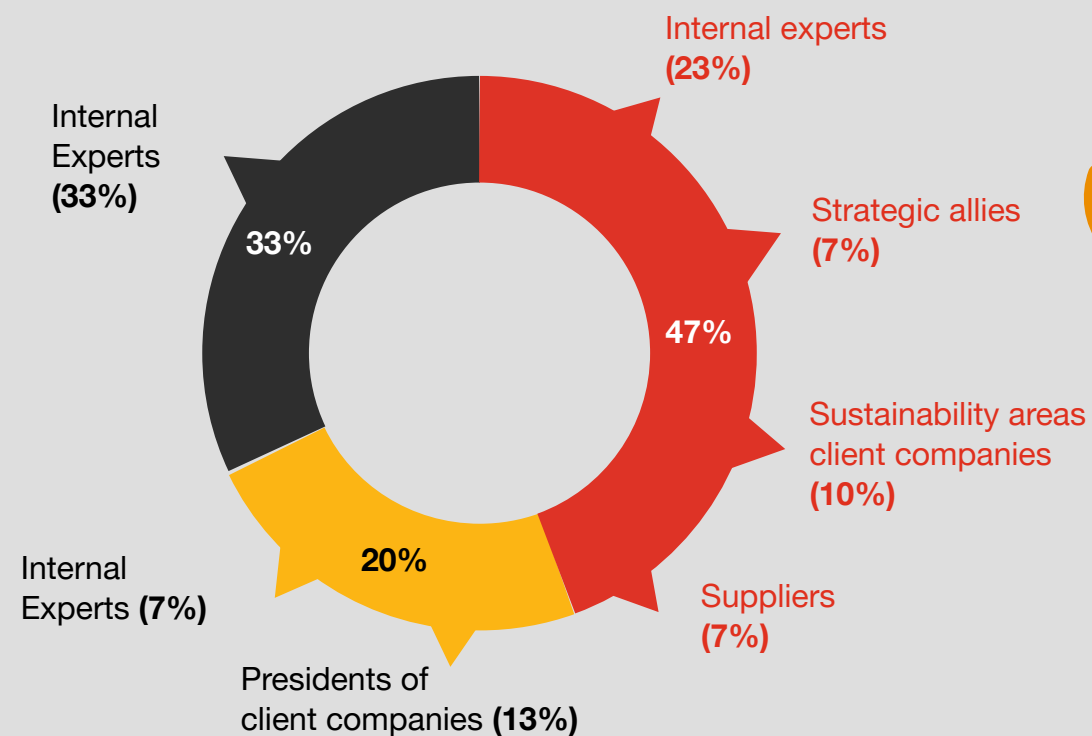
## Review of issues and impacts with experts and stakeholders

Involving our stakeholders in the process of identifying our priorities is key. By understanding their expectations and interests, we are able to incorporate what they expect from us into our strategy, offering sustainable solutions and meeting our local and global commitments.

We focused on creating spaces for co-construction and dialogue with our relevant stakeholders and experts within the Firm on each of the impacts identified. In this way, we developed, under the concept of double materiality, 14 focus groups and six in-depth interviews, through which we achieved a better understanding of the initial impacts. Likewise, we sent 10 surveys to different experts belonging to our organization so that they could rate the importance of each one of them. This allowed us to validate the initial list we built, obtaining a consolidated list of 64 impacts.

### Engagement mechanisms

- Focus group
- Interviews
- Surveys



# Step 3

## Categorization of impacts

As a third step, we developed a classification process for the new list of impacts, which we grouped into 14 categories, representing the potentially material issues for PwC Colombia.

List of potentially material topics:


- Economic performance
- Corporate governance
- Trust, integrity and transparency
- Laws and regulations
- Social, political and economic instability
- Service excellence and quality
- Information security and cybersecurity
- Innovation and digital transformation
- Thought leadership and knowledge dissemination
- Human rights
- Human talent
- Social development
- Environmental performance
- Climate change



# Step 4

## Validation and prioritization of potentially material topics

In line with the concept of double materiality, the partners of our Firm carried out a final validation of the proposed issues and prioritized the relevance of each one of them based on the following criteria:



**Criteria for assessing impact relevance**


**Severity**  
What is the severity of the impacts on the subject?

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**Probability**  
How likely is the Firm to have an impact on the issue?

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**Urgency**  
How urgent is the need for improvement in this area?



**Criteria for assessing business relevance**

**Impact on finances**  
How relevant is this topic to PwC's financial performance and operations?

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**Reputational impact**  
How relevant is this issue for PwC's image in the eyes of its internal and external stakeholders?

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**Impact on strategy**  
How relevant is this topic to achieving PwC's strategic objectives?

# Step 5

## Identification and approval of our most important ESG issues

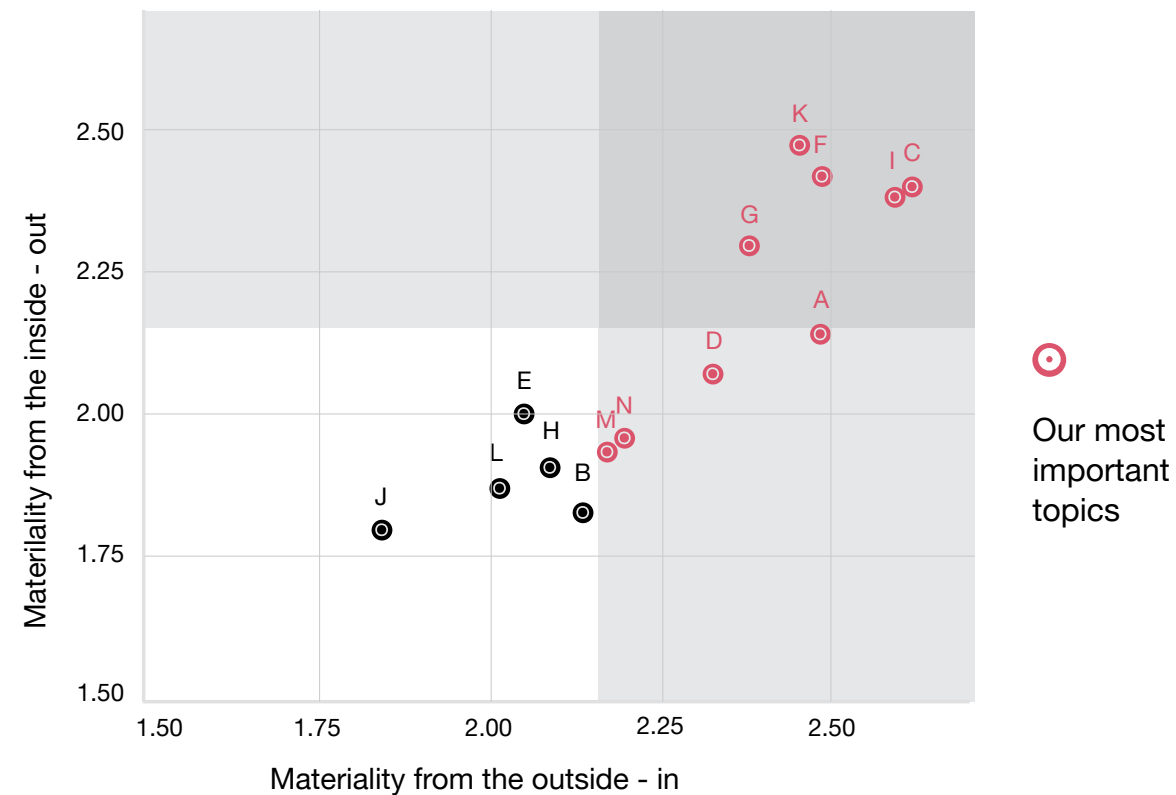
Our Double Materiality matrix was generated using the prioritization made by our partners. This exercise represents a commitment to accountability and transparency with our stakeholders, whom we inform about the contributions we make to the environment, while guiding us towards the issues that are financially relevant to the continuity of our business. In this way, such input, by helping us to understand the link between our internal and external impacts, becomes the basis of our ESG strategy.

To inform the “X” axis of the matrix, we applied the results of the inward impact assessment (outside-inside view), which shows the issues that carry the most significant risks and opportunities for PwC Colombia’s value creation; while to construct the “Y” axis we used the results of the outward impact assessment (inside-outside view), which highlight the areas where we can have a more significant impact on the planet and society.

The partners endorsed the results obtained, identifying the 9 issues on the right side of the matrix (those that cumulatively have received the highest scores in both the inward and outward impact assessments) as the most important for our organization:

- Excellence and quality of service
- Trust, integrity and transparency
- Human talent
- Information security and cybersecurity
- Economic performance
- Innovation and digital transformation
- Laws and regulations
- Environmental performance
- Climate change

## Double materiality matrix



#	Topic
A	Economic performance
B	Corporate Governance
C	Trust, integrity and transparency
D	Laws and regulations
E	Social, political and economic instability
F	Information security and cybersecurity
G	Innovation and digital transformation
H	Thought leadership and knowledge dissemination
I	Service excellence and quality
J	Human rights
K	Human talent
L	Social development
M	Environmental performance
N	Climate change



## What changes have occurred with respect to the material issues of the previous fiscal year?

While the content of the material topics remains mostly the same with respect to the previous fiscal year, for fiscal year 2022 several material topics were redefined taking into account the double materiality exercise.

In particular, the FY21 material topics of “Talent Attraction and Retention”, “Talent Development” and “Occupational Health and Safety” were grouped for FY22 under the material topic “Human Talent”. Likewise, we identified four new material topics: “Economic Performance”, “Laws and Regulations”, “Environmental Performance” and “Climate Change”, due to their growing relevance for our environment and business continuity.