

Using Impact Valuation to prioritize ESG topics

Case Study: Materiality Assessment for Mobility
Innovations LLC



Background

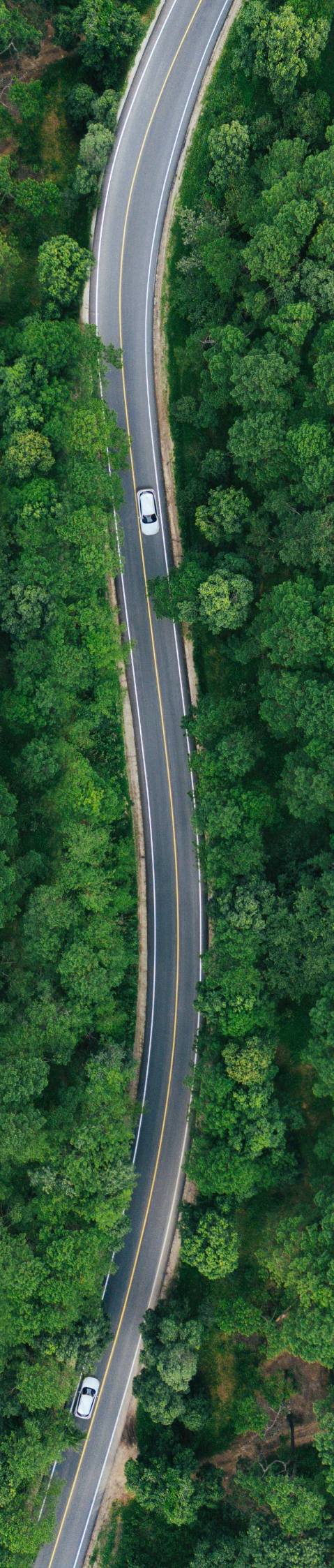
Mobility Innovations LLC is a (fictitious) company that manufactures high-quality components for automotive interiors. From 2025, the **Corporate Sustainability Reporting Directive (CSRD)** requires the company to report their sustainability efforts. In light of these requirements, Mobility Innovations LLC conducts a **Materiality Assessment** that serves as the basis for **sustainability management and reporting**.

This case study shows an example of how Mobility Innovations LLC uses **Impact Valuation** for the structured prioritization of **environmental, social, and governance (ESG) topics**.

Aim of the Materiality Assessment

Mobility Innovations LLC aims to utilize Materiality Assessment not only to meet **reporting obligations** but also as a basis for **decision-making**. The company views the analysis as an opportunity to enhance the **social and ecological impacts along its supply chain** and to **identify risks** within its business environment.





When conducting a Materiality Assessment, it is important to obtain a **comprehensive picture of all stakeholders** without favoring certain stakeholder groups over others. For example, automobile manufacturers, i.e., the customers of Mobility Innovations LLC, should **not be prioritized over other stakeholders**, such as their own employees or suppliers.

To avoid such biases, Mobility Innovations LLC chooses **Impact Valuation as the starting point for its analysis**.

Why use Impact Valuation for Materiality Assessment?

Mobility Innovations LLC benefits from employing Impact Valuation in materiality analysis through:

- **Transparent, evidence-based structure** for stakeholder surveys
- Consistent alignment of the Materiality Assessment with the **societal impacts of business activities**
- Bridging **knowledge and data gaps** through systematic analysis and a unified data foundation
- **Modular addition of qualitative methods** such as surveys or rating systems
- **Flexible expansion** of the analysis of essential topics: knowledge of affected **countries and industries**
- **Industry comparisons and quantitative** risk assessment for management decisions

Approach

In the Materiality Assessment, two perspectives are observed:

- Quantitative assessment of the social and environmental impacts of the company's activities (**inside-out perspective**).
- Identification of relevant financial and non-financial topics that influence the company's business activities (**outside-in perspective**).

Mobility Innovations LLC proceeds as follows:

	1. Impact Valuation: Quantitative thresholds of materiality	P. 4
	<i>Inside-Out Materiality: Impact to Society</i>	P. 5
	<i>Outside-In Perspective: Impact to Business</i>	P. 8
	2. Evidence-based Stakeholder Engagement	P. 10
	3. Weighting of Material Topics based on Data and Stakeholders	P. 12
	4. Results of the Materiality Assessment	P. 13
	5. Presentation in a Materiality Matrix	P. 14
	6. Conclusion and Next Steps	P. 15



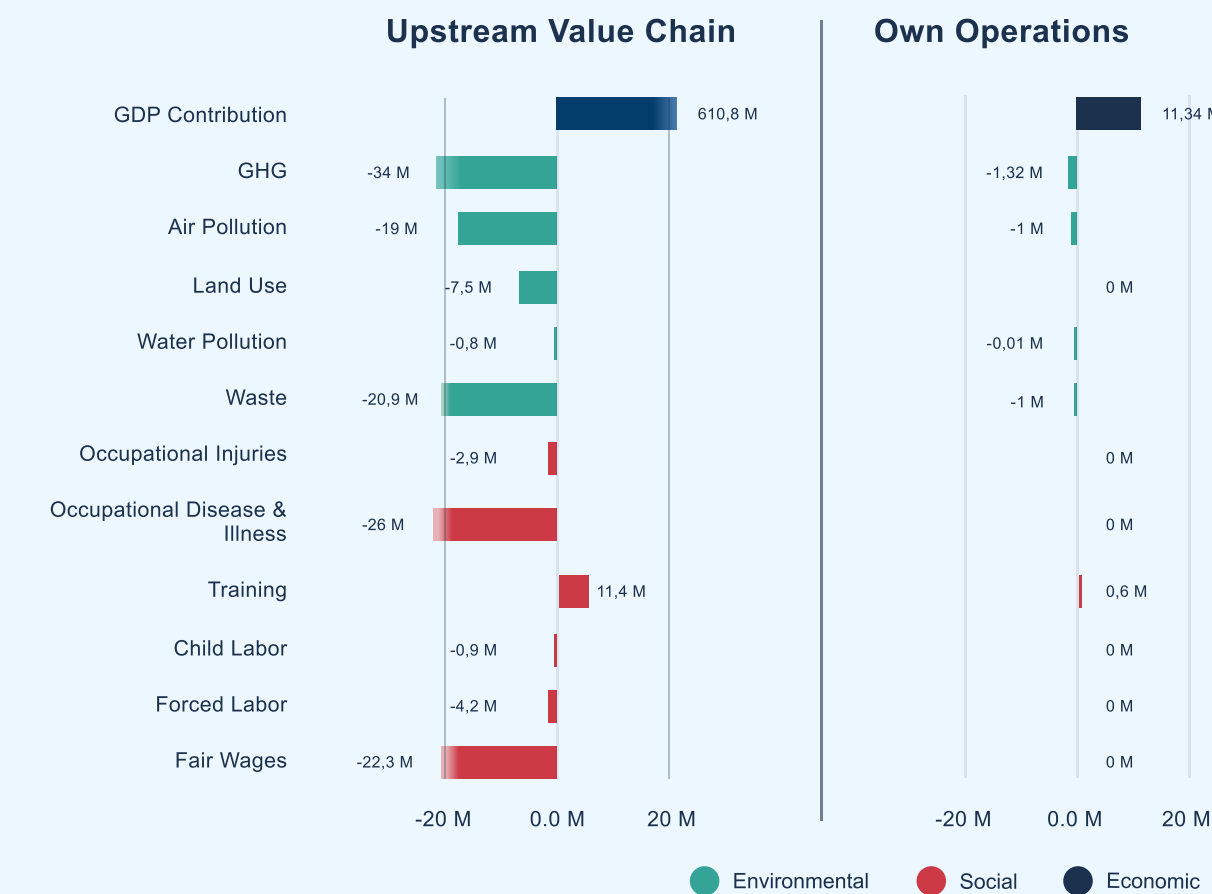
1. Impact Valuation: Quantitative thresholds of materiality

First, the **social and environmental impacts** are determined and monetized on the basis of valuation factors. This makes it possible to **compare** individual key figures with another **and contextualize them**. The selection of indicators is aligned with the **United Nations' Sustainable Development Goals (SGDs)**.

The figure shows the impacts of Mobility Innovations LLC both for all its own operating units in Germany and for the entire supply chain.

Mobility Innovations LLC: Monetized Impacts on the environment and society

2023, in EUR



Inside-Out Materiality: Impact to Society

Next, Mobility Innovations LLC selects an approach from financial reporting that it can also use to identify material sustainability topics. The finance department of Mobility Innovations LLC usually assesses the financial materiality (e.g. of a portfolio expansion through acquisition) **based on the share of investment risk in the net profit**. Mobility Innovations LLC transfers this approach to the **assessment of monetized social impacts**.

- Impact <5% of net income: immaterial
- Impact >10% of net income: material
- 5-10%: requires more precise assessment

In 2023, the net profit of Mobility Innovations LLC amounted to **EUR 25.5 million (4% of the production value)**. Based on this, Mobility Innovations LLC defines the following levels of materiality:

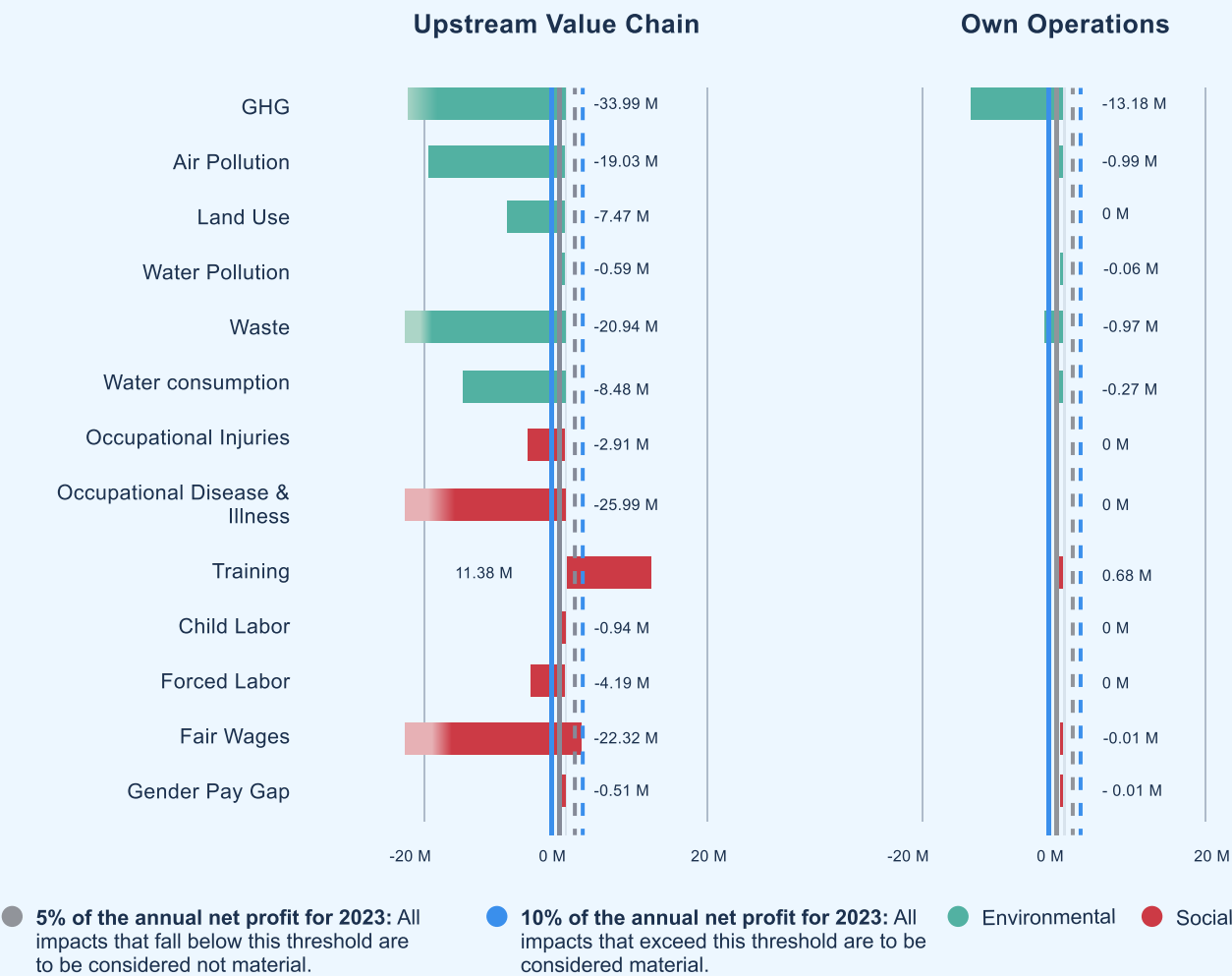
Materiality level	Share of annual net profit	Threshold for Mobility Innovations LLC
Immaterial	<5%	Social costs or benefits below €1.28 million
Scope for discretion	5-10%	Social costs or benefits between €1.28 and €2.55 million
Material	>10%	Social costs or benefits over €2.55 million



The assessment shows the following for Mobility Innovations LLC and its supply chain:

Mobility Innovation LLC’s Material Impacts

2023, in EUR



The data was calculated using WifOR Institute’s value factors for a fictitious, average company in the industry. The business data are estimates based on market research.





In the supply chain, the main environmental topics are **greenhouse gas emissions, air pollution, land use, and waste**. The risk of water pollution along the supply chain is identified as not material.

For its **own business activities, greenhouse gas emissions** are a material topic through which the company impacts the environment.

In the area of social sustainability, **safety and health at work, lack of living wages, and forced labor** are considered material based on the threshold.

The materiality of child labor in the supply chain, measured against the set threshold, **lies within the company's discretion**. Mobility Innovations LLC examines such topics particularly intensively before defining materiality.

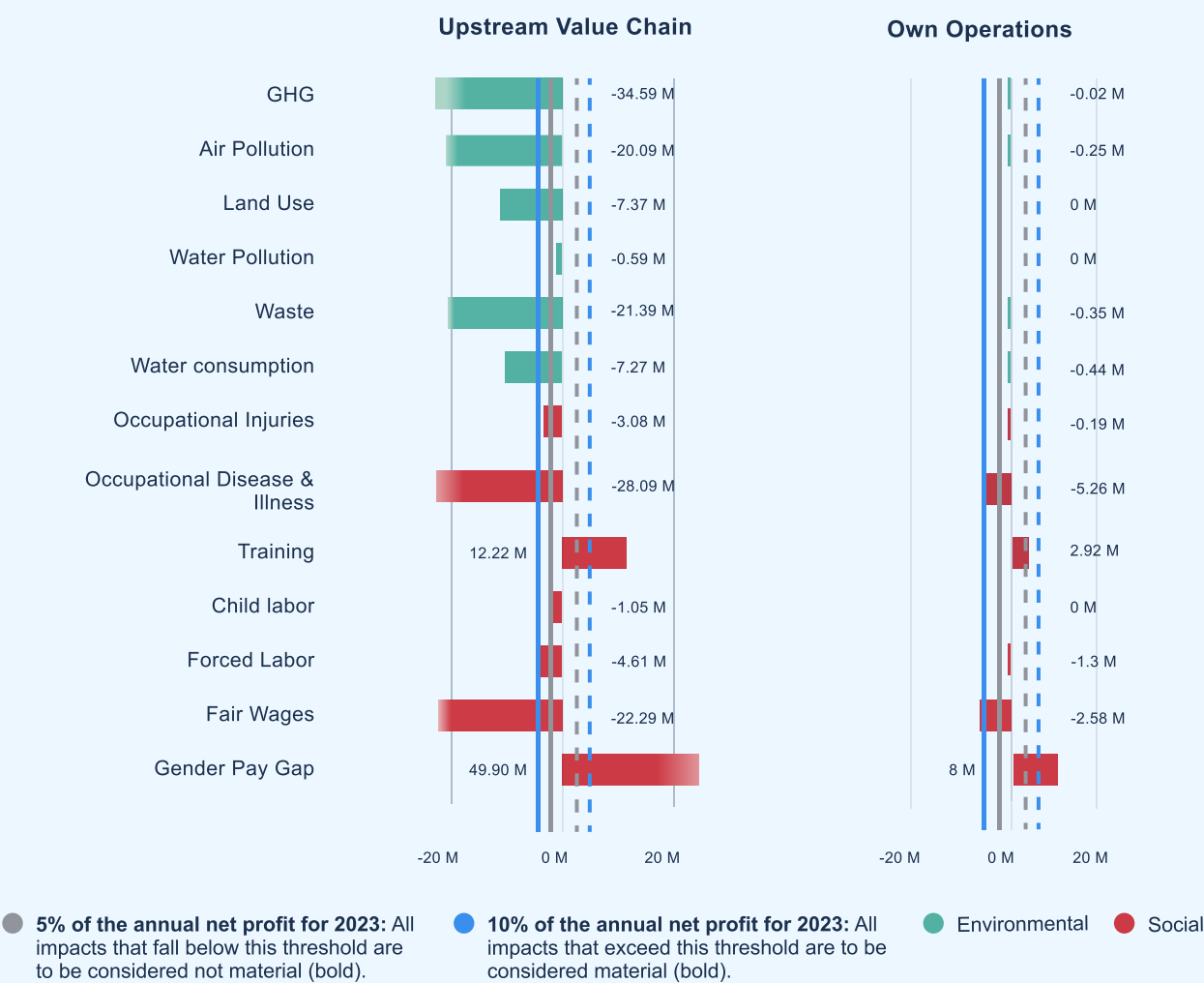
To fulfill the **legally required corporate due diligence along the supply chain**, significant **negative impacts** in the social dimension are also relevant for Mobility Innovations LLC. In this regard, Impact Valuation offers **synergies for reporting and due diligence**.

Outside-In Perspective: Impact to Business

The outside-in perspective captures material opportunities and risks arising from the business environment of Mobility Innovations LLC. These risks can be financial, arising from legislation (e.g. possible CO₂ pricing), or a consequence of climate change and their impact on countries in the supply chain. For the **first assessment of future impacts**, Mobility Innovations LLC again uses Impact Valuation, this time **based on projections**. The model takes into account **forecasts such as new business areas**, macroeconomic projections, and **climate change scenarios**.

Estimated Impact across selected sustainability topics

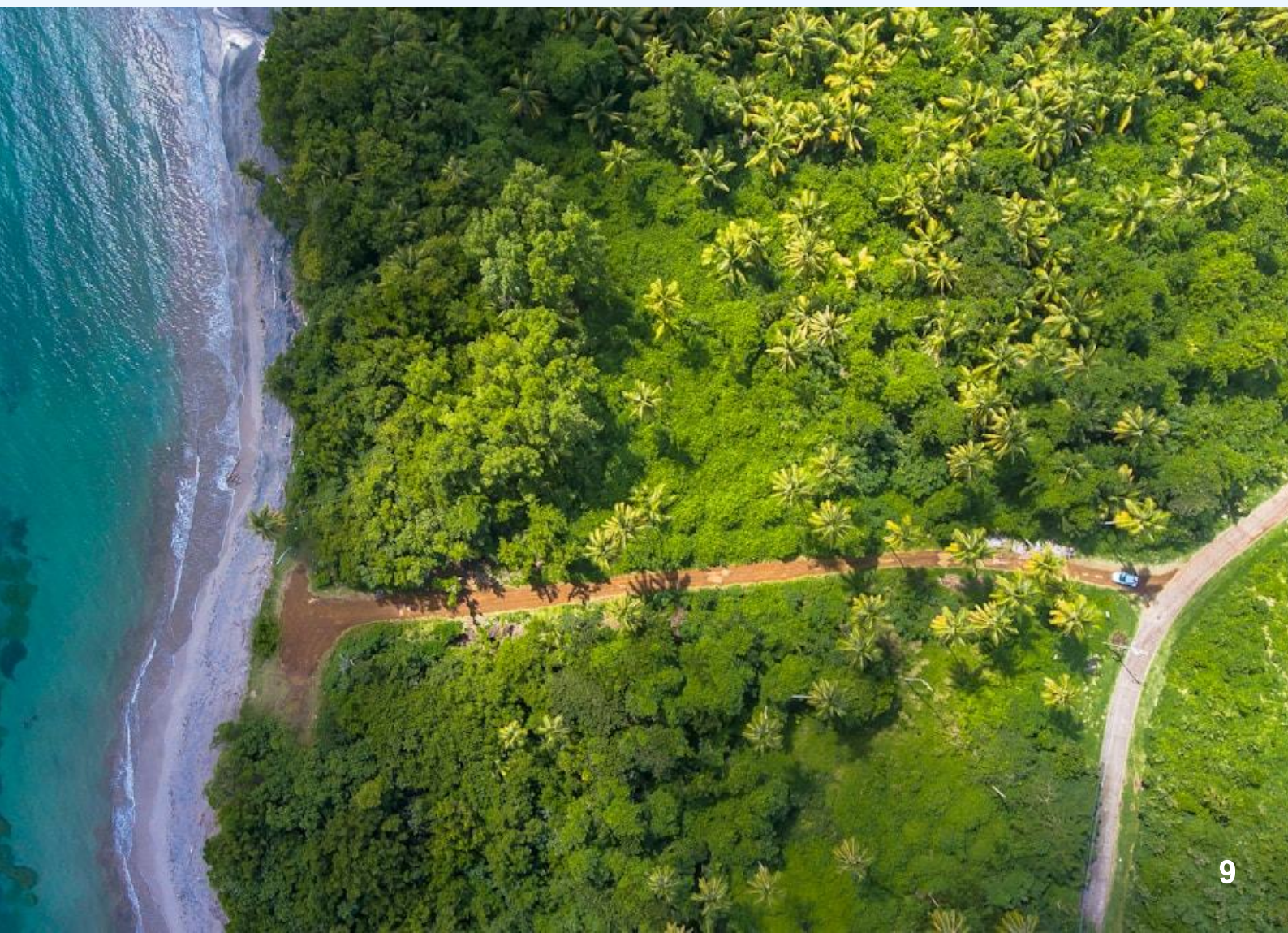
2028, in Euro



The data was calculated using WifOR Institute's value factors for a fictitious, average company in the industry. The business data are estimates based on market research.

Compared to current data, the projection for 2028 shows a shift in **greenhouse gas emissions from the company's operations to the supply chain**. This can be explained primarily by the fact that Mobility Innovations LLC will increasingly integrate electronic components into its equipment in the future to meet the growing demand stemming from car manufacturers. This development leads to a **changed procurement structure and affects the company's value creation**.

Based on the **initial assessment** of material topics **using Impact Valuation**, Mobility Innovations LLC can collect **further stakeholder data** in a logical and comprehensible way. The topics are then prioritized according to their **scale, scope, and remediability**. In this sequence, material topics are identified holistically and transparently in relation to the overall goals of sustainable development.



2. Evidence-based Stakeholder Engagement

For the analysis, it is important that impacts are captured holistically from a stakeholder perspective. Impact Valuation offers **various complementary approaches** to support this.

For example, the estimation of impacts can be carried out in the same way for each location using Impact Valuation. The estimation of incremental social costs and benefits with Impact Valuation is based on a macroeconomic data model. It is therefore also possible to organize essential topics by **comparing industry averages within the same industry and with other sectors**, both nationally and internationally. This is recommended to complement the reference to the **economic situation of the company, established in relation to the annual surplus**, with the perspective of society as a whole.

Mobility Innovations LLC is initially refining the Materiality Assessment by means of a **detailed impact analysis of the supply chain by value-added stage (direct suppliers, suppliers of suppliers, etc.)** and country. Depending on the number of material topics – e.g. climate change or water resources – the disclosures comprise up to approximately 1,100 individual data points.

Based on the **Impact Valuation** results, Mobility Innovations LLC now includes **targeted stakeholder data** in the analysis. First, stakeholder groups are identified. These are:

- Employees
- Investors
- Customers
- Suppliers
- Silent stakeholders: nature and ecosystems



For these **stakeholder groups**, Mobility Innovations LLC uses a variety of methods to obtain **further data**. For example, Mobility Innovations LLC conducts a **survey with 1,000 stakeholders**, including employees, investors, and customers. Silent stakeholders are described in more detail using targeted **life cycle assessments**.

Interviews with 50 key stakeholders are particularly useful for **capturing outside-in topics**. For example, Mobility Innovations LLC can use empirical data to support the forecast for changes in demand from customer companies. In this case, the change would be the greater need for integrated electronics for smart mobility.

Topics highlighted through stakeholder surveys:

- CO₂ emissions
- Energy consumption
- Social responsibility in the supply chain
- Innovative ability and product development as a prerequisite for competitiveness: New requirements of the automotive industry (smart mobility)
- Working conditions and diversity in the workplace

In addition, stakeholders in the supply chain are particularly involved. An advanced Impact Valuation is used to **identify countries, sectors, and value creation stages** where the risk is particularly high.

The **most important direct suppliers are included as key stakeholders** through the **purchasing** department of Mobility Innovations LLC. On one hand, this serves to collect random primary data. On the other hand, it helps to set up complaint mechanisms to sensitize these stakeholders to their important role in this material topic.



3. Weighting of Material Topics based on Data and Stakeholders

The results of the Materiality Assessment, which are based on Impact Valuation and stakeholder surveys, are **weighted in terms of severity and then linked**. For potential future impacts, the severity of the effect is supplemented by **the likelihood of occurrence**.

The sustainability manager at Mobility Innovations LLC then assesses the severity of impacts according to the assessment scale proposed by the **European Financial Regulatory Advisory Board (EFRAG)**. This scale takes into account the **extent, scope, and reversibility of the effects**. The results of the Impact Valuation help them assess the extent of the impact in particular.

Assess parameters of impact materiality of the sustainability topic

Impact Valuation combines the scale and scope of impacts

Scale of impact	Scope of impact	Remediability of impact
5 Absolute	5 global/total	5 Non-remediable/irreversible
4 High	4 Widespread	4 Very difficult to remedy or long-term
3 Medium	3 Medium	3 Difficult to remedy or mid-term
2 Low	2 Concentrated	2 Remediable with effort (time & cost)
1 Minimal	1 Limited	1 Relatively easy to remedy short-term
0 None	0 None	0 Very easy to remedy

Scale: how severe the impact is, i.e., extent of infringement of access to basic life necessities or freedoms (e.g., education, livelihood etc.)

Scope: how severe the impact is, i.e., extent of infringement of access to basic life necessities or freedoms (e.g., education, livelihood etc.)

Irremediable character: the extent to which the impact can be remediated (e.g., through compensation or restitution; whether the people affected can be restored to their exercise of the right in question). The underlying question is: are there any limits on the ability to restore the environment or those affected to a situation at least the same as, or equivalent to, their situation before the negative impact?

Use the results of Step 2 to determine the overall score, which will serve as a proxy indicator of preliminary overall impact materiality, using the following formula:

Preliminary Impact Materiality
= *Scale of Impact* + *Scope of Impact* + *Remediability*

Preliminary impact materiality	
>= 12	Critical
[10, 12)	Significant
[8, 10)	Important
[5,8)	Informative
<5	Minimal

4. Results of the Materiality Assessment

The results show that **greenhouse gas emissions have the highest impact**: their scope is global (resulting in climate change) and the effects are currently **not technologically reversible**. This results in an assessment of materiality of 14, i.e. a **critical materiality of impacts**.

Child labor in the supply chain has a **low scale of impact (2)** for Mobility Innovations LLC. However, the **scope of the impact is widespread (4)**. Since child labor occurs exclusively in the depth of the value chain, it is difficult for Mobility Innovations LLC to achieve a **reduction in the impact (4)**. This results in a materiality of 10 – even though the **purely quantitative impact** does not exceed the set materiality threshold.

This is further supported by the fact that the **estimated future impact** of child labor **along the supply chain** will be higher, so that child labor – although not above the quantitative threshold in 2023 – is estimated by the Mobility Innovations LLC to be 12 (within the **critical materiality range**).

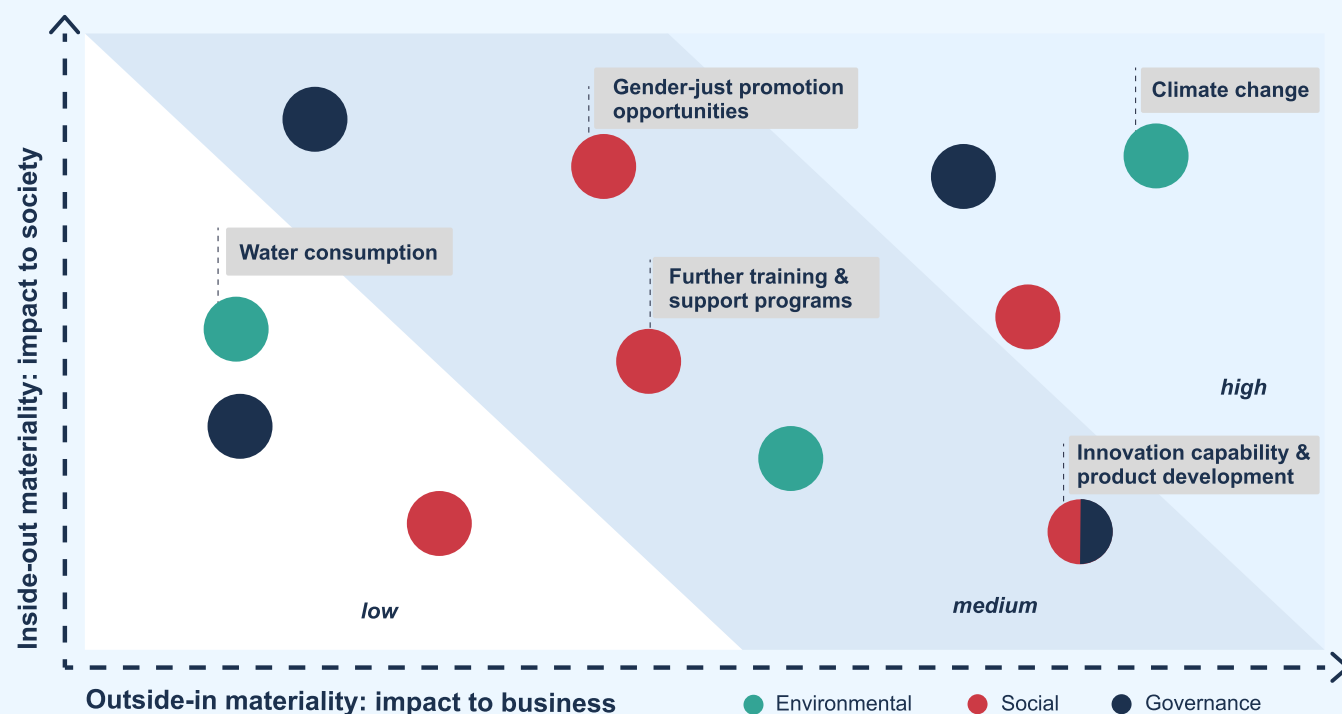
In this regard, the sustainability manager at Mobility Innovations LLC analyzes all available data and thus develops the **material topics** for the **company and its supply chain**.



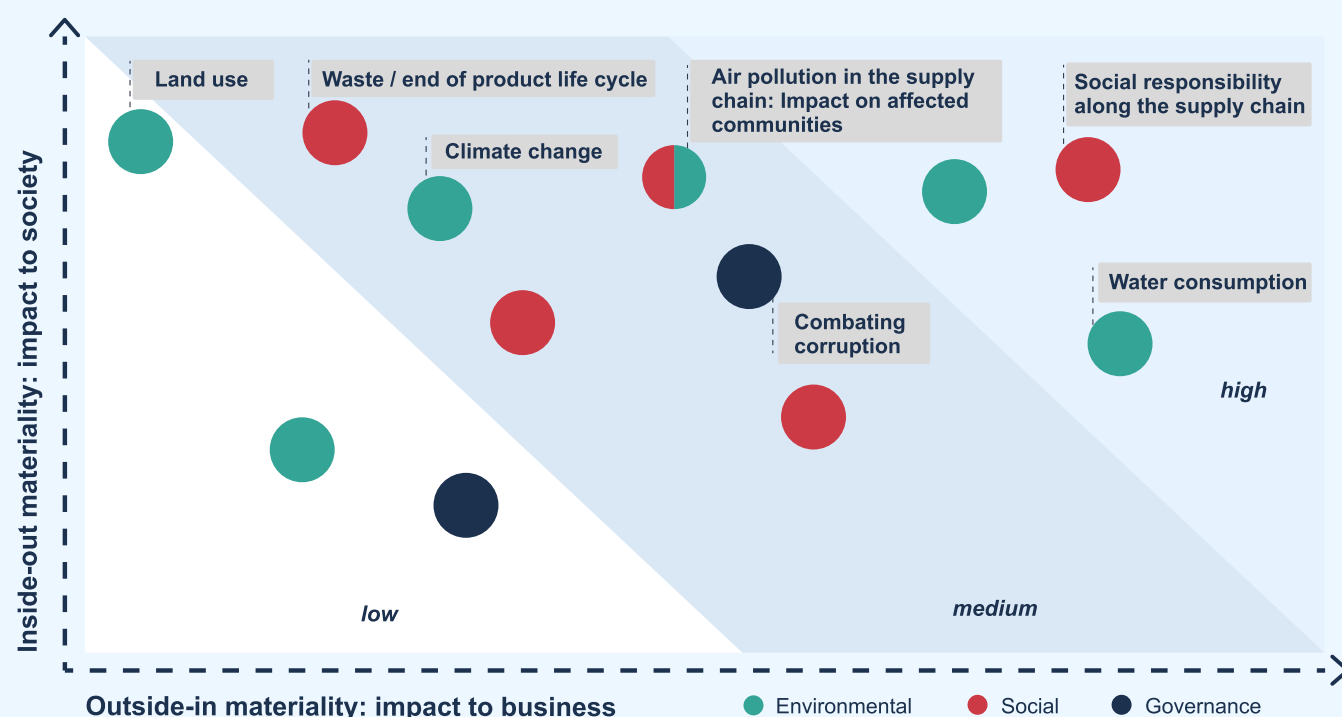
5. Representation in a materiality matrix

To meet the **requirements of the CSRD**, Mobility Innovations LLC considers the impacts of its **own business activities** and **along the supply chain**. In a materiality matrix, the identified topics are positioned according to their impact to society (inside-out) and the impact to business (outside-in).

Material Topics of Mobility Innovations LLC's Own Business Activities



Material Topics of Mobility Innovations LLC's Supply Chain



6. Conclusion and next steps

By applying Impact Valuation, Mobility Innovations LLC was able to gain valuable insights into the **social and environmental impacts of its activities**. The results of the Materiality Assessment serve to fulfill reporting obligations and to structure corporate due diligence.

Above all, Mobility Innovations LLC uses the results to set **evidence-based, clear, and achievable goals**; goals that align with both the **developments in the company's environment** and **maintaining competitiveness**, as well as the societal mandate of **corporate responsibility**.

The defined goals of Mobility Innovations LLC include:

- **Reducing its own CO₂ emissions** by 40% over the next five years by investing in green technologies.
- **Increasing diversity** in the company with a target of 40% women in management positions by 2026.
- **Strengthening social responsibility** in the supply chain by working more closely with suppliers that follow sustainable practices.

If you would like to use Impact Valuation to prioritize ESG topics with the help of WifOR Institute, please feel free to reach out to us.



Katrin Ostwald
Strategy & Global Business Development

katrin.ostwald@wifor.com
(US) +1 805 280 514 4
(EU) +49 151 559 565 94

