



# Risk, Opportunity & Impact: Sustainability as a Business Imperative

Materiality Assessment Workshop

AMCHAM ESG Series – Part One

-

May 20, 2025





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# Global outlook

The future of ESG in 2025: a world divided

by Dan Byrne

**ESG squeezed between Republican attacks on 'woke capitalism' and climate investors**

Is shifting ESG investing towards real-world impacts and away from risk the way forward?

BY EUGENE ELLMEN  
SEPTEMBER 13, 2022

**Human rights violated by Swiss inaction on climate, ECHR rules in landmark case**

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**"This is coal, don't be afraid!": Australia's dramatic tryst with coal and climate change**

Will Australia achieve its new net zero targets by 2050? Ashima Sharma investigates the role of coal.

By Ashima Sharma

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**Will ESG investing survive a growing backlash?**

**China ESG reckoning looms for investors**

Sustainability rules and standards common in western jurisdictions are at odds with realities in China

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V&E Climate Change Update  
November 7, 2024

**Rishi Sunak announces series of U-turns on net zero pledges**

UK prime minister says policy shift to include pushing back ban on sale of new petrol and diesel cars to 2035

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Mark Segal | February 9, 2024

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**What is EU's Omnibus & Why Are Major Companies Against It?**

By James Darley  
January 20, 2025 • 7 mins

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By Jack Pitcher | Follow

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By Luigi Serenelli | 18 December 2024

**US withdrawal from the Paris Climate Agreement and from the WHO**

At a Glance – 05-02-2025

On the first day in office of his second term, US President Donald Trump signed a number of executive orders (EOs), including EOs withdrawing the US from the Paris Agreement on climate change and the World Health Organization (WHO). The Council and the Commission will make statements on the withdrawals during Parliament's February plenary session.

**ExxonMobil is suing investors who want faster climate action**

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**US SEC stays climate disclosure rule amid legal challenges**

**Despite record fires and flooding, GOP and U.S. media remain in climate denial**

AUGUST 24, 2023 | BY ANDY ROWELL | BLOG POST

**Shein invites influencers to China to showcase its ESG efforts, but backfires**

Rebecca Ren posted on June 28, 2023 4:46 am

COMPANIES / GOVERNMENT

**Shell Appeals Court Ruling Ordering it to Slash Emissions by 2030**

Mark Segal | April 3, 2024

# Global outlook

The future of ESG in 2025: a world divided

by Dan Byrne

THE LEADER'S DILEMMA

## Why You're Probably Hearing Less About Corporate Climate Initiatives

Amid accusations of "greenwashing" and "woke capitalism," some business advisers say staying quiet might be the best option.

"This is coal, don't be afraid!": Australia's dramatic tryst with coal and climate change

WU Australia achieves its net-zero targets by 2050? Australia's dramatic tryst with coal and climate change

ESG squeezed between Republican attacks on 'woke capitalism' and climate investors

Inhibiting ESG investing towards net-zero targets and away from risk the way forward?

BY ROBERT CLARKE

Rishi Sunak announces series of U-turns on net zero pledges

UK prime minister says policy shift to include pushing back on sale of new petrol and diesel cars to 2035

BlackRock Withdraws From Climate Coalition, Backpedaling Again on ESG

World's largest asset manager is latest Wall Street firm to quit climate groups

By Jack Phelan

China ESG reckoning looms for investors

Sustainability rules and standards common in western jurisdictions are at odds with realities in China

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Will ESG investing survive a growing backlash?

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US SEC stays climate disclosure rule amid legal challenges

Shell Appeals Court Ruling Ordering it to Slash Emissions by 2030

by Jack Phelan

Despite record fires and flooding, GOP and U.S. media remain in climate denial

AUGUST 26, 2023 | BY ANDY KOWAL | 10:00 AM

Human rights violated by Swiss inaction on climate, ECJ rules in landmark case

"Ørsted's green business transformation can inspire a path forward for the U.S. clean energy transition."

David Hardy  
CEO Ørsted North America Offshore

California Sues Giant Oil Companies, Citing Decades of Deception

Launching one of the most prominent climate lawsuits in the nation, the state claims Exxon, Shell, BP and others misled the public and seeks creation of a special fund to pay for recovery.

Article • Sustainability

## What is EU's Omnibus & Why Are Major Companies Against It?

By James Darley

January 20, 2025 • 7 mins

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EU's Omnibus Directive: A Retreat from ESG Leadership or Strategic Pause?

February 26, 2025

NEWS

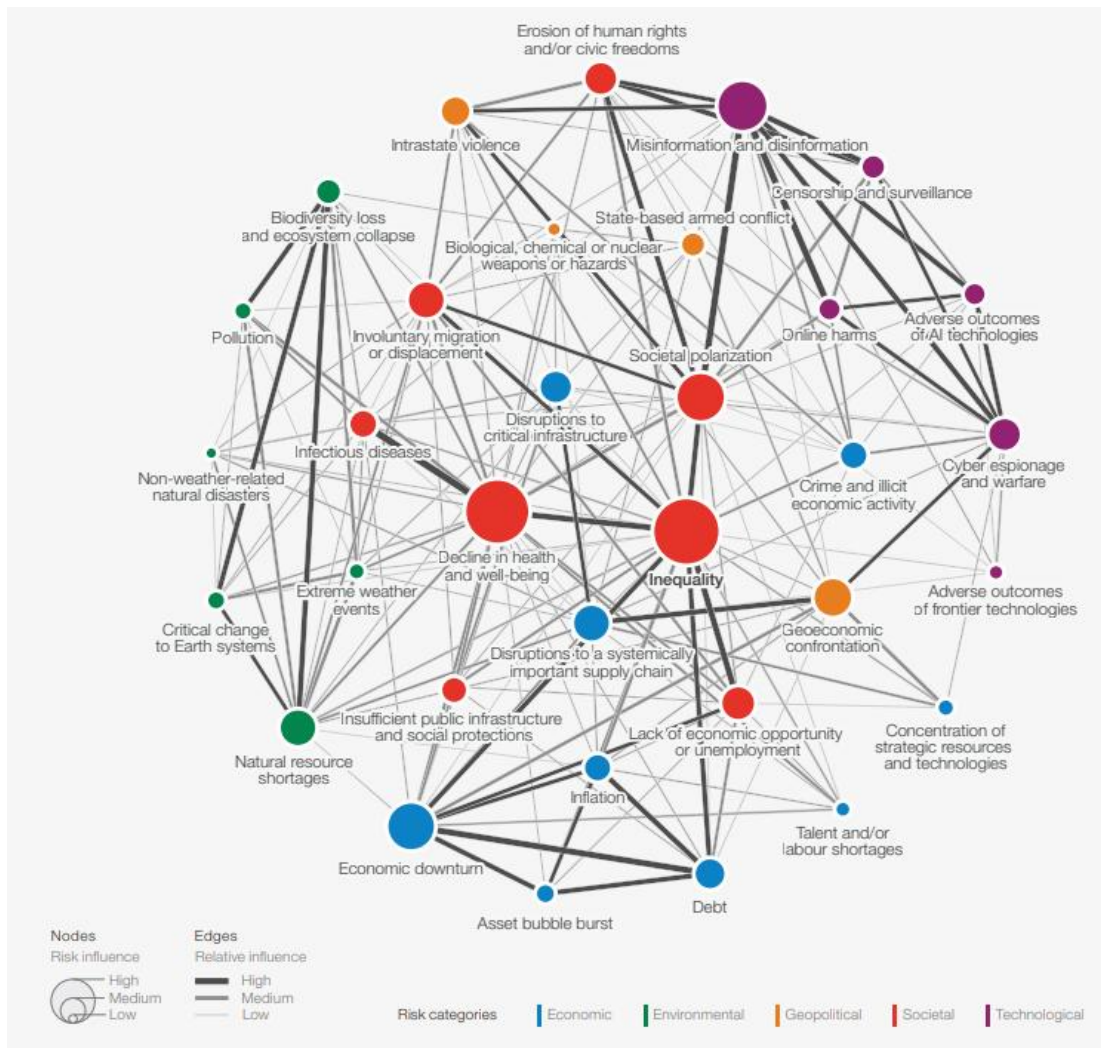
Germany pushes EU Commission to scale back sustainability reporting rules

by Long Nguyen

18 December 2024



# Challenge – Business risk will be dominated by “E”, “S” & “G”



## Short term top 10 risks

	Misinformation & disinformation
	Extreme weather events
	State-based armed conflict
	Societal polarisation
	Cyber insecurity
	Pollution
	Inequality
	Involuntary migration
	Goeconomic confrontation
	Erosion of human rights and/or of civic freedoms

## Long term top 10 risks

	Extreme weather events
	Biodiversity loss and ecosystem collapse
	Critical change to earth systems
	Natural resource shortage
	Misinformation & disinformation
	Adverse outcomes of AI
	Inequality
	Societal polarisation
	Cyber insecurity
	Pollution

Global risks landscape: an interconnections map. Source: [World Economic Forum Global Risk report 2025](#)



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A large-scale offshore wind farm is depicted, with numerous white three-bladed wind turbines standing in a vast, deep blue ocean. The turbines are arranged in a grid-like pattern, extending from the foreground into the distance. The sky is a clear, light blue, and the water's surface shows gentle ripples. The overall scene conveys a sense of clean, sustainable energy production.

# Value creation



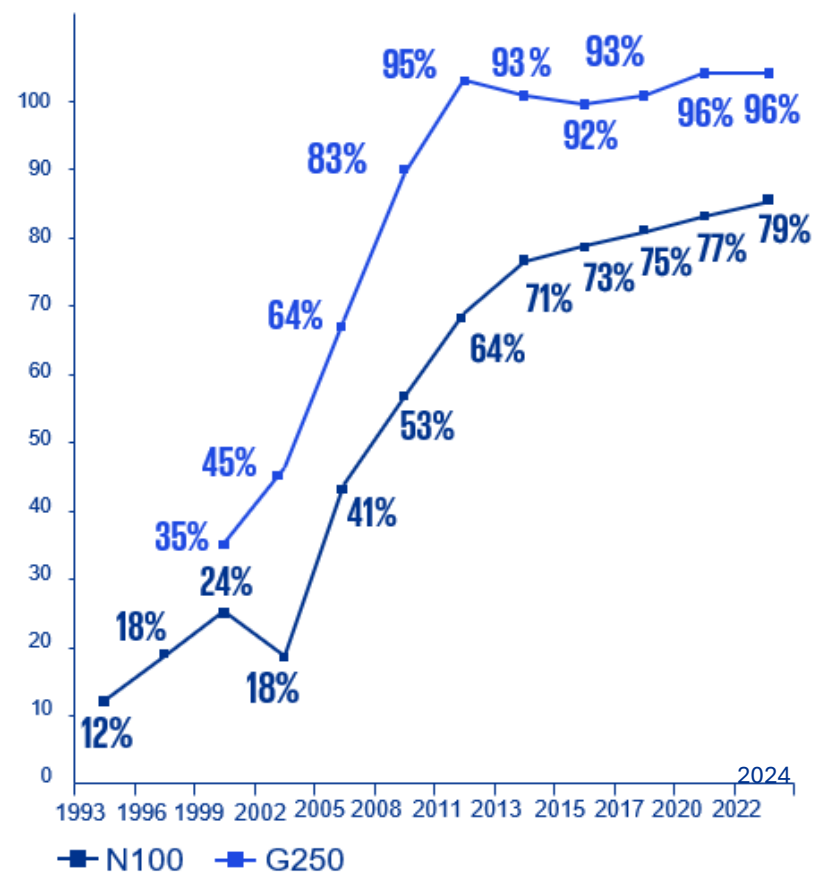
# Compliance





# Stakeholder Trust and Transparency

Figure 1: Global sustainability reporting rates



Base: 5,800 N100 companies and 250 G250 companies



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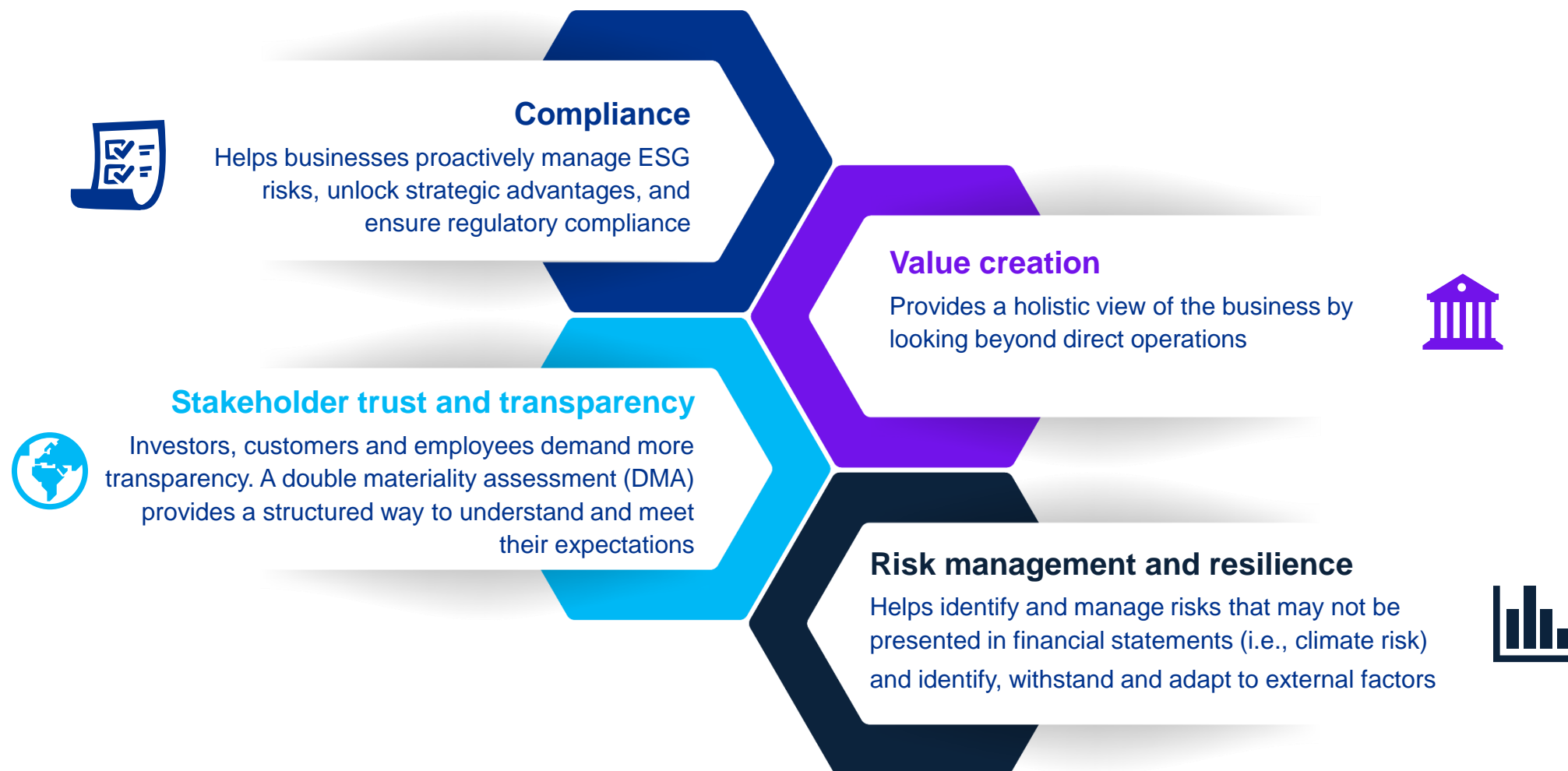
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A photograph of a forest fire at night, with bright orange flames and smoke rising from the ground among dark tree trunks. The entire image is overlaid with a semi-transparent blue filter.

# **Risk management and resilience**



# Why are companies doing this?





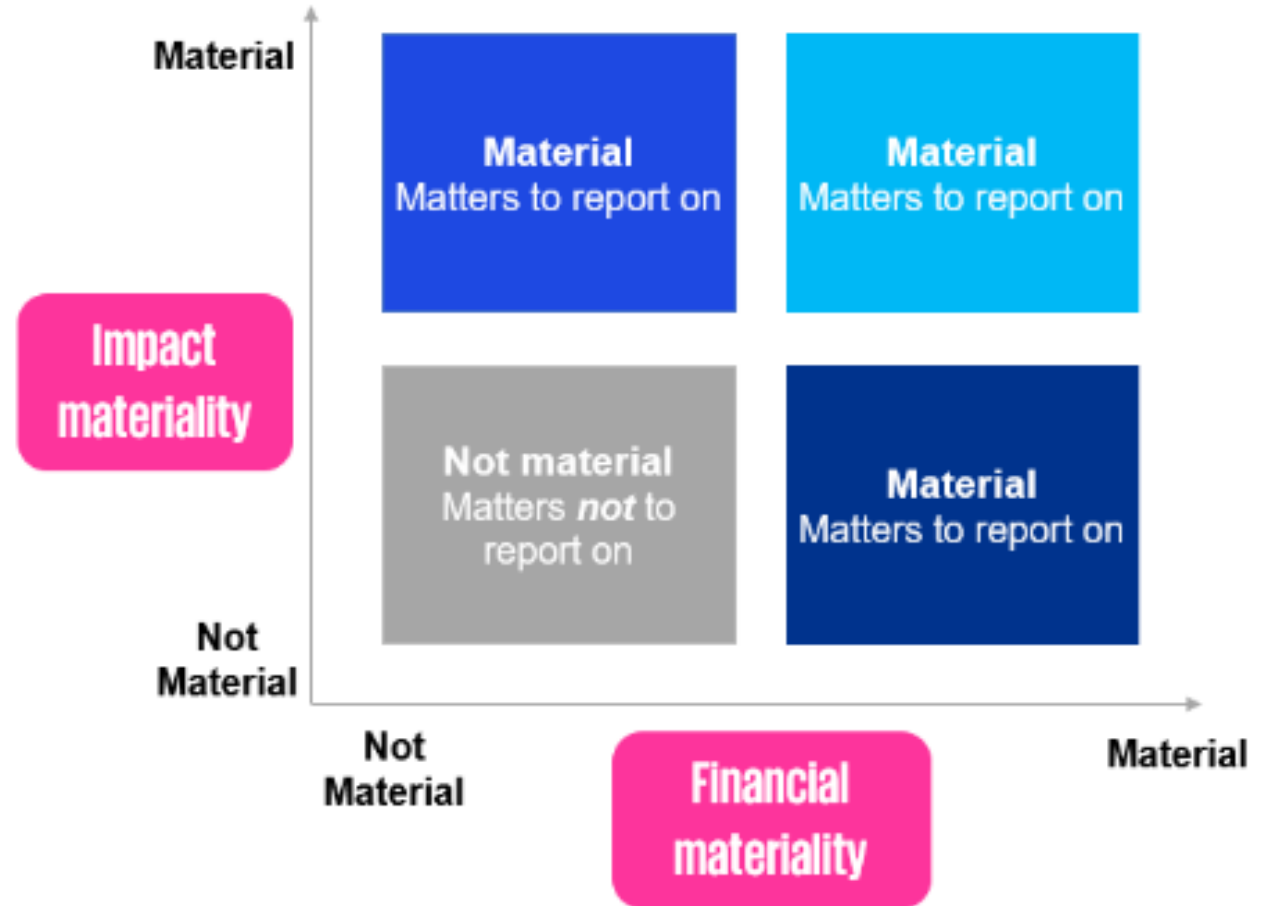
01

# What is a double materiality assessment (DMA)?

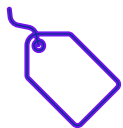


# The two dimensions of materiality: 'financial' and 'impact'

In a materiality assessment, companies make materiality judgments about the sustainability matters to report on and the information to report about those matters.



# Key concepts of a double materiality assessment



Companies report information that is **impact material or financially material**, or both.



**Impact Materiality: Inside out.**  
Captures a company's impact on people and the planet.



**Financial Materiality: Outside in.**  
Captures financial effects on the company.



Include information about **impacts, risks and opportunities (IROs)** in the reporting entity as well as the value chain.



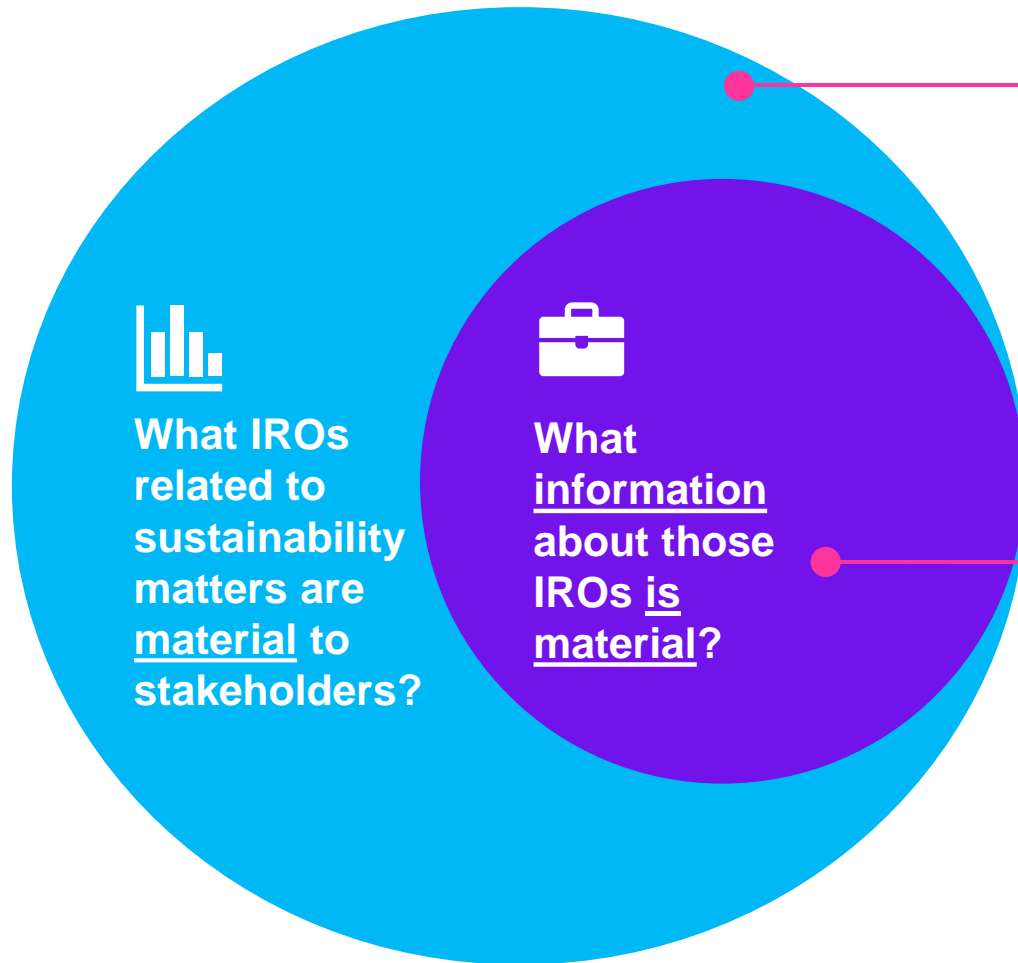
# What topics do you believe could be most material to your company from a financial perspective?



# What topics do you believe could be most material to your company from an impact perspective?



# What are we trying to get to?



## Outcome of the DMA:

Identify material impacts, risks and opportunities (IROs).

## Eventual Goal:

Use material information about IROs from an impact and financial materiality perspective to build a more robust risk management system and report to relevant stakeholders.

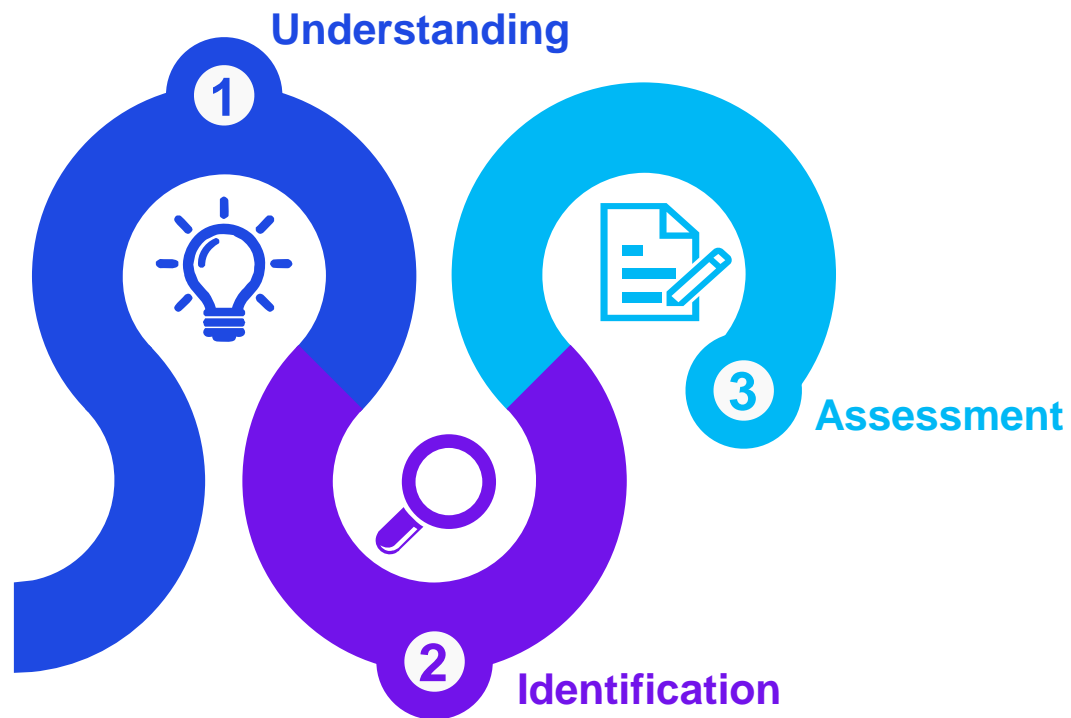




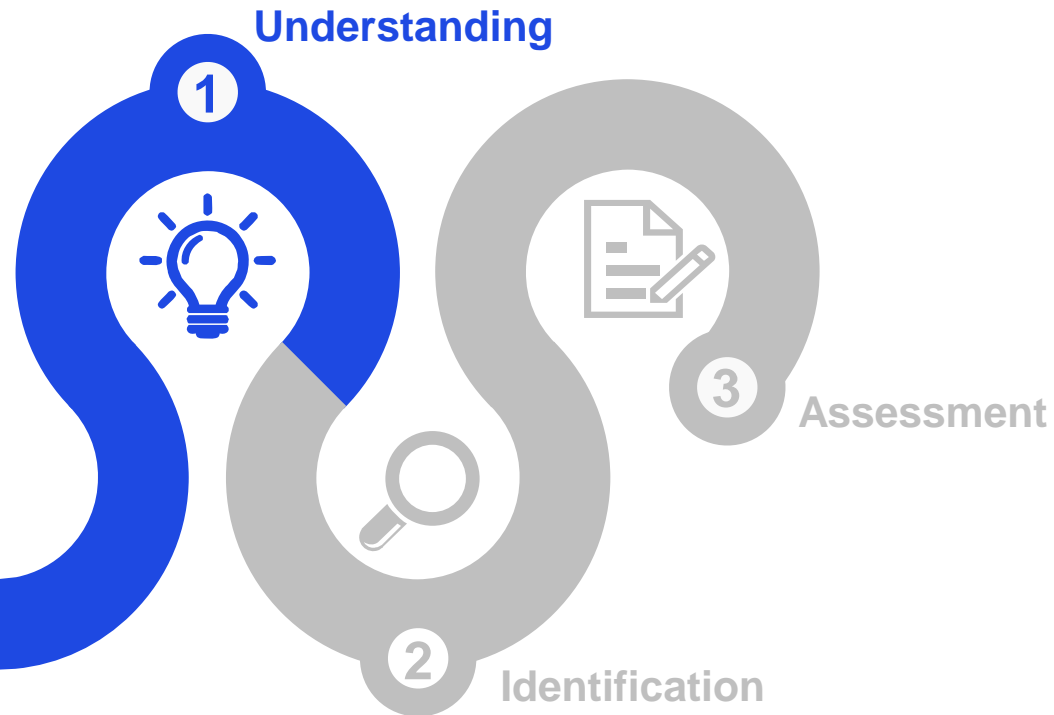
02

**How do we perform a  
DMA?**

# Conducting a double materiality assessment



# Conducting a double materiality assessment – Step 1



## ✓ Step 1: Understanding the context

- a) Understand activities and business relationships
- b) Understand the value chain
- c) Identify stakeholders



# What are the entity's key activities and business relationships?

**What is the  
business  
model?**

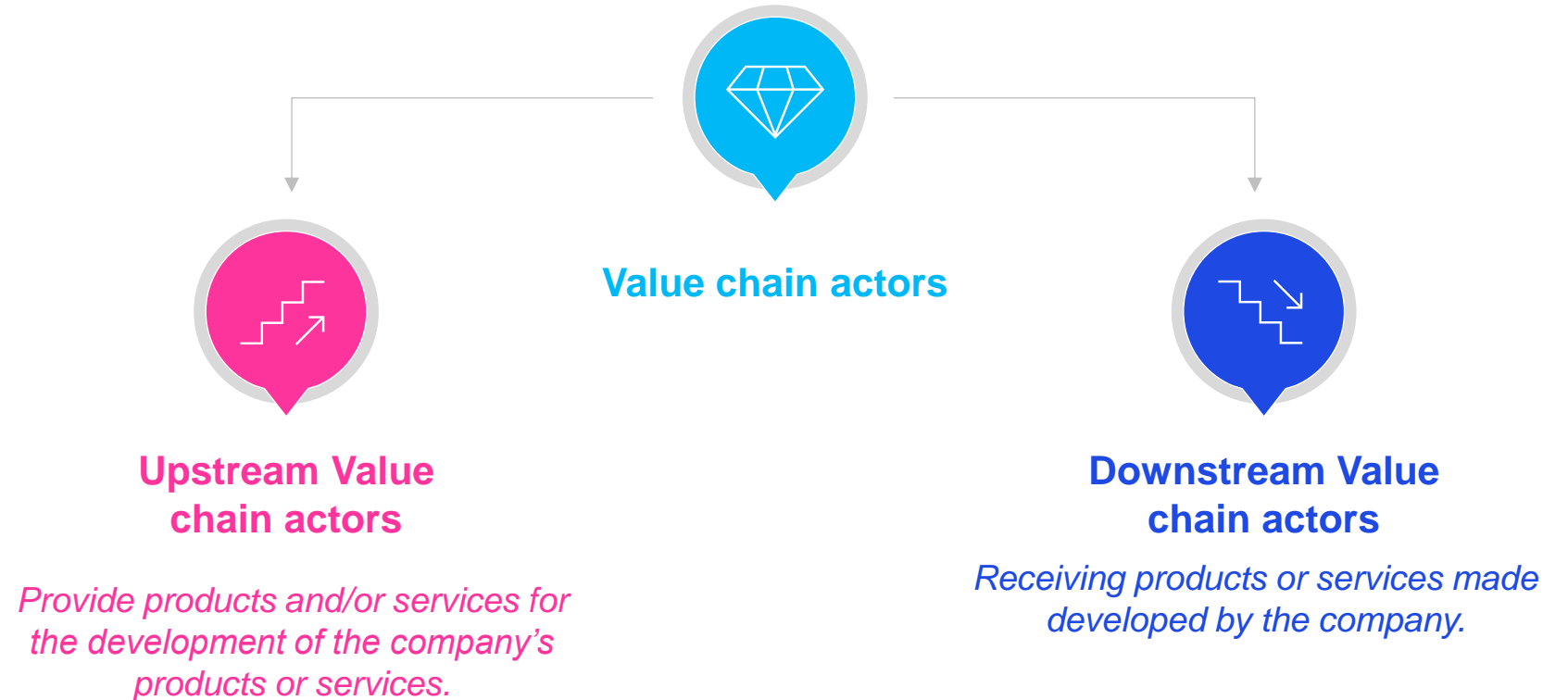
**What is the  
overall  
strategy?**

**What are key  
activities,  
products, and  
services?**

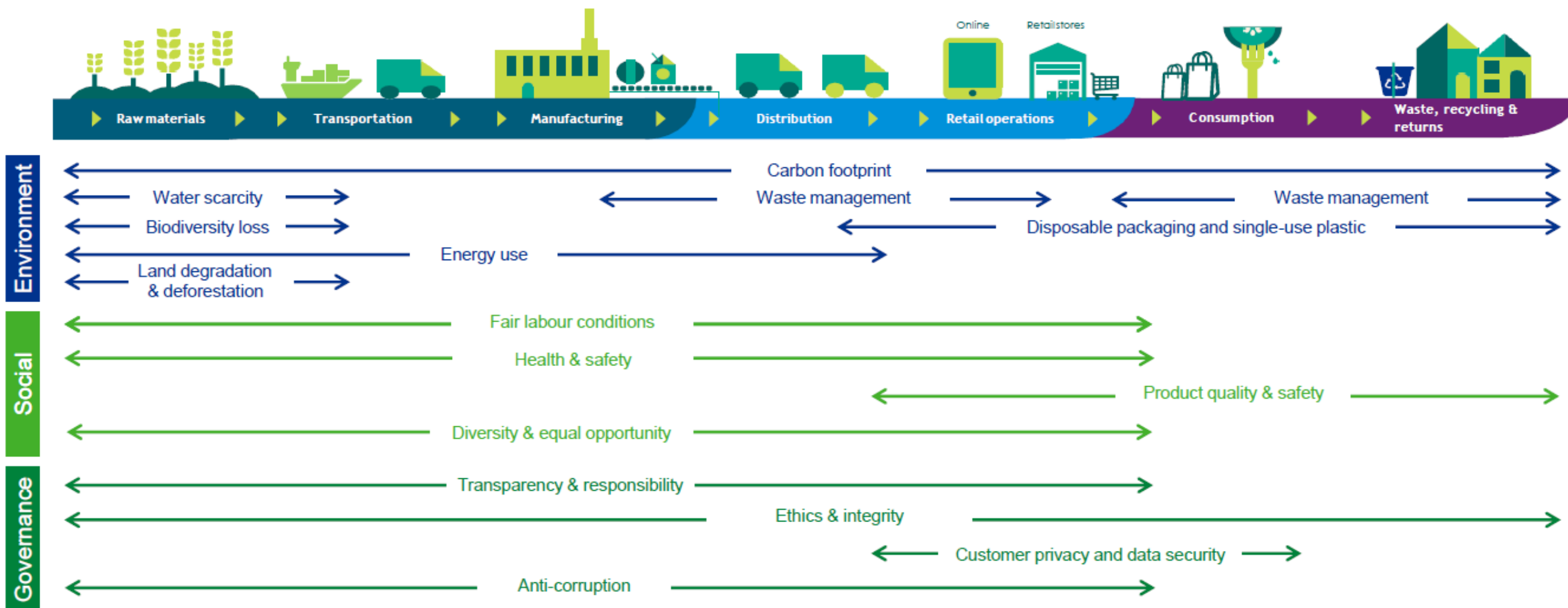
**How do these  
map to  
business  
relationships?**

# What do we mean by “value chain”?

The full range of **activities, resources and relationships** related to the company’s **business model and the external environment** in which it operates.

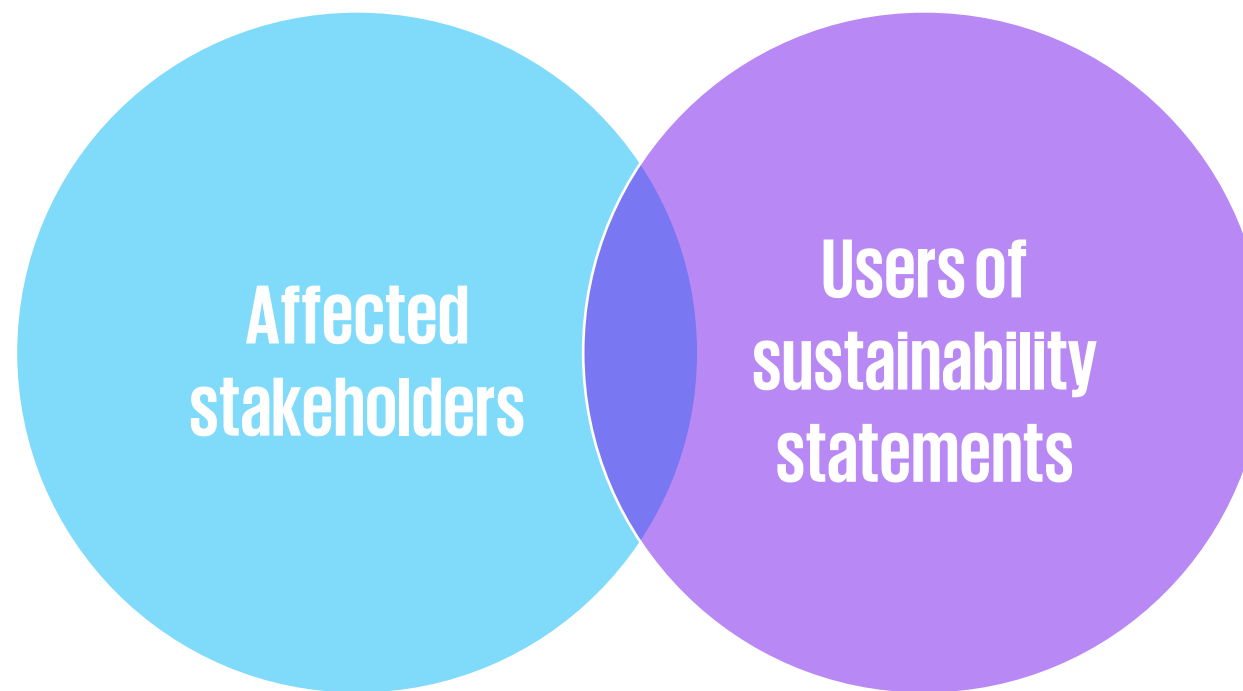


# Where might IROs be found in the value chain?





# Types of stakeholders



# Which of these do you believe would be classified as 'affected stakeholders'?

Customers

Existing and potential investors

Nature

Lenders

Employees

Local communities

Trade unions

Non-governmental organisations

# Which of these do you believe would be classified as 'affected stakeholders'?

Customers

Existing and potential investors

Nature

Lenders

Employees

Local communities

Trade unions

Non-governmental organisations

# Which of these do you believe would instead be classified as 'users of sustainability statements'?

Customers

Existing and potential investors

Nature

Lenders

Employees

Local communities

Trade unions

Non-governmental organisations



# Which of these do you believe would instead be classified as 'users of sustainability statements'?

Customers

Existing and potential investors

Nature

Lenders

Employees

Local communities

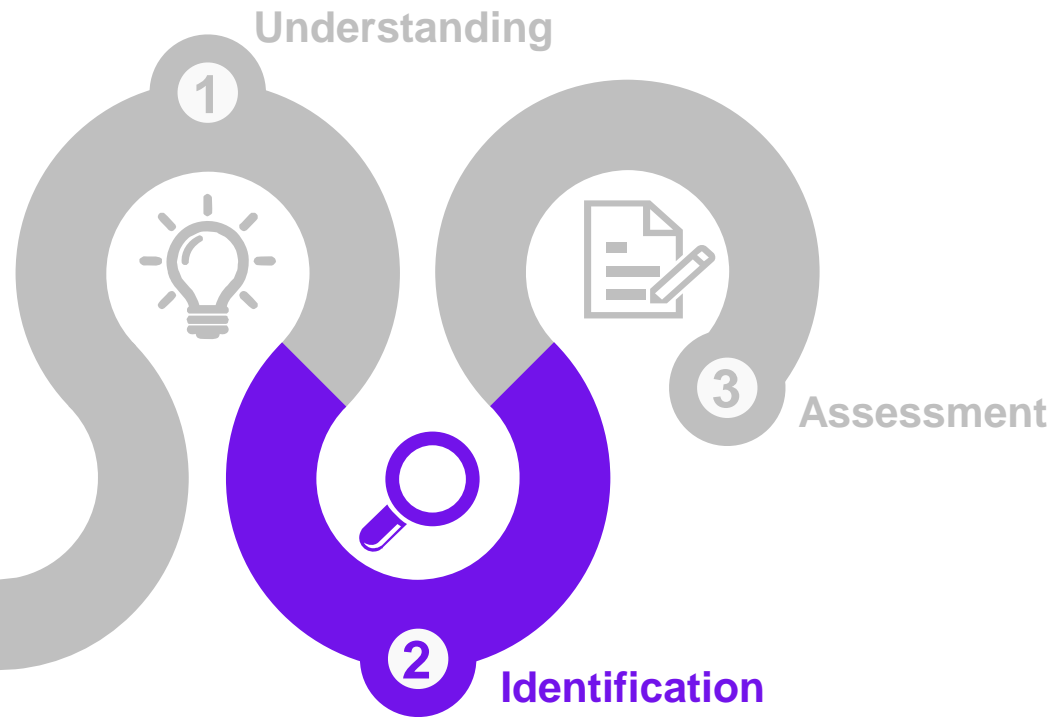
Trade unions

Non-governmental organisations

# Prioritising stakeholders based on needs, influence and impact



# Conducting a double materiality assessment – Step 2



## ✓ Step 2: Identification of actual and potential IROs related to sustainability matters

- a) List of sustainability matters
- b) Identify IROs

# How do we identify sustainability matters?



**Sector-specific topics**



**Entity-specific topics**



**Insights from prior year reporting**



**Peer analysis**

## Long list of sustainability matters

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# What are sustainability-linked IROs?



## Impacts

### Definition:

The effect the undertaking has or could have on the environment and people, including effects on their human rights, connected with its own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. The impacts can be actual or potential, negative or positive, intended or unintended, and reversible or irreversible. They can arise over the short, medium, or long term. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.



### Example:

**Positive:** Distribution company using electric vehicles

**Negative:** Child labor in rare earth mining

Inside-Out

# What are sustainability-linked IROs?



## Risks and Opportunities

### Definition:

Risks correspond to sustainability-related risks with negative financial effects **arising from environmental, social or governance matters** that may **negatively affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital** in the short, medium or long term. Opportunities correspond to sustainability-related opportunities with positive financial effects.



### Example:

**Opportunity:** An opportunity to extend the company's revenue base by accessing a new market or developing a competitive advantage

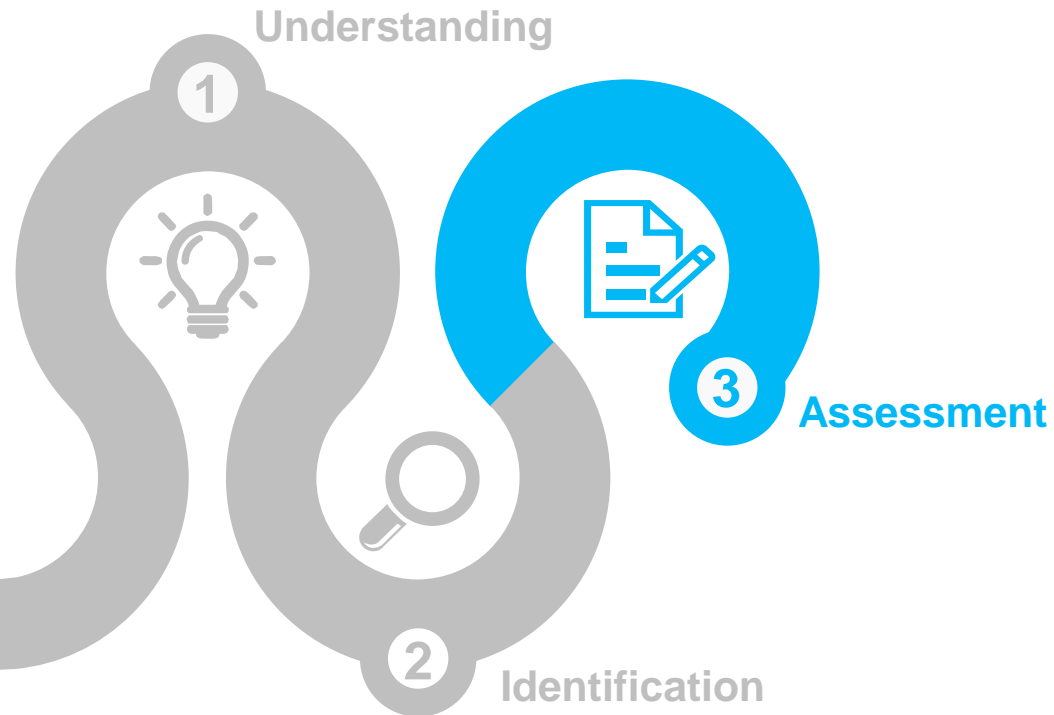
**Risk:** Adverse effects on the company's prospects from having to withdraw from a business activity due to regulation or consumer pressure

Outside-In

# Identifying sustainability-linked IROs



# Conducting a double materiality assessment – Step 3



## ✓ Step 3: Assessment and determination of the material IROs related to sustainability matters

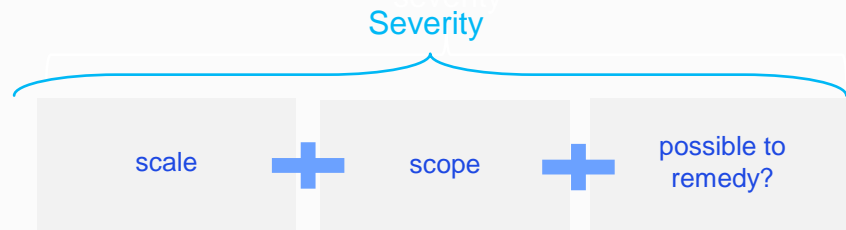
- a) Impact materiality assessment
- b) Financial materiality assessment
- c) Consolidation of outcomes



# Impact materiality assessment

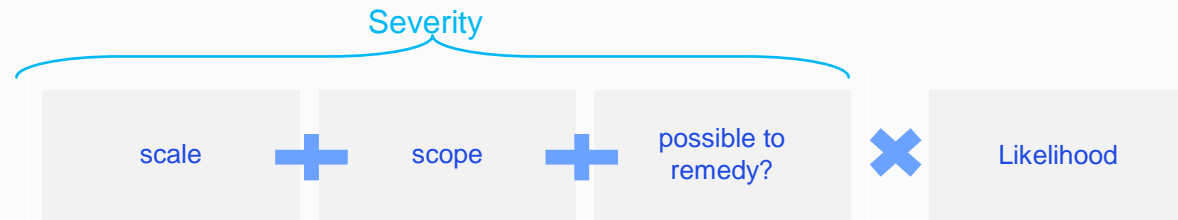
## Negative Impact

Actual



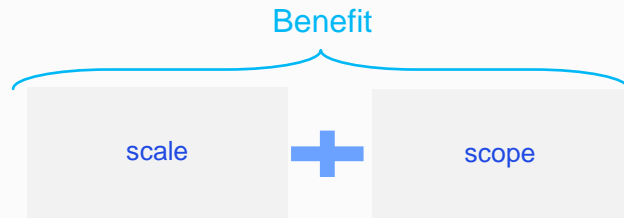
## Negative Impact

Potential



## Positive Impact

Actual



## Positive Impact

Potential



# Financial materiality assessment

## Risk and Opportunity



Once the undertaking has identified its risks and opportunities, it shall assess which of them are material for reporting.

**This shall be based on a combination of:**

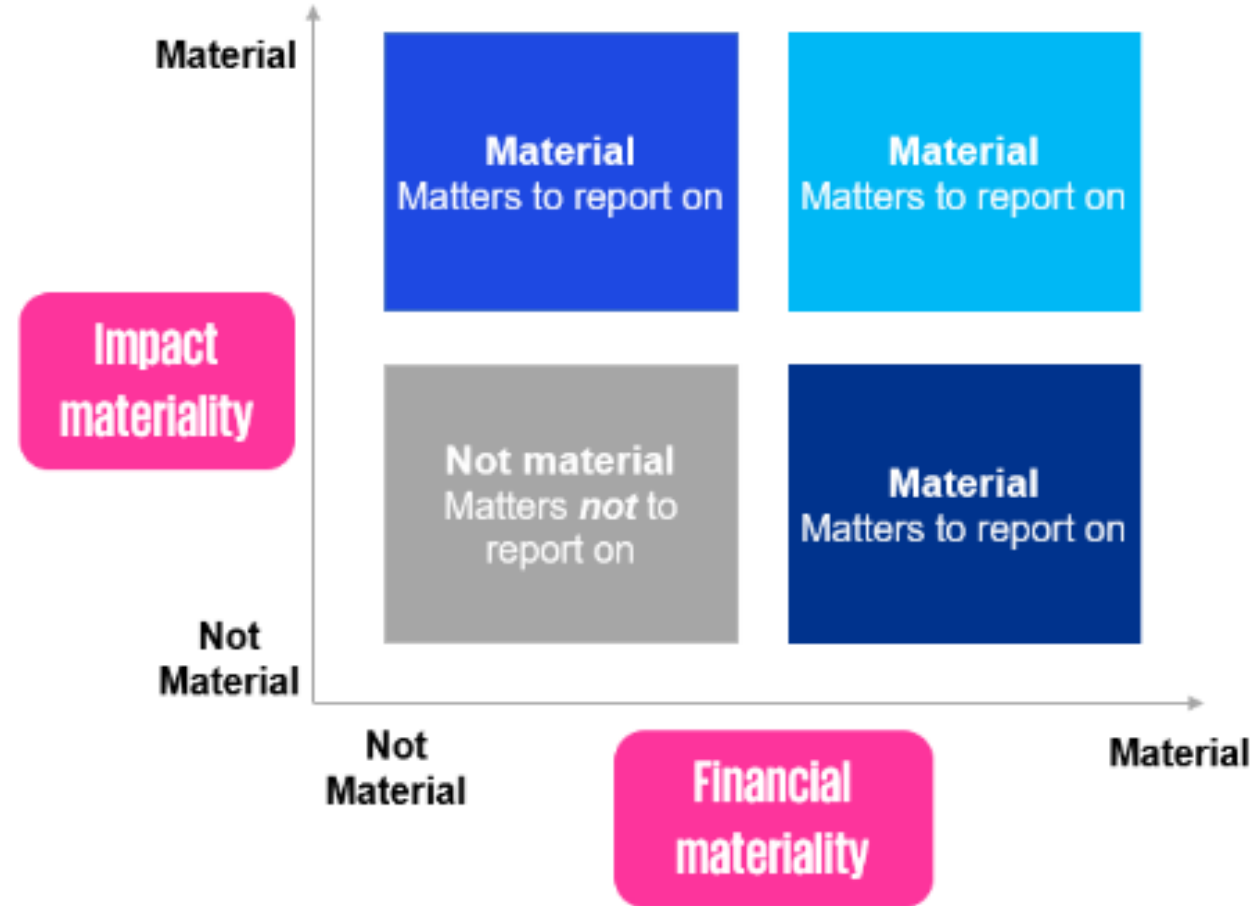
- (i) the likelihood of occurrence; and**
- (ii) the potential magnitude of the financial effects determined on the basis of appropriate thresholds.**



03

**What do we do next?**

# Analysing your materiality matrix – areas of focus





# Refining your response

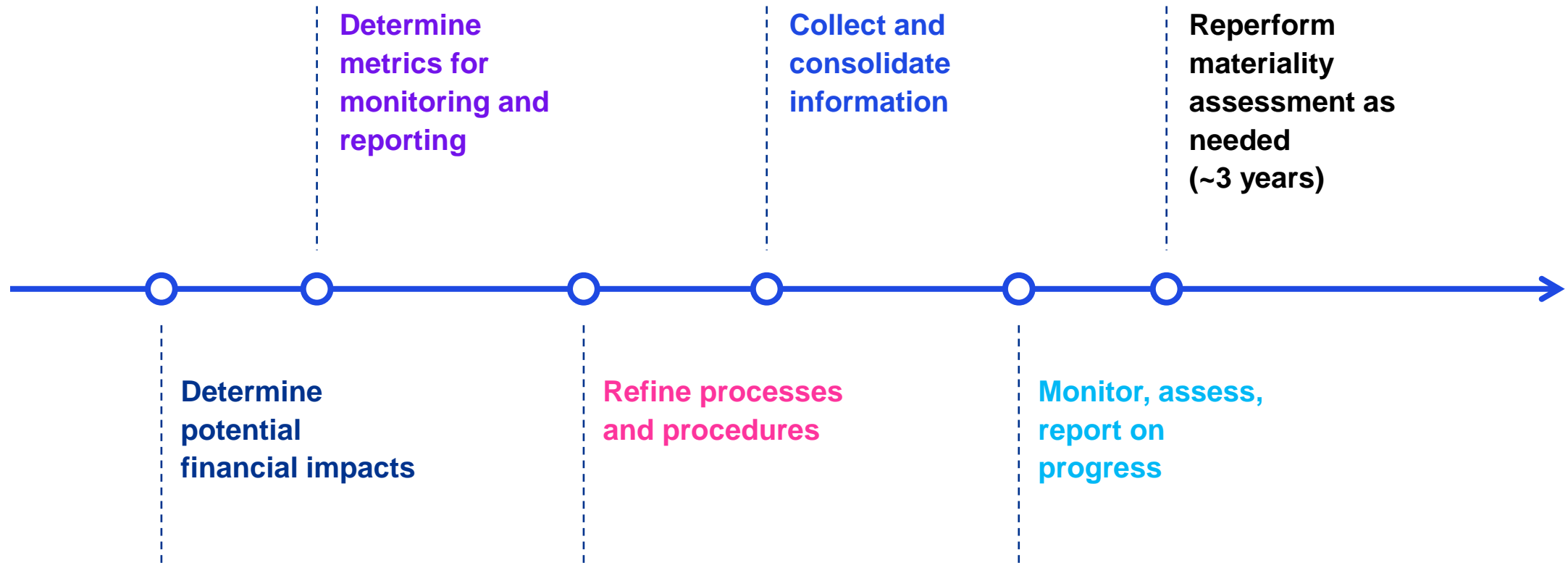
**Value Creation**

**Compliance**

**Risk Management and  
Resilience**

**Stakeholder Trust and  
Transparency**

# What comes next?





# Question and Answer Segment

# What step in the DMA process do you believe would be the most challenging for your organisation?

Step 1: Understanding the context (activities and business relationships, value chain, stakeholders)

Step 2: Identification of actual and potential IROs related to sustainability matters

Step 3: Assessment and determination of the material IROs related to sustainability matters

# What 'next step' do you believe may be the most challenging?

Determine potential financial impacts

Determine metrics for monitoring and reporting

Refine processes and procedures

Collect and consolidate information for reporting

Monitor, assess, and report on progress

Reperform materiality assessment as needed (~3 years)





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