

# How to assess material ESG issues for a given company/sector?

The analyst should initially do a top-down assessment of how to clarify the material ESG issues for the company/project being analysed. Any analysis of ESG issues faces the risk of becoming fragmented, un-focused and too much bottom-up, also for situations where in reality only some selected few issues are significant for the final conclusions regarding values. The introduction to the 'materiality matrix', as done in Section 2.5 above, and illustrated in Figure 7.1, is useful for getting this perspective right. The matrix helps to focus on issues that are important both to shareholders and stakeholders. This assessment also needs to include an expected time schedule for how the material issues will play out over the years to come, towards an expected long-term, steady-state situation. This overall materiality assessment will then become a guide for the analytical focus of the actual quantitative analysis. If done appropriately, it also adds to an overall assessment of the viability of the company or project longer-term, as well as whether there exists any binary risk of it collapsing. Note that an overall materiality matrix following the GRI-methodology implies that the stakeholder dialogue concludes with a consensus with regards to the ranking of material issues. Similarly, but likely to be less controversial, shareholders need to agree on what are the main issues from an economic perspective.

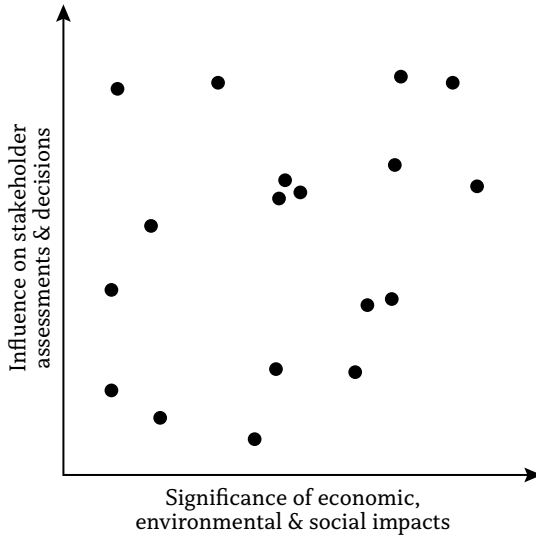


Figure 7.1 An example materiality matrix

A financial materiality matrix, as also discussed in Section 4.1.2 above, is a method to highlight the financial impact of the main stakeholder motivated issues. For example, what are the expected effects on revenues, costs, capex and the balance sheet from properly addressing the issues.

Figure 7.1 provides an illustrative example of how one may map specific ESG issues in an overall materiality matrix, following a process which involves both shareholders and key stakeholders (groups).