



Innovating for resilience

ESG Double Materiality

Inside & Out



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What is Double Materiality?

- ✓ A double materiality assessment in the context of Environmental, Social, and Governance (ESG) refers to a comprehensive evaluation that considers both the internal financial impacts on the company (financial materiality) and the external impacts on stakeholders and the broader environment (stakeholder materiality).

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Financial Materiality

- ✓ **Financial Materiality:** This aspect involves assessing how ESG factors can influence a company's financial performance, risk profile, and long-term viability. Companies analyze how these factors may affect their revenue streams, cost structures, and overall financial health. Financial materiality is typically focused on the direct financial implications of ESG issues for the company itself.

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Stakeholder Materiality

- ✓ This dimension involves understanding the impact of a company's activities on external stakeholders, including the environment, society, and local communities. It considers how a company's operations, products, and services may affect stakeholders and broader societal issues. Stakeholder materiality is concerned with the external consequences of a company's actions on the world around it.

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Steps:

1. Establish the Scope:

- ✓ Define the scope of the assessment, including the relevant ESG factors, industries, and geographies.
- ✓ Identify key internal and external stakeholders.

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Steps:

2. Identify ESG Factors:

- ✓ List and categorize potential ESG factors based on relevance to your industry, business model, and stakeholder expectations.
- ✓ Consider industry-specific guidelines, standards, and frameworks, such as the Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB).

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Steps:

3. Internal Financial Materiality Assessment:

- ✓ Evaluate the impact of identified ESG factors on the company's financial performance.
- ✓ Consider risks and opportunities related to ESG factors that could affect the company's revenue, cost structure, and long-term financial viability.
- ✓ Use financial metrics and models to quantify potential financial impacts.

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Steps:

4. External Stakeholder Materiality Assessment:

- ✓ Assess the impact of the company's operations on external stakeholders, society, and the environment.
- ✓ Engage with stakeholders through surveys, interviews, and consultations to understand their perspectives and expectations.
- ✓ Use stakeholder feedback to prioritize and assess the significance of different ESG factors.

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Steps: 5. Integration and Prioritization:

- ✓ Integrate findings from the internal and external assessments to identify commonalities and differences.
- ✓ Prioritize ESG factors based on their materiality to both the company and its stakeholders.

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Steps: 6. Materiality Matrix:

- ✓ Create a materiality matrix that visually represents the prioritized ESG factors based on their financial and stakeholder significance.
- ✓ Classify factors as high, medium, or low materiality based on their impact on financial performance and stakeholder concerns.

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Steps:

7. Reporting & Communication:

- ✓ Integrate material ESG factors into corporate reporting, such as sustainability reports, annual reports, or integrated reports.
- ✓ Clearly communicate the identified material issues to internal and external stakeholders.



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