Double Materiality for African Markets: A Step-by-Step Method

Stakeholder Segmentation, Impact vs. Financial Materiality, and a Scoring Model Template
The concept of **Double Materiality** is central to modern sustainability reporting, providing the lens through which companies determine which ESG issues are essential to disclose. For businesses operating in East African markets, where social and environmental dependencies are often acute, applying this principle is crucial for linking ESG action to value drivers and satisfying diverse stakeholders, from international DFIs to local communities.
Double materiality assesses two perspectives: **Impact Materiality** (the business's impact on people and the planet) and **Financial Materiality** (how ESG issues affect the business's value). This article outlines a practical, step-by-step method for African markets, including a template for your scoring model.

Step 1: Stakeholder Segmentation for Local Context

Materiality is determined by what is significant to stakeholders. In East Africa, stakeholder groups often have unique and highly localized concerns, which must be segmented for effective engagement.

Segment	Key Interest/Concern	Engagement Method
Financial Stakeholders	Enterprise value, risk, return, IFRS S2/TCFD compliance.	Investor briefings, DFI/Lender due diligence calls, ESG rating agency questionnaires.
Regulators & Public Sector	Local legal compliance (NEMA, Climate Change Act), national development goals (SDGs).	Regulatory Compliance Diagnostics, policy submissions.
Local Communities	Land rights, water access and pollution, job creation, grievance resolution.	Community meetings, **Grievance Mechanisms**, baseline surveys.
Employees & Supply Chain	Safety (LTIFR), fair wages, modern slavery risk, capacity building.	Supplier ESG Screening Checklist, training, internal surveys.

Action Point: Conduct the **Double Materiality Interview Guide** to systematically gather inputs from these segmented groups.

Step 2: Mapping Impact vs. Financial Materiality

For each identified ESG issue (e.g., Water Scarcity, Human Rights in the Supply Chain, Energy Transition Risk), it must be mapped against both axes of double materiality.

A. Impact Materiality (Inside-Out)

- **Question:** How significant is the organization's *impact* on the economy, environment, and people through its operations and value chain?
- **Scoring Factors:** Severity, scale, and likelihood of the impact (e.g., is the impact reversible? How many people are affected? Is it a Tier 1 supplier or Tier 3?).

B. Financial Materiality (Outside-In)

- **Question:** How does the external ESG issue *affect* the organization's cash flow, access to capital, and ability to generate returns?
- **Scoring Factors:** Potential magnitude of financial loss/gain, likelihood, and time horizon (e.g., potential penalty costs, stranded assets, competitive advantage, or pricing advantages from sustainable finance).

Materiality Tip: Focus on issues that are both financially relevant *and* have significant impacts, as these are the issues that "move value and satisfy stakeholders".

Step 3: Implementing a Double Materiality Scoring Model Template

A structured scoring model ensures that the assessment is **evidence-based** and defensible. The scores guide which issues are prioritized for inclusion in the ESG Strategy & Roadmap.

ESG Issue Example	Impact Score (1-5)	Financial Score (1-5)	Materiality Quadrant	Resulting Action
Water Scarcity in Semi-Arid Catchment	5 (High social and ecosystem damage)	4 (High operational cost and license-to-operate risk)	**Double Material** (Top Priority)	Implement Water Stewardship & catchment collective action.
Scope 3 GHG Emissions from Supply Chain	3 (Moderate global impact)	5 (High risk for exports due to C-BAM or investor pressure)	**Financial Material**	Focus on GHG Inventory, supplier audits, and IFRS S2 readiness.
Employee Training & Skill Development	4 (High social benefit)	2 (Low short-term financial impact)	**Impact Material**	Focus on disclosure (GRI) and community relations; less focus on linking to cost/revenue.

Note: 1=Low Significance, 5=High Significance

Action Point: Use the **Scoring Model Template** from the knowledge hub to plot the results on a 2 \times 2 matrix, clearly defining the thresholds for disclosure.

Step 4: Finalizing Strategy and Roadmaps

The material issues identified through this four-step process form the foundation of your entire ESG architecture.

- **Roadmaps:** Prioritize actions on double-material issues, defining a **12–24 month roadmap with budget and sequencing**.
- **KPIs:** Define **Key Performance Indicators (KPIs)** that directly track progress on the material issues (e.g., Supplier Audit Coverage for Supply Chain HRDD).
- **Reporting:** Use the results to justify the scope of disclosures for standards like GRI and ISSB, ensuring your report is **consistent, comparable, and decision-useful**.

By ensuring your materiality assessment is **grounded in local context** and aligned with **global standards**, your East African enterprise can move swiftly from intention to measurable outcomes.