![SustainAbility logo]

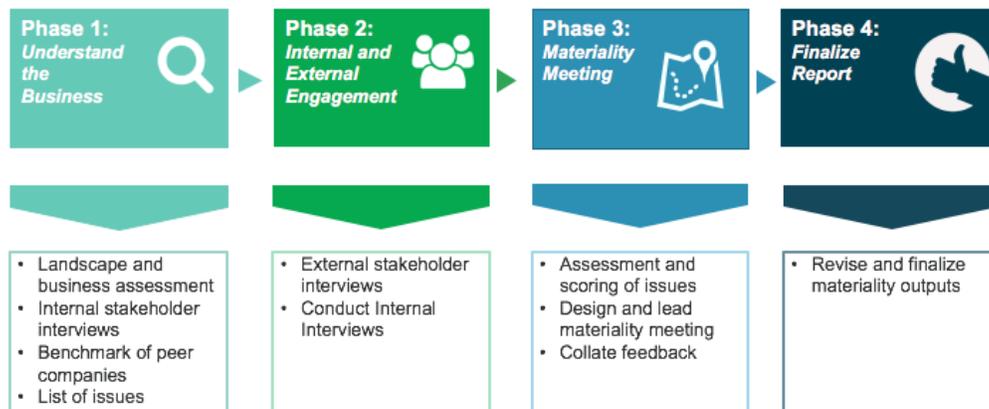# AMD Materiality Assessment
Project Summary
February 2017

Project Context

SustainAbility worked with AMD to support the company in updating its materiality assessment and prioritizing the most important environmental and social issues for its business and stakeholders. We see the potential for this materiality project to help AMD refine its strategic focus and resource allocation, build a foundation for an updated strategy, and communicate effectively with key stakeholders.

Project Phases: Overview and Key Outcomes

Phase 1: Understand the Business
- Landscape and business assessment
- Internal stakeholder interviews
- Benchmark of peer companies
- List of issues

Phase 2: Internal and External Engagement
- External stakeholder interviews
- Conduct Internal Interviews

Phase 3: Materiality Meeting
- Assessment and scoring of issues
- Design and lead materiality meeting
- Collate feedback

Phase 4: Finalize Report
- Revise and finalize materiality outputs

In **Phase 1**, SustainAbility developed a landscape snapshot of the semiconductor sector and an overview of current sustainability action from competitors such as Intel, Nvidia and Samsung (with later additions from Marvell and Xilinx).

Five over-arching themes stood out from our external assessment of the semiconductor landscape that AMD operates within. This context informed the potential needs, risks and opportunities of a sustainability strategy for the company. Issues included, but were not limited to, how digital transformation is driving changes in customer needs, the tech-specific war for talent and increasing stakeholder expectations for the technology sector to solve social and environmental challenges. The benchmark revealed competitors' and peers' relevant responses to addressing sustainability challenges in the field and informed our selection of a broad landscape of potentially material issues across three key areas: environment, social & governance, and tech-sector.

As a component of **Phase 2**, On November 28, 2016, Ceres hosted a stakeholder engagement session to gather feedback on AMD's most critical business risks and opportunities & prioritize material issues. They outlined several additional potential material issues and confirmed several earlier Phase 1 findings. SustainAbility then conducted internal interviews with eight members of AMD's executive team, including president and CEO Dr. Lisa Su, regarding the greatest sustainability opportunities and challenges as they relate to AMD's core business. Executives highlighted several key insights during our conversations, including but not limited to growing supply chain risk, recognition of AMD's size and scale relative to competitors as both an advantage (nimbleness) and a challenge (resource constraints), and that customer expectations regarding energy efficiency, transparency and overall sustainability performance are growing and will increasingly influence AMD success.

During **Phase 3**, the list of material issues was refined and consolidated to a final list of 12. SustainAbility drew on the Phase 1 research and interview findings as well as Phase 2 feedback from external stakeholders and additional desktop research, amounting to more than 30 reports and articles. SustainAbility developed a draft materiality matrix illustrating AMD's priority issues based on stakeholder concern and impact on the business. SustainAbility then conducted a rigorous prioritization analysis of each issue according to relative business impact (reputational, operational and financial) and stakeholder concern of relevant groups. Further details of this process and supporting data can be found in the final presentation and accompanying excel file.

Final Project Results

AMD's material issues are noted below. All of the issues listed represent important areas that need to be managed by AMD. However, SustainAbility grouped the issues into categories to help AMD think through priority areas of focus that will have the biggest impact on the long-term financial sustainability of the company.

1. Core Business Issues to Invest in:
- Role of IT in Society
- Data Privacy & Security
- Human Rights & Labor Issues
- Energy Efficiency & Climate Change

2. Key Issues for Long-term Success that Need Proactive Management:
- Innovation & IP Protection
- Talent Acquisition & Retention
- Diversity & Inclusion
- Governance & Business Ethics

3. Areas for Stakeholder Engagement:
- Conflict Minerals
- Product Lifecycle

4. Low-Risk Issues that Require Continued Attention:
- Water Use
- Materials Sourcing

Next Steps for AMD

Recommendations on Integration of Materiality Results

Integration of materiality results into AMD's core operations is critical for addressing the risks and opportunities that material issues present to the company. Below we list steps to be considered by AMD to apply materiality outcomes into its governance, strategy, goals, and peer learnings.

Governance: Clear internal agreement and accountability over priority material issues and more active engagement of executives will strengthen the company's overall strategy and help ensure attainment of key objectives.

Strategy: Ensuring that priority material issues are reflected in both sustainability and wider corporate strategy is essential for the company to effectively respond to associated risks and opportunities.

Goals: Materiality assessment results provide a foundation for defining the company's level of ambition in priority sustainability areas and setting sustainability goals.

Peer Learnings: Continuing to use peer examples to validate AMD's own focus areas can help develop internal support for elements of its sustainability strategy. AMD can also look for opportunities to develop pre-competitive partnerships to support its goals.