Materiality-to-Value
Linkage

A way of showing that sustainability isn't just a cost, it can create real business value, if you focus on the right issues. The idea links a company's material ESG topics to concrete 'value drivers'. Research from McKinsey and Harvard shows companies that act on their material issues tend to outperform, because those issues connect to growth, costs, risk and more.

Best for: ESG business case · Strategy & value · Investor communication · Prioritising ESG

01 — AT A GLANCE

Trace a clear line from a material issue, through action, to a value driver, and finally to financial value.

1	**Material ESG issue** Start with a sustainability topic that genuinely matters to your business and stakeholders, a material issue.
2	**Take action** Address it in strategy and operations: cut water use, improve safety, green the product.
3	**Move a value driver** That action moves a lever: growth, cost, risk, productivity, or smarter investment.
4	**Financial value** The driver shows up in the numbers: more revenue, lower costs, less risk, stronger returns.

02 — THE CORE COMPONENTS

The linkage connects what's material to how it creates value.

Start with Material Issues	Focus only on ESG topics that genuinely matter to your business and stakeholders. Research shows acting on material issues, not every issue, is what drives outperformance.
The Five Value Drivers	ESG creates value in five ways (McKinsey): top-line growth, cost savings, fewer regulatory and legal problems, higher employee productivity, and smarter investment.
The Causal Chain	Link each issue to a driver and a number: 'cut water use → lower costs → higher margin', not a vague 'sustainability is good for us'.

Evidence & Metrics	Back the link with data and track it over time. A measured line from issue to value turns ESG from a cost centre into a business case.

Focus on the material few, then follow the money

Not every ESG topic moves the needle, and chasing all of them wastes effort. The skill is to pick the issues that are truly material, then trace a clear line to how each creates value: more revenue, lower cost, less risk. Harvard and McKinsey research backs it: firms that act on their material issues outperform those that don't.

03 — WHEN TO USE IT & WHEN NOT TO

This framework isn't right for every situation. Used at the wrong moment, it can point you in the wrong direction.

✓ USE IT WHEN…	✗ DON'T USE WHEN…
• Making the business case for sustainability • Linking ESG to strategy and financial value • Communicating ESG value to investors and boards • Choosing which ESG issues to prioritise	• As greenwashing dressed up with vague claims • Forcing a value link where none honestly exists • Ignoring impact that matters even without a clear payoff • Without data to support the cause-and-effect

04 — IN ACTION

Brightwear — Turning Sustainability into a Business Case

Brightwear, an apparel firm, sees ESG as pure cost, until it links its material issues to value and changes the board's mind.

How the framework was applied:

Step 1	**Pick the material issues —** Water use and worker safety stand out as genuinely material to the business.
Step 2	**Link to a value driver —** Cutting water use lowers utility and raw-material costs (cost savings).
Step 3	**Trace to the money —** Safer factories mean fewer stoppages and higher productivity, a clear financial gain.
Step 4	**Add growth —** A credible sustainability story wins eco-conscious customers and retailers (top-line growth).
Step 5	**Show the numbers —** Brightwear presents a measured line from each issue to rupees: ESG as value, not just cost.

The numbers at a glance

Issue	Driver	Safety	Story
Water	**Lower cost**	**Productivity**	**Growth**
material	less waste	fewer stoppages	wins customers

Why linking to value changed minds

Brightwear's board saw ESG as a drain until each material issue was tied to a concrete value driver and a number. Suddenly sustainability meant lower costs, higher productivity and new customers. Focusing on material issues and tracing them to value turned 'why bother?' into a clear business case.

05 — KEEP IN MIND

Even experienced teams slip up here. Keep these in mind to keep your analysis honest and useful.

1. Vague claims ('ESG creates value') with no actual chain or data.
2. Chasing every ESG topic instead of the material few.
3. Forcing a money link onto issues that don't really have one.
4. Ignoring genuine impacts that matter even without a clear payoff.
5. Never measuring, so the link stays a story, not a proven result.