



ALSTOM

SUSTAINABILITY MATERIALITY MATRIX

Methodology and main results

2016

Early 2016, Alstom reviewed the materiality of its sustainable development and Corporate Social Responsibility (CSR) issues based on the initially assessment completed in 2013, in order to:

- take into account the evolution of its scope of activities, Alstom being now a pure player in transport,
- identify potentially emerging issues with a 3-5 year time horizon,
- evaluate the importance of these sustainable development challenges for stakeholders and their potential impact on Alstom performance,
- enforce transparency and focus its reporting efforts on the most material issues for its business,
- adjust Alstom Sustainability and CSR 2020 strategy.

1. Mapping of sustainability issues

Mapping of sustainability issues included 2 steps:

- a global analysis of international multisector CSR frameworks (ISO26000, GRI4, UNGC, etc.) coupled to an industry benchmark; about 50 topics were first identified with potential impacts on Alstom activities;
- a comparison with the previous materiality analysis and mapping of business risks.

16 issues were selected as the most relevant ones, according to the Company's strategy as well as internal risk mapping. Issues were classified into 5 areas (Governance, People, Operations, Products & Services and Society).



The definition and perimeter of each issue were clearly established to support a consistent analysis (see in Appendix).

2. Identification of internal and external stakeholders and consultation

The materiality of each issue was assessed through interviews with a representative group of internal and external stakeholders.

a) Internal stakeholders

23 managers and top managers coming from key functions of the company were interviewed: Operations, Strategy, Marketing, Technology, Human Resources, Sourcing, Environment, Health & Safety, Sustainability, Internal Control & Audit and Communication

These stakeholders were asked to assess:

- The level of impact of the issue on Alstom's business performance
- The evolution trend of this level of impact by 2020

Level of impact on Alstom's business performance	Evolution trend by 2020
1. Low (no impact)	1. Stable
2. Medium (impact on a small perimeter)	2. Increasing
3. High (impact on the whole perimeter)	3. Decreasing
4. Very high (license to operate/major differentiator)	

The assessment of sustainability issues was conducted consistently with the methodology used for internal risk assessment and by integrating an assessment of potential opportunities. The table below was used as guidance.

#	Level	Financial impact	Impact - RISK			Impact - OPPORTUNITY		
			Impact overview	Human / Environmental	Image / Reputation	Impact overview	Human / Environment	Image / Reputation
4	Very high	More than 200M€	Likely catastrophic resulting events	Affects health of nearby population and the environment. Affects health of personnel on a large scale.	Alstom has no more credibility. Management is replaced.	Likely very positive and long term resulting effect	Affects positively health of nearby population and the environment. Affects positively health of personnel on a large scale.	Alstom has strengthened credibility. Management is reinforced.
3	High	Between 50M€ and 200M€	Likely to cause discontinuity of operations	Likely to have a significant effect on health of one or few personnel members. No effect on nearby population. Some effects on the environment.	Alstom's activities are questioned. Alstom loses credibility.	Likely to cause positive effect on the middle and long term	Likely to have a significant positive effect on health of one or few personnel members. No effect on nearby population. Some positive effects on the environment.	Alstom's activities are legitimate. Alstom gains credibility.
2	Medium	Between 10M€ and 50M€	Likely to cause disruption that would exceed existing contingencies	Likely to affect health of one or few personnel members. No effect on nearby population nor the environment.	Negative publicity.	Likely to cause positive effect on the short term	Likely to affect positively health of one or few personnel members. No effect on nearby population nor the environment.	Positive publicity.
1	Low	Less than 10M€	Likely to cause disruption that could be contained within existing contingencies	No effect on personnel or nearby population. No effect on the environment.	No effect on reputation.	Likely to cause small positive effect	No effect on personnel or nearby population. No effect on the environment.	No effect on reputation.

In this table, impact is considered on a 3-year-plan basis, assessing the final cost/gain of the risk/opportunity and taking into account the measures implemented to manage it.

b) External stakeholders

18 external stakeholders were selected with the aim of reflecting Alstom main stakeholder typologies:

- Customers (French & international customers)
- Shareholders
- Industry associations
- Suppliers
- NGOs
- Partners
- Representatives of the media
- Representatives of the authorities

These stakeholders were asked to assess:

- the level of expectation from Alstom on each issue,
- the evolution trend of this level of expectations in 2020.

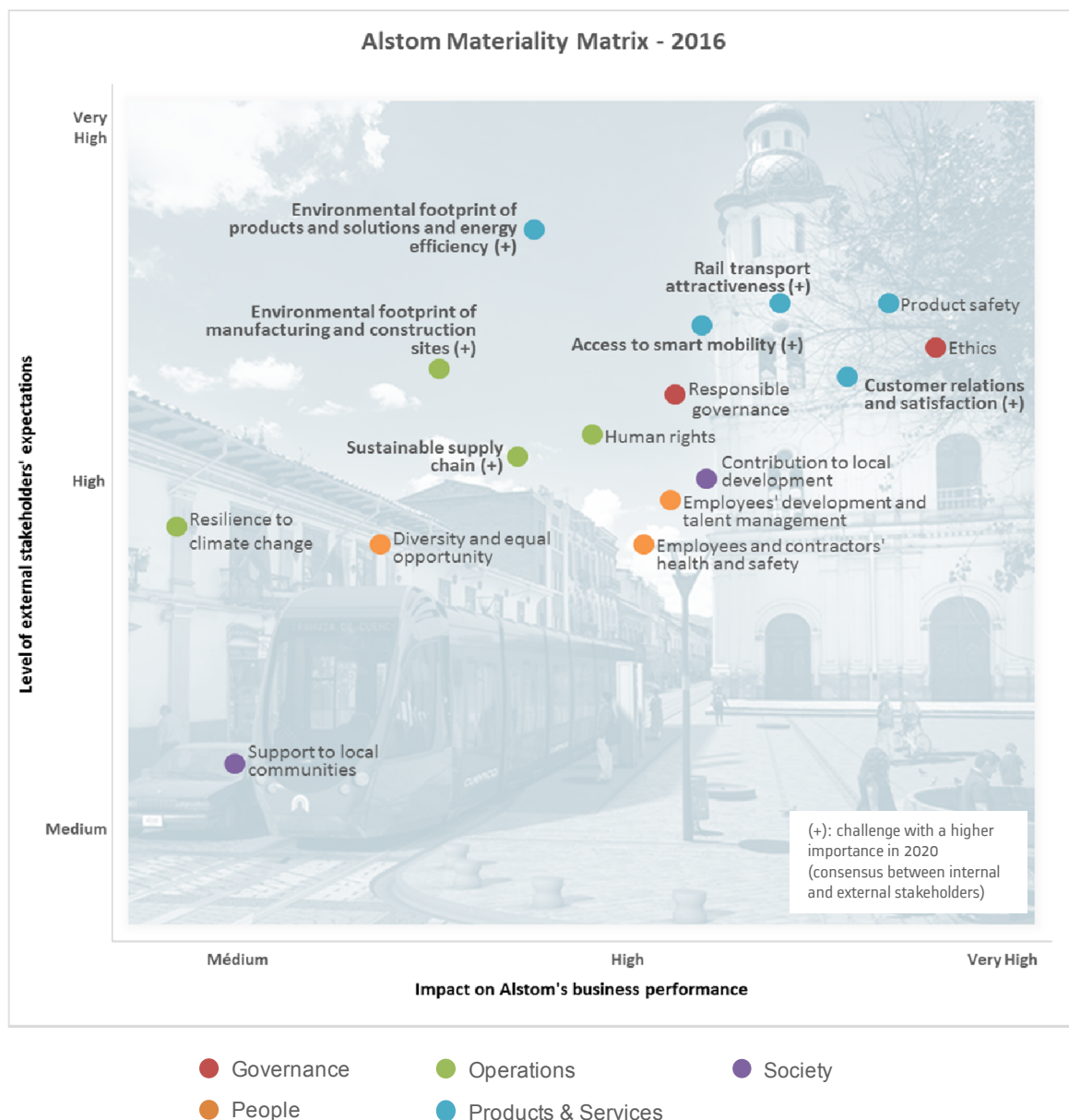
Level of expectation from Alstom		Evolution trend by 2020	
1.	No expectation (you don't have any expectation towards Alstom)	1.	Stable
2.	Low expectation (you expect Alstom to be at least compliant with the law)	2.	Increasing
3.	Medium expectation (you expect Alstom to operate beyond laws and at the same level of advanced competitors)	3.	Decreasing
4.	High expectation (you expect Alstom to be a potential industry leader).		

3. Consolidation of the assessment and analysis

a) Methodology of consolidation

To elaborate the materiality matrix, internal scores and external scores were averaged (without any weighting) and the global average for each issue was used to define respectively the X-axis and the Y-axis positioning.

b) Results



This matrix shows that:

- There is a rather good alignment of internal and external visions;
- Products & Services and Governance issues are considered as the most significant issues for internal and external stakeholders;
- 6 challenges are considered as “top priorities”: *Ethics, Product safety, Rail transport attractiveness, Customer relations and satisfaction, Access to smart mobility* and *Responsible governance*;
- 6 challenges are considered as growing topics at 2020 horizon: *Rail transport attractiveness, Customer relations and satisfaction, Access to smart mobility, Environmental footprint of products and solutions and energy efficiency, Environmental footprint of manufacturing and construction sites* and *Sustainable supply chain*.

APPENDIX - Definition of challenges

The me	#	Issue	Description
Governance	1	Responsible governance	Refers to the way in which the company is well directed, administered and controlled to ensure its durability and the integration of stakeholders' expectations and interests, particularly: - the Corporate governance: independence of the Board of Directors; existence of specific committees (audit, compensation, etc.); definition of the executives' compensation, internal control, etc. - the sustainability policy: definition of the sustainability targets and roadmaps, dialogue with stakeholders and integration of their expectations in the sustainability policy, relevant internal sustainability organization and means dedicated to manage the sustainability programs, etc.
	2	Ethics	Refers to: active and passive corruption, unfair competition and trust, money laundering and tax-exemption practices (use of tax havens or financial arrangements, to reduce the tax rates, at the detriment of the States/governments).
Human resources	3	Employees and contractors' health and safety	Refers to the preservation of employees' and contractors' physical and psychological health and safety, including stress and work life quality (working conditions, work-life balance, etc.).
	4	Employees' development and talent management	Refers to skills management and development including training, professional accompaniment, mobility, talent attraction and retention and the anticipation of job evolutions.
	5	Diversity and equal opportunity	Refers to the development of diversity and equal opportunity, in particular the fight against gender, age or social/cultural/national origin discriminations.
Operations	6	Sustainable supply chain	Refers to: - the environmental footprint of products and services purchased throughout the supply chain (greenhouse gas emissions, renewable materials, suppliers certified ISO14001, etc.), - the suppliers activity risks regarding social and environmental issues, - the responsible relationship with suppliers (i.e. the respect of deadlines for payment, the limitation of effects of cost-killing approach, etc.).
	7	Human rights	Refers to the respect of human rights and International Labor Organization's Conventions within the Group and its Business partners including: abolishment of child labor, elimination of forced or compulsory labor, respect of freedom of association and collective bargaining.
	8	Environmental footprint of manufacturing and construction sites	Refers to : - the environmental footprint of Alstom's manufacturing and construction sites (Greenhouse gas emissions and energy consumption, waste management, water consumption and quality of waste water, preservation of local biodiversity and nuisances for neighborhood), - the environmental footprint of Alstom's logistics (the transport of products, raw materials, components (greenhouse gas emissions, road traffic and other nuisances, use of materials for the packaging and the waste management, etc.) and the employees' commuting and business travels (car and flight policy, use of web-conferences, etc.).
	9	Resilience to climate change	Refers to: - the capacity, for Alstom's infrastructures, to anticipate and adapt to the changes resulting from climate change on short, middle and long term, - the capacity for Alstom to provide new solutions to accompany its customers on this topic.
Products and services	10	Environmental footprint of products and solutions and energy efficiency	Refers to the environmental footprint of products and solutions: - consumption of raw materials, - impact of product use: energy efficiency and greenhouse gas emissions, air pollution, nuisances, lifespan, etc., - impact of end-of-life (including recyclability).
	11	Customer relations and satisfaction	Refers to: - the integration of short and long term customers' expectations in the development of new products and services, - the customer relationship (including for the claims and litigations management), - the development of a partnership vision with customers to promote a more integrated relationship, more efficient and benefiting to both parties.
	12	Product safety	Refers to the elimination of risks related to products and services used by the customers or the final users (physical safety, use of controversial substances, etc.)
	13	Rail transport attractiveness	Refers to the capacity to facilitate the switch toward rail transport by: - providing a more competitive solution (especially for emerging markets) to facilitate the economic accessibility of rail transport, - guarantee the adaptability and flexibility of rolling stock throughout the lifespan (new use, fight against obsolescence, etc.), - providing a better integrated solution in the existing or new transport networks to facilitate the "door-to-door" approach, - valuing the high environmental performance for rail vs other modes of transport.
	14	Access to smart mobility	Refers to Alstom's innovation capacity to integrate smart/information and communication technologies (ICT) and enhance the facility of use and the environmental impact of global mobility.
Society	15	Contribution to local development	Refers to Alstom's involvement in local communities: direct and indirect job creations, wealth and incomes development (including supply chain), skills development and investment in society in a general way.
	16	Support to local communities	Refers to the support to local communities by the Group and its employees, either directly or through other organizations (i.e. NGOs): financial or in-kind donation, volunteering, specific local programs (to empower local populations, develop social business, develop inclusion, etc.).