

MATERIALITY ASSESSMENT REPORT FOR NI

FROM NSF SUSTAINABILITY



Contents

INTRODUCTION.....	2
SUMMARY.....	2
BACKGROUND.....	2
MATERIALITY ASSESSMENT	3
IDENTIFYING MATERIAL ASPECTS.....	3
STAKEHOLDER INTERACTION (Y-AXIS).....	3
IDENTIFYING STAKEHOLDERS	3
STAKEHOLDER ENGAGEMENT STRATEGIES.....	4
SUMMARY OF FINDINGS.....	4
IMPACT ASSESSMENT (X-AXIS)	6
METHODOLOGY	6
SUMMARY OF FINDINGS.....	6
DEFINING MATERIAL BOUNDARIES	7
RESULTS	8
RESPONSIBLE PRODUCT DESIGN.....	9
TRAINING, DEVELOPMENT & CAREER ADVANCEMENT.....	10
DIVERSITY & EQUITY IN STEM.....	10
HUMAN & WORKSPACE RIGHTS.....	10
HUMAN NEEDS & DISASTER RELIEF	10
CONCLUSION.....	11
ABOUT NSF.....	11
APPENDIX A: MATERIAL ASPECTS DEFINED	12

INTRODUCTION

This document summarizes the approach, methodology, and results for the Materiality Assessment in alignment with GRI principles that was conducted for NI by NSF International [NSF] in the summer and fall of 2020. The goal of the assessment was to determine which social and environmental aspects are material to NI. To achieve this goal, NSF and NI identified key stakeholders, brainstormed material aspects and evaluated their potential impact, and established priority topics to guide management in goal-setting and corporate strategy development. This report presents an overview of the process, findings, and results of the assessment.

SUMMARY

The materiality assessment was conducted in two aligned workstreams: stakeholder engagement and impact assessment. Five stakeholder groups were interviewed and surveyed to determine which material aspects were considered priorities, and nearly 50 metrics were assessed to evaluate potential impact of NI's industry on the material aspects identified using over 30 external and reputable resources.

Results indicate that responsible product design, human & workplace rights, training, development & career advancement, human needs & disaster relief, and diversity & equity in STEM are top material priorities for NI. Many of these aspects have already been incorporated into NI's Impact Plan, which is published separately. Material aspects were also mapped by material boundary to better illustrate where NI's influence is most impactful, which indicates that focus should be spent on research & development, product and communities.

BACKGROUND

A **materiality assessment** is the first step in following the GRI Standards on sustainability reporting. The materiality assessment is a useful tool to identify and prioritize sustainability aspects for their business.

The assessment is intended to determine which topics are relevant (i.e. material) to an organization, which are then deemed sufficiently important to include in internal and/or external reporting. The assessment identifies **material aspects**: topics or indicators that reflect significant actual or potential economic, environmental, or societal impacts caused by or incurred on the organization. These aspects are often used by leadership to inform management strategies for environmental and/or social issues, as well as business growth and revenue planning.

The process for conducting a materiality assessment may vary by organization, but all assessments rely heavily on engagement with and input from **stakeholders**. For this assessment, a stakeholder is defined as an individual or entity that can reasonably be expected to affect, or be affected by, NI's activities, products, services, or objectives.

NSF designed a customized process for NI to identify stakeholders, define engagement strategies, identify material aspects, and interpret the results. The results of this assessment will be used in NI's future reporting, goal-setting, and strategic planning. However, it should be noted that the material aspects identified in this assessment may change over time as internal and external circumstances change (for example, environmental conditions, policies and regulations, industry trends, or consumer preferences).

NSF recommends that NI re-assess the material aspects periodically and continue to engage stakeholders to stay up to date on current business needs and the industry climate, and to ensure that any emerging stakeholder concerns and considerations are consistently being incorporated into overall business strategy.

MATERIALITY ASSESSMENT

IDENTIFYING MATERIAL ASPECTS

After reviewing other relevant materiality assessments in the technology industry, NSF and NI developed a list of material aspects relevant to NI. These material aspects were defined, categorized into five pillars and mapped to the United Nations Sustainable Development Goals (UN SDGs) and appropriate sections in the Global Reporting Initiative (GRI) Standards. See [Appendix A](#) for full descriptions of each material aspect. Table 1 lists the material aspects and maps their alignment with GRI and the UN SDGs.






Pillar	Material Aspects	GRI	SDG
People 	Engagement & Belonging	401, 402	5, 8
	Diversity & Equity	405, 406	5, 10
	Health & Wellbeing	403, 401	8, 9
	Training, Development & Career Advancement	404	8
Communities 	Diversity & Equity in STEM	405, 406	5, 10
	Local Community Impact	413	1, 3, 11
	Human Needs & Disaster Relief	412	3
	Economic Equality	413, 404	1, 4, 10, 11
Planet 	Climate - GHG & Energy	305	13
	Waste Management	306	12
	Responsible Product Design	301	12
	Water Stewardship	303	6, 14
	Habitat & Eco-system Protection	304	15
Responsibility 	Privacy & Data Security	418, 413	3, 11
	Responsible Sourcing	408, 409, 412, 414	3, 11, 12
	Responsible AI	412, 418	9, 11
	Ethics & Sound Governance	205, 206	16
	Human & Workplace Rights	406, 407, 408, 409	8
Future 	Test & Measurement Technology for Good	203	9

Table 1: NI Material Aspects and their alignment with GRI and the UN SDGs.

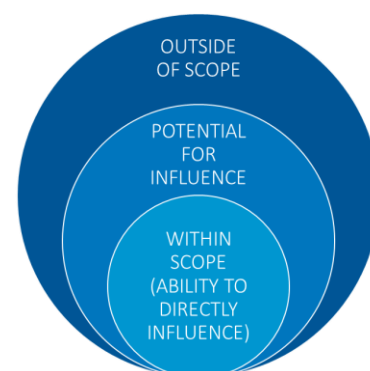
STAKEHOLDER INTERACTION (Y-AXIS)

IDENTIFYING STAKEHOLDERS

Starting with a broad list of potential stakeholders, NSF and NI identified five key internal and external stakeholder groups that are directly able to influence NI decision-making, and that should be engaged in the materiality assessment. These stakeholder groups are shown in Table 2.

INTERNAL	EXTERNAL
Employees	Investors
Key Suppliers	Customers
	Key Consultants

Table 2: Summary of Key Internal and External Stakeholders Assessed



STAKEHOLDER ENGAGEMENT STRATEGIES

NSF assisted NI in categorizing and defining groups according to stakeholders' level of influence (on and/or by NI's business) and their interest in the material aspects considered in the assessment.




















Additionally, because the level of access and time required to engage diverse stakeholder groups varies, NSF developed a catered strategy for communicating with each group, summarized in the Table 3. Interviews were held with investors, suppliers and key consultants, and a survey was deployed to all NI employees and all key customer accounts.

	STAKEHOLDER GROUP	LEVEL OF INFLUENCE	LEVEL OF INTEREST	ENGAGEMENT STRATEGY			
				INTERVIEW	FACILITATED DISCUSSION	SURVEY	OTHER
INTERNAL	Employees	Moderate	Moderate			X	
	Key Suppliers	High	Low	X			
EXTERNAL	Investors	High	Moderate	X			
	Customers	Moderate	Moderate			X	
	Key Consultants	Moderate	High	X			

Table 3: Engagement Strategy by Stakeholder Group

SUMMARY OF FINDINGS

All stakeholders—whether surveyed or interviewed—were asked to rate the priority level for each material aspect on a scale of 1 to 10. An average response for each stakeholder group was determined, and then each stakeholder group score was averaged to provide the overall priority score for each material aspect. Results are provided in Table 4. The top five material aspects for key stakeholders were: responsible product design, test & measurement technology for good, responsible sourcing, health & wellbeing and engagement & belonging.

Material Aspect		Score
 Responsible Product Design		7.54
 Test & Measurement Technology for Good		7.39
 Responsible Sourcing		7.31
 Health & Wellbeing		7.25
 Engagement & Belonging		7.08
 Responsible AI		7.01
 Human Needs & Disaster Relief		6.85
 Training, Development & Career Advancement		6.78
 Human & Workplace Rights		6.73
 Waste Management		6.56
 Ethics & Sound Governance		6.54
 Diversity & Equity		6.43
 Privacy & Data Security		6.43
 Local Community Impact		6.19
 Climate - GHG & Energy		6.18
 Diversity & Equity in STEM		6.15
 Water Stewardship		6.02
 Habitat & Eco-system Protection		5.92
 Economic Equality		5.40

Color Legend	
	People
	Communities
	Planet
	Responsibility
	Future

Table 4: Summary of Findings for Stakeholder Engagement

In addition to ranking material aspects on a scale of 1 to 10, each stakeholder was also asked the following in an open-ended survey response question: If there were no obstacles or restrictions, what would you like to see NI do as a company to positively increase their environmental and social footprint?

A summary of the open-ended question is below:

- Support STEM education, particularly for underrepresented groups (women, people of color, LGBTQ, etc.)
- Make training inexpensive and accessible, with a focus on environmental topics
- Use recycled, recyclable, and minimal packaging
- Launch a recycling program for all products and take responsibility for waste
- Improve life cycle of the technology
- Invest in clean energy, natural area preservation, carbon neutrality, and clean water projects
- Allow remote work for employees to reduce traffic
- Emphasize work life balance and a healthy workplace
- Source products from suppliers in USA
- Invest in smaller companies, and divest from suppliers with bad track record for human rights and environmental abuses

INVESTOR FOCUS

Given the importance of investor input when determining corporate priorities, NI desired a deeper analysis on the outcomes from investor interviews, which is provided in a separate document.

To summarize, interviews with investors confirmed that they believe responsibility for environmental and social issues should fall on the governing level of organizations, and that companies should engage employees in their efforts while remaining transparent about Environmental, Social and Corporate Governance (ESG). Objectives relating to environmental and social issues should be built into the company's overall strategy, and board oversight of ESG is essential to propel change and drive progress within a company.

Based on industry trends, investors believe the most pressing issues for NI are aligning reporting with existing investor-focused sustainability reporting frameworks such as TCFD or SASB; addressing energy management and carbon emissions; ensuring employee wellbeing and engagement; emphasizing Diversity, Equity & Inclusion (DEI); mitigating supply chain risks; and improving product lifecycle management.

OTHER STAKEHOLDERS

Suppliers stated that NI can use their global influence in the fight against COVID-19 and emphasized NI's ability to influence reduction of harmful chemicals and waste products. One supplier noted that NI's involvement in youth robotics is well respected as an education and community engagement project and should be continued or expanded. Suppliers listed COVID resiliency, DEI hiring practices, virtual infrastructure, healthcare and autonomous vehicles as opportunities for NI in the next 5 years.

Consultants listed responsible sourcing, employee welfare, the environment, lifecycle management, and pressure from consumers and investors as pressing issues for NI. They suggested that NI emphasize responsible sourcing, recycling programs, product longevity, third-party auditing, reporting and energy efficiency. Consultants noted the importance of DEI hiring, but also that in certain parts of the globe there is less room for impact with this area. In the next five years, consultants believe NI will face continuously changing requirements, demand for supply chain transparency and the need to remain profitable while addressing social and environmental issues. Lastly, they believe NI has an opportunity to be a leader in these areas and in financial return on investment of ESG programs.

IMPACT ASSESSMENT (X-AXIS)











METHODOLOGY

To supplement the stakeholder responses, NSF quantitatively assessed the potential impact the technology industry has on each identified material aspect. The purpose of this exercise was not to determine how well NI is currently performing in these material aspects, but instead to determine the current impact of their industry, and by extension, the opportunity for NI to improve on industry performance.

To do this, NSF reviewed the definitions for each material aspect and determined metrics to evaluate against. For each metric, a reputable resource was used to rank the industry's performance. Results were averaged and normalized on a scale of 1 to 10. Where NI's industry is underperforming on a metric, there is more potential for NI to make a substantive impact, and the score is higher.

SUMMARY OF FINDINGS

After assessing nearly 50 metrics and researching and citing over 30 sources, material aspects were assigned a score based on the potential for impacting the technology industry for each relevant aspect. Results are provided in Table 5. The top five material aspects for the impact assessment were: human needs & disaster relief, diversity & equity in STEM, training, development & career advancement, responsible product design and human & workplace rights.

Material Aspect		Score
	Human Needs & Disaster Relief	7.95
	Diversity & Equity in STEM	7.74
	Training, Development & Career Advancement	7.50
	Responsible Product Design	6.79
	Human & Workplace Rights	6.01
	Local Community Impact	5.90
	Climate - GHG & Energy	5.83
	Diversity & Equity	5.74
	Waste Management	5.56
	Economic Equality	5.24
	Ethics & Sound Governance	4.94
	Health & Wellbeing	4.20
	Responsible AI	3.33
	Privacy & Data Security	2.73
	Habitat & Eco-system Protection	2.31
	Water Stewardship	2.00
	Test & Measurement Technology for Good	2.00
	Engagement & Belonging	1.70
	Responsible Sourcing	1.63

Color Legend	
	People
	Communities
	Planet
	Responsibility
	Future

Table 5: Summary of Findings for Impact Assessment

DEFINING MATERIAL BOUNDARIES

To determine where each material aspect can be influenced, NSF helped NI define boundary conditions. These boundaries assist NI in understanding where their scope of influence falls and how to measure, track, and report on the material aspects identified in the materiality assessment.

As part of this process, the aspects were mapped across NI's value chain. While many aspects are relevant to multiple, or all, stages of the value chain, aspects were assigned according to the major impacts associated with NI's business and sphere of influence.






Pillar	Material Aspects	Material Boundaries						
		Leadership	Research & Development	Supply Chain	Product	Distribution	Communities	Experience
People 	Engagement & Belonging							
	Diversity & Equity							
	Health & Wellbeing							
	Training, Development & Career Advancement							
Communities 	Diversity & Equity in STEM							
	Local Community Impact							
	Human Needs & Disaster Relief							
	Economic Equality							
Planet 	Climate - GHG & Energy							
	Waste Management							
	Responsible Product Design							
	Water Stewardship							
	Habitat & Eco-system Protection							
Responsibility 	Privacy & Data Security							
	Responsible Sourcing							
	Responsible AI							
	Ethics & Sound Governance							
	Human & Workplace Rights							
Future 	Test & Measurement Technology for Good							

Table 5: Material Boundaries for each Material Aspect

RESULTS

After plotting results from the stakeholder engagement and impact assessment, material aspects that are both high priorities for stakeholders and has the highest potential for NI to impact or influence are: responsible product design, human & workplace rights, training, development & career advancement, human needs & disaster relief, and diversity & equity in STEM. Figure 1 shows how each material aspect was plotted.

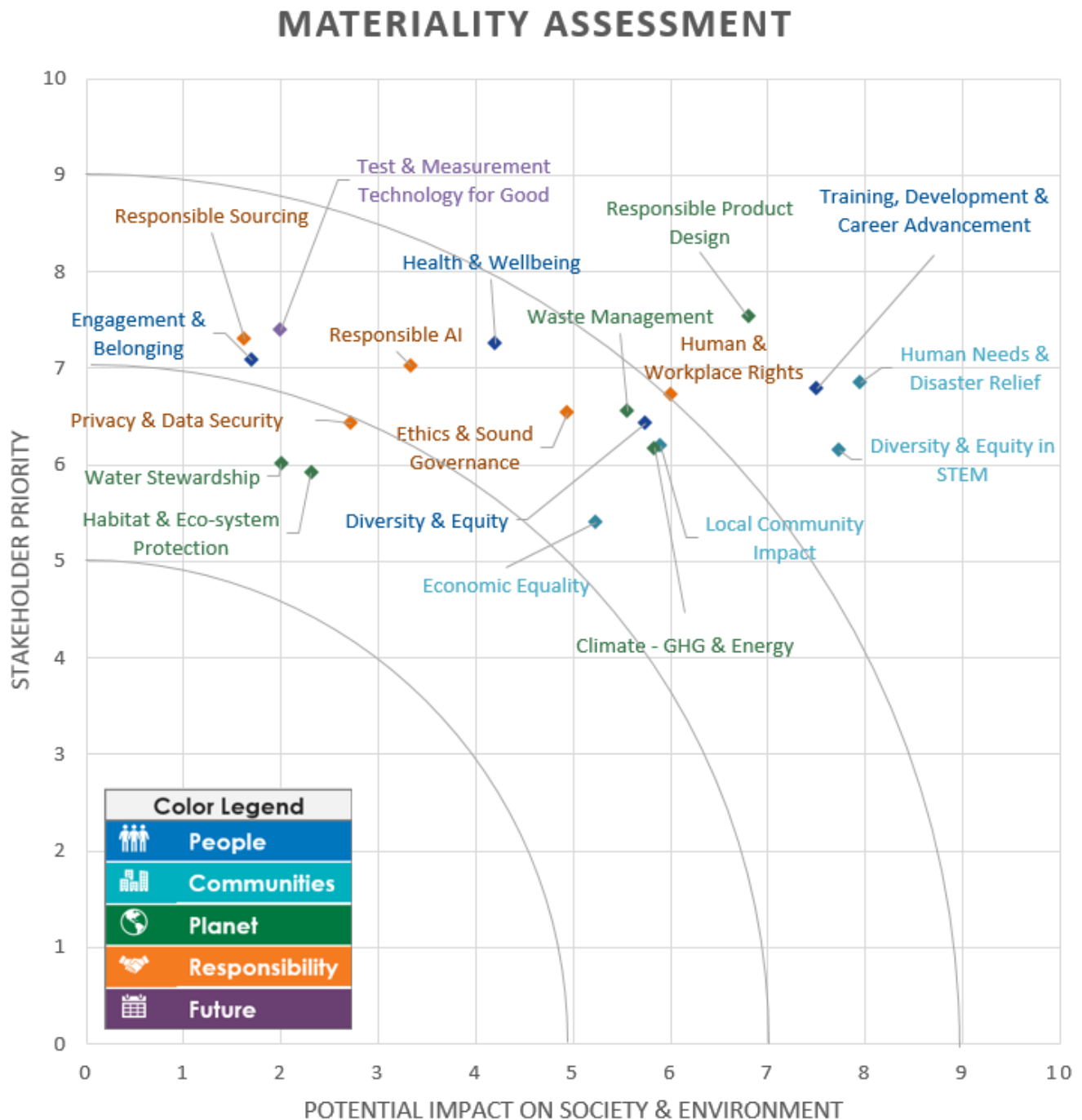


Figure 1: Results of Materiality Assessment

Material aspects were also mapped by material boundary to better illustrate where NI's influence is most needed. As shown in Table 7, internal focus would be best spent on: research & development, product and communities. The top five material aspects are shown in bold.

Material Boundaries						
Leadership	Research & Development	Supply Chain	Product	Distribution	Communities	Experience
Engagement & Belonging	Engagement & Belonging	Climate - GHG & Energy	Engagement & Belonging	Climate - GHG & Energy	Diversity & Equity in STEM	Climate - GHG & Energy
Diversity & Equity	Diversity & Equity	Responsible Product Design	Diversity & Equity		Local Community Impact	Waste Management
Health & Wellbeing	Health & Wellbeing	Habitat & Eco-system Protection	Health & Wellbeing		Human Needs & Disaster Relief	Responsible Product Design
Training, Development & Career Advancement	Training, Development & Career Advancement	Responsible Sourcing	Training, Development & Career Advancement		Economic Equality	Privacy & Data Security
Ethics & Sound Governance	Responsible Product Design	Human & Workplace Rights	Climate - GHG & Energy		Waste Management	Responsible AI
Human & Workplace Rights	Privacy & Data Security		Waste Management		Water Stewardship	Test & Measurement Technology
	Responsible AI		Water Stewardship		Habitat & Eco-system Protection	
	Test & Measurement Technology		Habitat & Eco-system Protection		Human & Workplace Rights	
			Privacy & Data Security			
			Human & Workplace Rights			

Table 7: Focus Areas by Material Boundary

RESPONSIBLE PRODUCT DESIGN

Stakeholders emphasized responsible product design, with consistent references to product lifecycle improvements. Specific recommendations included responsible sourcing, energy use, recyclability, eco-friendly packaging, product longevity and durability.

Similarly, the impact analysis revealed that the industry is falling behind in terms of improvements needed in the technology, manufacturing and professional services industries. Metrics assessed in the impact assessment were conflict mineral usage, resource intensity, recycling rates, energy consumption in operations, and energy consumption during product use.

NSF recommends that NI continue to assess and investigate conflict mineral usage in their supply chain, seek to reduce energy consumption in both the design-build and use phases of products (especially given products long lifetimes), and to assess the feasibility of recycling or take-back programs for NI products.

TRAINING, DEVELOPMENT & CAREER ADVANCEMENT

This material aspect was in the top three most material for NI's business based on the industry's potential for impact. Stakeholders also indicated this as a priority for providing affordable training programs, and programs that specifically include topics associated with environmental and social priorities.

The potential for impact was determined based on ADP research relating to promotion rates in the workforce by industry. ADP found that NI's industry, Professional & Business Services, to be 6th in average promotion rates out of 8 industries. This indicates room for improvement and impact.

NSF recommends that NI implement affordable training programs for employees—which is consistent with stakeholder feedback—and encourage promotion from within the company.

DIVERSITY & EQUITY IN STEM

Although this was not ranked highly by stakeholders, given NI's employee-base of engineers and computer scientists and their commitment to human well-being, they are well poised to make an impact on their local communities by focusing on Diversity & Equity in STEM fields. This also aligns with NI's Impact Plan.

Stakeholders who did emphasize this category listed supporting STEM education for underrepresented groups and DEI hiring as strategies for NI to make an impact. NSF agrees with this assessment and recommends implementing and expanding educational and training programs to people who are not adequately represented in the technology industry. NSF also encourages NI to emphasize DEI in hiring and allow a diverse group to have a say in hiring decisions.

Additionally, NSF recommends expanding on educational STEM programs to help develop the next generation of NI employees. A supplier for NI praised the company's youth robotics program in their stakeholder assessment for its educational value and community engagement. NSF would recommend that NI consider expanding this and other similar programs.

HUMAN & WORKPLACE RIGHTS

This material aspect was highly ranked in the impact assessment and was also referenced in conversations with stakeholders. Stakeholders brought up the importance of sourcing materials responsibly and ensuring that transparency in suppliers' commitments to social justice is of top importance for NI's industry, particularly based on NI's international presence and the locations in which materials are likely sourced.

Given the nature of the products sourced by NI, NSF recommends engaging further with suppliers to learn about how they currently protect against forced labor and child labor. NSF also suggests that NI explore incorporating language in supplier codes of conduct to help enforce protection against social issues and consider evaluating and selected suppliers based on their compliance with NI's values.

HUMAN NEEDS & DISASTER RELIEF

Although not highly ranked by stakeholders, this material aspect was highly ranked in the impact assessment. Key metrics evaluated in the impact assessment include results from CECP reports for: corporate giving for disaster relief, corporate giving for health & social services, corporate giving for economic development and corporate volunteerism. The technology industry ranked low compared to other industries in these categories and ranked lowest for corporate giving for disaster relief and corporate giving for health & social services.

NI currently has a robust giving program and NSF recommends focusing giving and volunteer hours on human needs and disaster relief to provide a much-needed service to their communities, but also to differentiate themselves from their peers. NI's focus on human health and well-being for their employees and communities is already strong, and this will enable NI to remain on message and consistent with their corporate values.

CONCLUSION

This report, and the information gathered to support it, present the material aspects relevant to NI, Inc.'s business as determined by various stakeholder groups and supplemental sources analyzed by NSF.

This analysis satisfies the GRI Standards requirement for conducting a materiality assessment as part of the sustainability reporting process, should NI wish to report externally according to these standards. NSF can continue to support NI's efforts towards sustainability through assistance with strategy development, reporting, metrics, benchmarking, or other services as desired.

Use of NSF consulting services does not provide an advantage, nor is it linked in any way to the granting of certification.

ABOUT NSF

NSF is an independent global organization that writes standards, and tests and certifies products for the construction, food, water, health sciences and consumer goods industries to minimize adverse health effects and protect the environment ([nsf.org](https://www.nsf.org)). Founded in 1944, NSF is committed to protecting human health and safety worldwide. Operating in more than 165 countries, NSF International is accredited by the American National Standards Institute (ANSI) and is a Pan American Health Organization/World Health Organization Collaborating Center on Food Safety, Water Quality and Indoor Environment.



NSF is headquartered in Ann Arbor, MI

NSF Sustainability's services include a range of standardized and proprietary methods of measuring sustainability for organizations, products, processes, supply chains and services. Certification, testing and claims validation help reduce investment risk, instill marketplace confidence and promote the acceptance of more sustainable products and services. Services include greenhouse gas and landfill-free verification, sustainable forestry and e-waste certification, supply chain auditing, and responsible sourcing consulting.

APPENDIX A: MATERIAL ASPECTS DEFINED

Pillar	Issues	Description
People	Engagement & Belonging	Creates a transparent and supportive workplace and fosters a culture of listening and open communication, where employees feel engaged, connected, valued, and appreciated, with freedom of individual expression and a deep sense of belonging.
	Diversity & Equity	Creates a diverse workplace with equal opportunity for advancement, pay equity, and freedom from bias and discrimination, no matter the gender, race, religion, age, gender identity, sexual orientation, veteran status, nationality, ability, or ethnicity. Actively practices anti-racism and anti-sexism and anti-discrimination.
	Health & Wellbeing	Promotes employee health and wellbeing (social, emotional, financial, and physical) and provides a safe workplace with flexibility to balance their personal life and work life.
	Training, Development & Career Advancement	Grows and expands the skills of the employees with skills training and opportunities for professional development, continuous education, and career advancement.
Communities	Diversity & Equity in STEM	Close opportunity gaps, and increase diverse representation, equity and access to high-quality, hands on STEM learning in the K-16 pipeline by focusing investments on girls, people of color, and economically disadvantaged students.
	Local Community Impact	Contributes to the development of the communities where it operates through corporate and employee donations, product donations, traditional volunteering, and deploying functional and technical expertise through skills-based volunteering with local nonprofits, NGOs, schools or universities.
	Human Needs & Disaster Relief	Deploys company resources and technologies and engages in partnerships (philanthropic or otherwise) to support human needs or human rights in times of humanitarian crisis or disaster response.
	Economic Equality	Addresses economic inequality, including homelessness and affordable housing resulting in part from the technology economy, and promotes economic equality through initiatives to improve K-16 education and increase technology skills in the workforce.
Planet	Climate- GHG & Energy	Reduce GHG emissions, increase energy efficiency, use renewable energy, protect natural solutions to GHG sequestration, and assess business risks associated with a rise in global temperatures.
	Waste Management	Make the most of resources while reducing and managing waste responsibly by diverting waste from landfills. Diverted materials are reduced, reused, recycled, composted and/or recovered or upcycled for productive use in nature or the economy.
	Responsible Product Design	Reduces the environmental impact of products throughout the lifecycle including material selection, design for recyclability, product take-back, reduced energy consumption during use, and designed for longevity and durability with eco-friendly packaging.
	Water Stewardship	Reduces or efficiently manages water in offices and in product manufacturing and protects water quality by reducing or eliminating release of water pollutants.
	Habitat & Eco-system Protection	Reduces biodiversity loss by protecting nature (ecosystems and habitats) through forest stewardship, responsible sourcing, responsible facilities design, protecting watersheds, eliminating pollution from operations, and reducing E-Waste.
Responsibility	Privacy & Data Security	Protects all stakeholder's privacy and data through secure information storage and transparent privacy policies.
	Responsible Sourcing	Ensure sustainable supply chains by considering social and environmental considerations in addition to quality and economical aspects. Prevents sourcing conflict minerals and promotes supply chain diversity by sourcing from small business and women or minority owned businesses.
	Responsible AI	Responsibly develop AI technology to ensure fairness, security, privacy, reliability, safety, security, inclusiveness, transparency and accountability of the technology and its outcomes.
	Ethics & Sound Governance	Implements policies and procedures that govern issues like corruption and bribery, anticompetitive practices, fraud, code of conduct, and that control and direct the company's business operations. Convenes a diverse board of directors that offers multiple perspectives, challenges ideas and asks hard questions.
	Human & Workplace Rights	Both the company and its suppliers protect against forced labor, child labor, discrimination, modern-slavery, human trafficking. Upholds the right to organize and collective bargaining, promotes fair labor practices and good working conditions.
Future	Test & Measurement; Technology for Good	Build products that empower engineers, companies and organizations to design and build safe, reliable and accurate products that improve lives and solve the most pressing social and environmental problems facing humanity today.