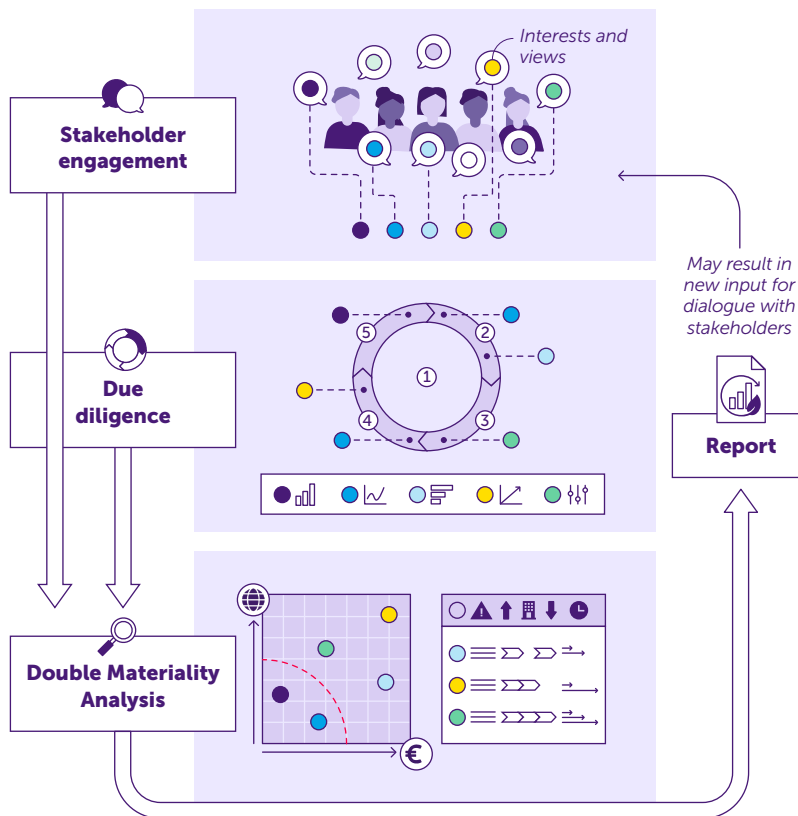


# 10 Waypoints for CSRD – double materiality

**In short** The double materiality analysis enables users of annual reports to gain insights into impacts, risks and opportunities regarding sustainability matters. It can also provide input for a company’s strategic direction. The AFM supports issuers by presenting 10 waypoints, based on the European Sustainability Reporting Standards (ESRS) and good practices which are already observed in the annual reporting of listed issuers. Even though it is a complex subject, we already see good practices of transparent sustainability reporting.



## 10 Waypoints for CSRD – double materiality



**Stakeholder engagement:**  
show the manner in which stakeholders are engaged

- 1 Be transparent on the representativeness of stakeholder engagement.
- 2 Disclose inputs received from stakeholders.



**Due diligence:**  
identify the sustainability matters






- 3 Use due diligence to identify sustainability matters.
- 4 Use international frameworks, such as the OECD Guidelines.
- 5 Disclose the relationship between due diligence and the double materiality analysis.



**Double materiality analysis:**  
disclose the analysis in a transparent manner

- 6 Disclose the role of the value chain.
- 7 Connect the business activities to identified material topics.
- 8 Provide insight into the materiality assessment of sustainability topics.
- 9 Disclose the materiality of impacts, risks and opportunities.
- 10 Report on the relationship between impact and risk in the short and long term.

# Contents

	<b>1. Introduction</b>	<b>3</b>
	1.1 Insight into sustainability effects	3
	1.2 We still have to take steps, but it can be done	3
	1.3 10 waypoints provide direction	4
	<b>2. Stakeholder engagement: disclose the manner in which stakeholders are engaged</b>	<b>5</b>
	2.1 Be transparent on the representativeness of stakeholder engagement	5
	2.2 Disclose inputs received from stakeholders	5
	<b>3. Due diligence: identify the sustainability matters</b>	<b>8</b>
	3.1 Apply due diligence to identify sustainability matters	8
	3.2 Use international frameworks, such as the OECD Guidelines	9
	3.3 Disclose the relationship between due diligence and the double materiality analysis	11
	<b>4. Double materiality analysis: disclose the analysis in a transparent manner</b>	<b>13</b>
	4.1 Disclose the role of the value chain	13
	4.2 Connect the business activities to the identified material topics	16
	4.3 Provide insight into the materiality assessment of sustainability topics	17
	4.4 Disclose the materiality of impacts, risks and opportunities	17
	4.5 Report on the relationship between impact and risk in the short and long term	21
	<b>Appendix. Research methodology and next steps</b>	<b>22</b>

# 1. Introduction

*The implementation of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) marks a new phase in companies' sustainability reporting. The sustainability statement plays a key role in enabling users to make well-informed decisions. Furthermore, it may help companies identify their own impacts, risks and opportunities and determine their direction in terms of sustainability. The CSRD and the ESRS will become effective for large public issuers as of the 2024 financial year. The Dutch Authority for the Financial Markets (AFM) is committed to promoting fair and transparent financial markets. That is why we carried out a thematic research into the double materiality disclosures within the 2023 annual reporting of large listed issuers.*

## 1.1 Insight into sustainability effects

The double materiality analysis is the starting point of sustainability reporting<sup>1</sup>. Double materiality combines both impact materiality and financial materiality. Impact materiality refers to the effects companies and their value chain have on their environment from an ecological and social perspective, while financial materiality comprises the financial effects of risks and opportunities arising from sustainability matters. The outcome of the analysis serves as the starting point for assessing both the sustainability and financial matters which are disclosed in the sustainability report. Stakeholder engagement is a critical element of this analysis. Proper engagement with stakeholders and transparent communication about this builds companies' trust.

## 1.2 We still have to take steps, but it can be done

While not mandatory until the 2024 financial year, many listed issuers have already started reporting on double materiality. While this early start is commendable, issuers have yet to take steps to achieve fully transparent ESRS disclosures in their 2024 reporting. This is understandable given the first-time adoption, the current optional character, and the complexity of double materiality. We find it encouraging to observe diversity in approaches as it shows that companies are actively preparing their disclosures to comply with the requirements of the CSRD/ ESRS.

This report serves to contribute to a correct application and transparent disclosure for users, by sharing some examples of companies' reporting practices and their progress ('good practices'). In so doing, we aim to provide guidance to the range of possible approaches already seen in the market.

We encourage all companies to assess these good practices and consider the reporting practices of others and to engage in dialogue. This interaction supports a common understanding and consistency in sustainability statements. It allows companies to learn from each other and to continuously refine their processes. Our message is clear: notwithstanding the challenges, transparent reporting on sustainability can be achieved.

<sup>1</sup> ESRS refers to the concept of Double Materiality and ESRS 1.37 explains that whenever the concept of materiality is used, this should be read as double materiality. This constitutes an important contextual factor and contributes to a proper understanding of the selected material topics.

### 1.3 10 waypoints provide direction

Identifying material topics contributes to understanding impacts, risks, and opportunities in the area of sustainability reporting. This can provide input for companies in their journey for both their sustainable and financial direction. This report serves to support companies in improving their transparency by presenting 10 waypoints, derived from the European Sustainability Reporting Standards (ESRS) and based on a number of good practices already observed in the 2023 annual reporting of listed issuers. In addition, this will enable users to engage with companies on their sustainability journey.

***Stakeholder engagement: show the manner in which stakeholders are engaged***

1. Be transparent on the representativeness of stakeholder engagement (2.1)
2. Disclose inputs received from stakeholders (2.2)

***Due diligence: identify the sustainability matters***

3. Apply due diligence to identify sustainability matters (3.1)
4. Use international frameworks, such as the OECD Guidelines (3.2)
5. Disclose the relationship between due diligence and the double materiality analysis (3.3)

***Double materiality analysis: disclose the analysis in a transparent manner***

6. Disclose the role of the value chain (4.1)
7. Connect the business activities to identified material topics (4.2)
8. Provide insight into the materiality assessment of sustainability topics (4.3)
9. Disclose the materiality of impacts, risks and opportunities (4.4)
10. Report on the relationship between impact and risk in the short and long term (4.5)

It is important to disclose on material topics and the assessment thereof in a clear, and transparent manner. We recognise that this subject is difficult and complex, not least because of the open standards. This report serves to support listed companies in improving their transparency by means of the above-mentioned waypoints. The following chapters will outline these waypoints.

## 2. Stakeholder engagement: disclose the manner in which stakeholders are engaged

*Stakeholders are inextricably linked to a company. Their varying and sometimes opposing interests and views affect companies, their business models and their strategies.<sup>2</sup> It is essential to clearly explain the involvement of stakeholders. Companies should be transparent in disclosing the selection process of their list of represented stakeholders: what were the stakeholder selection criteria, how did they communicate with them and which information sources were used?*

### 2.1 Be transparent on the representativeness of stakeholder engagement

According to the ESRS<sup>3</sup>, companies have to explain their selection of stakeholders and how they interact with them. They should transparently disclose the representativeness of their stakeholder engagement, the challenges they face and where they get their input from. Insights into the interaction between companies and stakeholders offers a clear understanding of the ways in which companies deal with material topics.

#### **Disclose challenges relating to stakeholder engagement**

A thorough double materiality analysis requires input from stakeholders. Stakeholder engagement is a reciprocal process in which companies and stakeholders engage in dialogue with each other. Our interviews show that companies often encounter challenges in this process because stakeholders are insufficiently familiar with the CSRD/ESRS. This legislation is new, and many stakeholders are not fully aware that they also have a role to play. Stakeholders are yet to further develop their roles with respect to the company's impact analysis and disclosure of- and possible adjustments to the business model. This

may impact the quality of stakeholder input. Therefore, it is a positive thing when companies transparently report on the degree to which the collected information is expected to sufficiently represent the interests and views of the stakeholders.

#### **Expand stakeholder input with literature from interest groups and science**

Affected stakeholders are represented either directly or through interest groups such as trade unions. Nature, a silent stakeholder, is not always actively represented. However, data on environmental developments and species conservation can substantiate a company's materiality analysis.<sup>4</sup> Input from stakeholder dialogues and external sources, including academic publications and reports by interest groups such as the World Wildlife Fund (WWF) and the International Labour Organisation (ILO), contribute to a better informed and more comprehensive stakeholder engagement process, which in turn is beneficial to a more in-depth double materiality analysis.

### 2.2 Disclose inputs received from stakeholders

Effective stakeholder engagement also requires that the inputs are clearly explained and that it is disclosed how it is subsequently used. It is essential that the interests of stakeholders are represented in a direct and reciprocal manner and that they are made transparent. This not only enhances credibility of the annual reports, it also builds trust and strengthens the relationship between companies and their stakeholders. On the next page is a good practice from [Koninklijke Ahold Delhaize](#), which transparently discloses the inputs received from stakeholders.

<sup>2</sup> See ESRS 2-43.

<sup>3</sup> [Delegated Regulation \(EU\) 2023/2772 - EN - EUR-Lex \(europa.eu\)](#) – European Sustainability Reporting Standards (ESRS)

<sup>4</sup> See ESRS1-AR7.



### Good practice 1 (Ahold Delhaize)

#### Transparency regarding the inputs of stakeholders; Ahold Delhaize annual report (page 46)

In its 2023 annual report, Ahold Delhaize not only provides insight into the outcomes of the stakeholder engagement process, it also provides a clear overview of the feedback provided by the different stakeholders. Additionally, the section 'what they tell us' shows the stakeholder input on Ahold Delhaize's sustainability performances regarding different sustainability matters, such as climate change and human rights. By offering insight into the types of input which Ahold Delhaize received from the different groups of stakeholders, users of the annual report also gain a better understanding into the relationship between stakeholders' feedback and their expectations of Ahold Delhaize as a company. The illustration below shows an example of three (out of a total of ten) identified stakeholders of Ahold Delhaize.

COMMUNITIES		
CHARITIES AND CIVIC ORGANIZATIONS	GOVERNMENTS	NON-GOVERNMENTAL ORGANIZATIONS (NGOS)
<b>EXPECTATIONS</b>		
<ul style="list-style-type: none"> <li>Being an integral part of the communities our brands serve</li> <li>Helping address broader societal challenges</li> </ul>	<ul style="list-style-type: none"> <li>Respecting regulations</li> <li>Adopting a stakeholder approach that takes into account society and the environment</li> </ul>	<ul style="list-style-type: none"> <li>As a major global grocery retailer, helping resolve global challenges related to climate, health, human rights and other topics</li> </ul>
<b>HOW WE ENGAGE WITH THEM</b>		
<ul style="list-style-type: none"> <li>Partnerships with local community organizations and charities. For example, Hannaford donates to local non-profit organizations such as the Simmering Pot, which provides 150 meals per week to those experiencing food insecurity. Another example, that kicked off in December 2023, is Alfa Beta's partnership to send products close to expiration from their HSCs to a local NGO restaurant in Athens.</li> <li>The GIANT Company partners with the Rodale Institute, global leader in regenerative organic agriculture, to create a more sustainable food chain through education, research and training.</li> <li>Brand-owned foundations. For example, bol's Bright Sparks ("bollebozen") initiative, contributes to creating equal opportunities for children in the Netherlands and Belgium by encouraging them to enjoy reading stories and helping them develop digital skills. Bertik Helps, the largest grant campaign of the Albert Foundation, supports 80-100 charity projects per year.</li> <li>Sponsorships. For example, Albert Heijn works with the Dutch Food Bank, and donated more than four million products in 2023.</li> </ul>	<ul style="list-style-type: none"> <li>Engaging with public policymakers through industry associations, face-to-face meetings, written contact, information on our website and participation in public hearings or conferences</li> <li>Ahold Delhaize cosigned an open letter from business to EU policymakers in support of the proposed EU Nature Restoration Regulation.</li> <li>Advocating for Nutri-Score as an EU-wide food nutrition label and for completion of the EU internal market for food retail operators</li> <li>Discussing efforts toward a more sustainable agricultural supply chain with the European Commission</li> <li>The U.S. brands made commitments in service of the White House Challenge to End Hunger and Build Healthy Communities.</li> <li>Albert Heijn held a meeting for industry associations, NGOs, scientists, government officials and business partners to launch its Sustainability Report.</li> </ul>	<ul style="list-style-type: none"> <li>Responding to requests from and reaching out to NGOs</li> <li>Individual and group meetings as well as written communication and contact with NGOs</li> <li>Being a founding partner and member of various ESG-related networks and institutions – for example:               <ul style="list-style-type: none"> <li>Founding partner of the LEAD network, which aims to attract, retain and advance women in Europe's Consumer Goods and Retail sector.</li> <li>Member of Network for Executive Women.</li> <li>Founding partner of the World Resources Institute's 10x20x30 initiative.</li> <li>Member of the Ellen MacArthur Foundation to mitigate the impact of plastics.</li> <li>Signatory of the UN Global Compact.</li> <li>Partner with WWF to support, for example, reducing our environmental footprint or improving a local fishery.</li> </ul> </li> <li>Providing input for and discussing results of benchmarks on ESG topics</li> </ul>
<b>WHAT THEY TELL US</b>		
<ul style="list-style-type: none"> <li>Community stakeholders provide valuable feedback – for example, on how our brands can be stronger partners in creating healthier communities.</li> </ul>	<ul style="list-style-type: none"> <li>We (are invited to) engage with public policymakers to share our views, strengthen the reputation of Ahold Delhaize and the brands and, where deemed appropriate, of our sector, and to create a favorable policy and regulatory framework for the company and society, the brands, and our sector in the long term. Our Ahold Delhaize strategy is central to our efforts in engaging with public policymakers.</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities to improve our performance and transparency on topics including human rights, climate change, deforestation and animal welfare</li> <li>In some cases, NGOs expect us to change policies or work with our brands' suppliers to improve their ESG performance.</li> </ul>

***Report transparent about the matters discussed***

When reporting on stakeholder input, it is important to be open about the topics discussed. Disclose which matters were covered, which priorities were put forward by stakeholders and, above all, the underlying motivations. Link this feedback to impacts, risks and opportunities. This approach not only provides a comprehensible overview of the interactions, it also provides valuable insights into the stakeholders' interests.

### 3. Due diligence: identify the sustainability matters

*The assessment of the sustainability-related impacts of products and services and the associated value chain is an indispensable and mandatory step according to the standards.<sup>5</sup> Together with the stakeholder analysis, this forms the basis of clear and transparent disclosures regarding potential impacts, risks, and opportunities. Sustainability effects do not limit themselves to direct operations. Rather, they encompass the entire value chain. Making these effects visible promotes transparency and encourages sustainable practices.*

#### 3.1 Apply due diligence to identify sustainability matters

Robust due diligence<sup>6</sup> is a prerequisite for gaining insight into the sustainability effects of the company and its value chain.<sup>7</sup> This due diligence identifies both (i.) the main positive and adverse impacts, and (ii.) the risks and opportunities<sup>8</sup> for the company. This provides insight to identify and monitor sustainability matters.

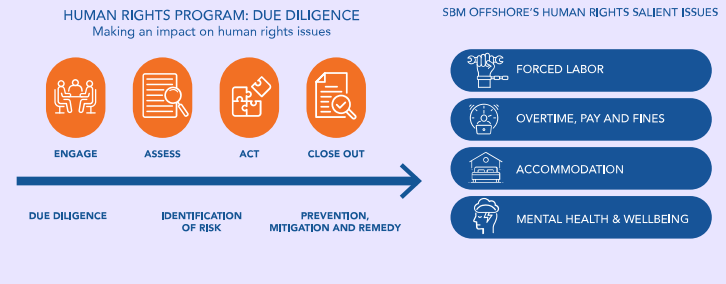
It is important that this due diligence covers the entire value chain, including its products, services, and business relationships. Several companies, such as [SBM Offshore](#) (see good practice 2), already disclose certain aspects of their due diligence in a clear and transparent manner.



#### Good practice 2 (SBM Offshore)

##### Transparency regarding due diligence with respect to human rights; SBM Offshore annual report (page 45)

In its 2023 annual report, SBM Offshore describes its setup and implementation of its 'Human Rights Program: Due Diligence' regarding human rights in terms of its own operations and the value chain. It further describes the 'salient issues' identified in this process and the extent to which these issues are being prevented or mitigated by SBM Offshore. Furthermore, SBM Offshore describes this process and actions taken, and visualises this. This increases transparency for users regarding the management of due diligence related to human rights within SBM Offshore.



<sup>5</sup> Directive 2013/34/EU on the annual financial statements, Article 19a(2)(f) as well as ESRS 1-4.

<sup>6</sup> ESRS 1-4 Due Diligence.

<sup>7</sup> CSRD, recital 31.

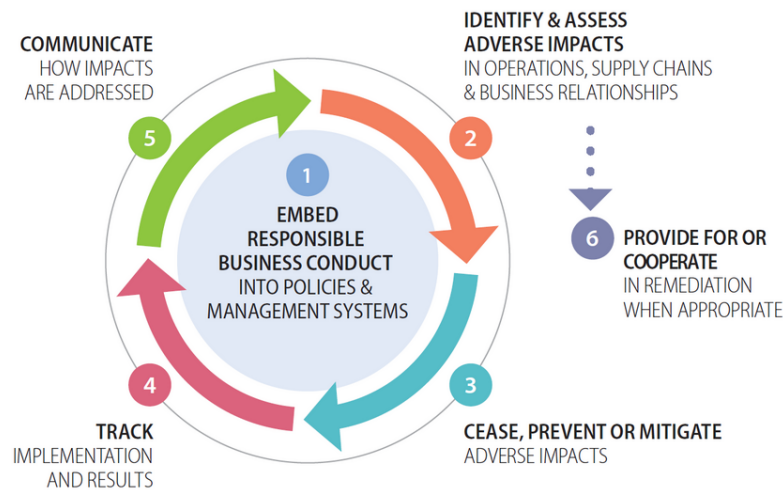
<sup>8</sup> ESRS1-58 The outcome of the sustainability-due-diligence process of a company, referred to as due diligence in the international instruments mentioned hereafter, substantiates the assessment made by the company of its material impacts, risks and opportunities.



### 3.2 Use international frameworks, such as the OECD Guidelines

Due diligence is a dynamic process that continuously interacts with and responds to changes in strategy, the business model, operations, business- and other relationships, and the value chain. The [UN Guiding Principles on Business and Human Rights](#) and the OECD Guidelines for multinational enterprises describe the implementation of the due diligence process.<sup>9</sup> By going through these steps and by transparently disclosing them, the users of annual reports will gain insight into a company's due diligence process. A schematic representation of the due diligence process according to the OECD Guidelines is given below.

Figure 1. Due diligence process<sup>10</sup>



<sup>9</sup> [ESRS 1 Chapter 4 due diligence: sections 58 & 59.](#)

<sup>10</sup> [OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf](#)

<sup>11</sup> See [Onderzoek naar de implementatie van de zes stappen van gepaste zorgvuldigheid | Rapport | Rijksoverheid.nl](#)



#### Outcomes of the review of compliance with the 2024 OECD Guidelines

On 5 April 2024, the Ministry of Foreign Affairs published the results of a review of compliance with the six steps of the due diligence process according to the OECD Guidelines.<sup>11</sup> This report shows that 3,322 large companies based in the Netherlands are subject to the CSRD. This based on data from the 2021 Trade Register. For all 3,322 companies, this report offers practical recommendations to improve the disclosures on the due diligence process.

Our review shows that there are a number of companies that partially apply the international OECD-Guidelines for their due diligence process. Ahold Delhaize is one of those companies. We consider their [reporting](#) a good practice in this respect.



### Good practice 3 (Ahold Delhaize)

#### Transparency regarding the application of OECD Guidelines; Ahold Delhaize annual report (page 141)

In its 2023 annual report, Ahold Delhaize describes the implementation of its due diligence process and the extent to which it includes the OECD-Guidelines. The report illustrates this process both in writing as well as visually. Ahold Delhaize explains that the process not only applies to the issue of human rights, but also other sustainability matters. Moreover, Ahold Delhaize explains that this review process will be further embedded within the organisation, including an explicit timeline for the full implementation. Ahold Delhaize also discloses the relationship of this due diligence process with its double materiality analysis, which offers users insight into the design, progress and the implementation of the process within the organisation.

STRATEGIC REPORT
GOVERNANCE
PERFORMANCE
APPENDIX

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
ENVIRONMENTAL, SOCIAL AND GOVERNANCE
ENVIRONMENTAL, SOCIAL AND GOVERNANCE

**SOCIAL**
🔄
☰

FAIR AND SAFE WORKPLACE

**HUMAN RIGHTS IN THE SUPPLY CHAIN CONTINUED**

**Sustainability due diligence**  
At Ahold Delhaize, we are of the opinion that sustainability due diligence (SDD) is the starting point of our CSRD journey, and, therefore, kicked off our first SDD process in the third quarter of 2023. This is not the first time Ahold Delhaize has conducted due diligence. This SDD process builds on our previous work on human rights due diligence, but this time, we expanded the scope to also include environmental topics.

Sustainability due diligence can be best described as an approach by which companies identify, address and mitigate the social and environmental impacts in their own organizations and throughout their value chains. In addition, companies are expected to track and communicate about their progress.

See also the Sustainability due diligence diagram for an overview of the different steps of a sustainability due diligence.

The steps and requirements for sustainability due diligence are originally based on the UN Guiding Principles on Business and Human Rights and the OECD Guidelines, and these now form the basis for upcoming European legislation: the CSDDD. By already performing sustainability due diligence, we are proactively taking steps to prepare Ahold Delhaize and the brands for the upcoming CSDDD requirements.

By the end of Q4 2023, we completed the initial overview of salient social and environmental impacts. Once formally approved, this list will be one of the key inputs into our double materiality assessment, which will be kicked off in Q1 2024. During Q1 2024, we will work – with internal and external stakeholders – to draft a due diligence roadmap and further prepare for the CSDDD.

In addition, and as part of our approach to due diligence, we are planning to perform at least two human rights impact assessments in 2024, focusing on understanding our most salient human rights impacts in the supply chain, so we can determine how to mitigate or reduce them.

**How we measure performance**  
Percentage of production sites of own-brand products in high-risk countries audited against an acceptable standard with a valid audit report or certificate and no non-compliance on deal-breakers.

**Our ambitions**

TIMELINE	AMBITION
Short-term	100% of production sites of own-brand products in high-risk countries audited against an acceptable standard with a valid audit report or certificate and no non-compliances on deal-breakers by 2025

**Sustainability due diligence**

DUE DILIGENCE	DESCRIPTION
1 Embed sustainability into policies and management systems	Embedding social and environmental due diligence in a company's governance and organization
2 Identify and assess adverse impacts in operation and supply chain	Taking proactive steps to understand how existing and proposed activities may affect social and environmental impacts
3 Cease, prevent or mitigate adverse impacts	Reflecting the results of the impact assessment on business processes
4 Track implementation and results	Monitoring the company's performance on human rights and the environment, tracking implementation and results
5 Communicate how impacts are addressed	Communicating and reporting on how impacts are addressed
6 Stakeholder engagement	Engaging with (affected) stakeholders and their legitimate representatives along the way
7 Grievance mechanism	Responding to allegations and providing for, or cooperating in, remediation, where appropriate

Ahold Delhaize Annual Report 2023
141



### The Corporate Sustainability Due Diligence Directive

As of 2028, due diligence is a core component of the Corporate Sustainability Due Diligence Directive (CSDDD) for very large companies.<sup>12</sup> This future EU Directive requires companies to implement the six steps of the due-diligence process: (1) integrating due diligence into policies and management systems, (2) identifying and assessing adverse human rights and environmental impacts, (3) preventing, ceasing or minimising actual and potential adverse human rights, and environmental impacts, (4) assessing the effectiveness of measures, (5) communicating, (6) providing remediation.<sup>13</sup> This Directive requires companies to take specific measures for each step, such as developing action plans and investing in necessary measures.

## 3.3 Disclose the relationship between due diligence and the double materiality analysis

It is important to disclose how decisions and outcomes of the due diligence process are related to the double materiality analysis.<sup>14</sup> This allows the user to understand the identification, assessment and choices made regarding a company's material sustainability topics. Also, ideally it discloses the expected timeframe for implementing actions both internally and externally.

In its [annual report](#), AkzoNobel includes in its description of its due diligence process the extent to which the results of this process were used for the double materiality analysis. We consider the disclosures regarding this relationship a good practice.

<sup>12</sup> The CSDDD has a phased-in implementation. The Directive will come into effect on 1 January 2028, or the second half of 2027, for companies with more than 5,000 employees and €1,500 million turnover. Then as of 1 January 2029, or the second half of 2028, the Directive will also cover companies with more than 3,000 employees and €900 million turnover. As of 1 January 2030, or the second half of 2029, those companies having more than 1,000 employees and €450 million turnover will become subject to the CSDDD.

<sup>13</sup> CSDDD Directive, recital 16.

<sup>14</sup> ESRS 1-60 as well as ESRS 2-53b.



## Good practice 4 (AkzoNobel)

### Transparency regarding the relationship between the outcome of the due diligence process and the Double Materiality Analysis; AkzoNobel annual report (pages 23-24)

In its 2023 annual report, AkzoNobel describes the relationship between the outcomes of its due diligence, and how this serves as input for its double materiality analysis. It explains the relationship between the outcomes of its due diligence and the assessment of impacts, risks, and opportunities. For users of this annual report, this discloses how the outcomes of the due-diligence process have been used for the double materiality analysis.

#### Statement on due diligence

We perform due diligence for sites that we acquire or divest. The outcomes of our due diligence processes with regard to sustainability matters inform us of our material impacts, risks and opportunities. The identification, prevention, mitigation and reporting of these actual and potential impacts is embedded in the way we conduct business.

Included below is a description of the specific due diligence processes in relation to human rights and environmental due diligence. For the due diligence process performed to determine our material impacts, risks and opportunities, see Impact, risk and opportunity management.

#### Human rights due diligence

As part of our core principles, we're committed to respecting internationally recognized human rights in all our operations and throughout our value chain. This commitment is in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Embedding a continuous human rights due diligence process to determine a company's salient human rights issues is at the core of the UNGPs. In 2021, we finalized our second in-depth global salient human rights issues assessment

(see results in table below). While we respect all human rights equally, we prioritized certain issues based on severity and likelihood. This has resulted in the previously mentioned salient human rights issues for us to focus on and conduct further due diligence, in line with our considerations as shared in our Report 2021. Results of our ongoing due diligence are used to update our global salient human rights issues assessment every year. Some of these issues – after those due diligence results – have also been identified as a material topic under the CSRD's double materiality assessment. For other topics, further due diligence in the future will determine their materiality.

In addition, we operate continuous topic-specific due diligence processes that help us identify (potential) human rights impacts, on which we both engage and communicate. For example, our Health, Safety, Environment and Security (HSE&S) audits assess the health and safety conditions at our manufacturing sites. Another example is our Supplier Sustainability Framework, which includes assessments, surveys and audits of our high-risk suppliers, and is designed to identify and assess sustainability practices, including human rights, in our supply chain.

Further information on our salient human rights issues, our related due diligence activities and mitigating and remediating measures (for example, related to conflict minerals) can be found in the relevant sections in the Social disclosures in the Sustainability statements.

#### Environmental due diligence

Environmental due diligence is embedded in our HSE&S processes. We have environmental due diligence processes in place for both acquisitions and divestments.

These processes are usually carried out in collaboration with a third-party specialist in the form of:

- HSE&S due diligence for overarching Health, Safety, Environment and Security-related topics
- Phase 1 and 2 environmental site assessments for soil and groundwater-related topics. This process is generally carried out against (inter)national standards in place

#### Salient human rights assessment

	Upstream supply chain	Own operations	Logistics	Downstream (customers, end-users)
Health and safety	•	•	•	•
Working conditions	•	•	•	•
Discrimination and harassment		•		
Negative impact on local communities	•	•		
Modern slavery	•		•	

## 4. Double materiality analysis: disclose the analysis in a transparent manner

*An effective identification of relevant topics ensures the collection of relevant information: both on impacts<sup>15</sup>, and on risks and opportunities. It additionally offers key input for the comprehensive long-term strategy.*

### 4.1 Disclose the role of the value chain

Value chains are inherently complex, with material impacts often occurring both up- and downstream in the value chains. Users of annual reporting need to have a thorough understanding of the value chain's role in the double materiality analysis and the company's business model. These insights allow users of annual reports to effectively assess the reported findings and link them with the corporate strategy, actions, and targets. In their annual reports, [JDE Peets](#) and [AkzoNobel](#) demonstrate good practices in this regard.

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<sup>15</sup> The ESRS contains a comprehensive list ([ESRS 1 AR16](#)) of 106 possible topics. These possible topics are commonly considered as helpful for a completeness assessment on the already identified topics.



**Good practice 5 (JDE Peets)**

**Transparent disclosure regarding material topics; JDE Peets annual report (page 18)**

JDE Peets presents a table that divides each material topic into sub-topics. For each sub-topic, they disclose key impacts and connect them by including a direct cross-reference. This offers users of the annual report insight into JDE Peets' material topics. For each topic, it is made clear where this topic is relevant in the value chain, what the main (potential) impact is, whether the topic is material from an impact and/or financial perspective, and within what timeframe these topics are considered material. This approach improves the comprehensibility of the material topics and indicates the relationship between impact and risk in the short and long term

Double Materiality									
Common Grounds pillar	Material topic	Value chain	Main impact generated (potential/actual)	JDE Peets	Time horizon	Main SDG* for positive impacts	Relevant Annual Report section*		
	<b>Biodiversity &amp; deforestation</b>	☞☞☞	Working towards a deforestation-free supply chain in our sourcing of green coffee and paper & pulp. Anticipating and managing biodiversity and deforestation-related risks across the value chain by tackling region-specific issues at community and landscape levels.	✓	✓		<ul style="list-style-type: none"> <li>Preservation of nature and biodiversity: the importance of rich habitat</li> <li>Deforestation-free supply chains</li> </ul>		
	<b>Farmer livelihoods</b>	☞☞☞	Our commitment to making a difference in the lives of farmers, their households, and greater farming communities. Through our Responsible Sourcing pillar under Common Grounds, we work closely with relevant stakeholders in the sector to support farming communities' vision of prosperity and to respect human rights.	✓	✓		<ul style="list-style-type: none"> <li>Coffee: sustainable agriculture</li> <li>Smallholder farmer engagement: further outreach and expansion</li> </ul>		
	<b>Sustainable agriculture</b>	☞☞☞	Supporting farmers in implementing good agricultural practices that promote resilience while increasing the long-term viability of farm production, including water and energy reduction, optimal nutrient management, climate change mitigation efforts, soil conservation, integrated pest management, and activities to improve crop yields and quality.	✓	✓		<ul style="list-style-type: none"> <li>Coffee: sustainable agriculture</li> <li>Smallholder farmer engagement: further outreach and expansion</li> </ul>		
	<b>Human rights</b>	☞☞☞	Applicable to our farmers, suppliers and other stakeholders in our value chain. We commit to high standards of social and environmental responsibility and ethical conduct as a signatory of the UN Global Compact and in line with internationally recognised human rights standards.	✓	✓		<ul style="list-style-type: none"> <li>Respecting Human rights</li> </ul>		



### Good practice 6 (AkzoNobel)

Transparency regarding impacts, risks and opportunities of the value chain and their connection with strategy and business model; AkzoNobel annual report (pages 25 to 27)

In its 2023 annual report, AkzoNobel presents the results of its double materiality analysis with a visual display on where the different material topics are relevant in the value chain. In addition to this visual display, AkzoNobel explicitly explains the connection between these material topics and its strategy and business model. Moreover, the company provides a description for each material topic of the main risks and impacts, including the relevant locations in the value chain. This example is effective as it highlights both impacts and risks, allowing for a more complete and more realistic overview of the challenges and responsibilities in sustainability. It makes the reporting more transparent and provides stakeholders a better understanding of where and how AkzoNobel is taking action to create sustainable value and manage risks.

Topic – Risks and opportunities	Boundary (value chain part)	Description of the main risk(s)	Description of the main impact(s)	Link to 2022 material topic	Reference to section in Sustainability statements
<b>Climate change mitigation and Energy</b>	Upstream	Inability of suppliers to take remedial actions to reduce carbon emissions and/or inability to reformulate to lower carbon feedstocks	Contributes to global warming and not able to contribute to the Paris Agreement	Emissions and energy (climate change mitigation)	Climate change
	Own operations	Inability to reduce our carbon footprint through energy efficiency improvements and renewable energy sources			
	Downstream	High-emitting customer segments not mitigating their climate impact			
<b>Climate change adaptation</b>	Own operations	Inadequate adaptation of supply chain and own operations to natural hazards occurring from climate change	Loss of assets and ceasing of operations due to natural hazards occurring	Climate change adaptation	Climate change
<b>Priority substances</b>	Upstream	Risk of spillage, accidental release and/or emissions	Environmental pollution and potential health impacts	Sustainable Product Portfolio Assessment	To be included in the section on Pollution as from 2024
	Own operations	The risk of accidental releases and/or discharges is under evaluation			
	Downstream	Inappropriate or unsafe handling of our products			
<b>Circularity and Waste</b>	Upstream	Risk of unavailability of critical raw materials	Resource use having a negative impact on climate and ecosystems	Materials and waste (for own operations)	Upstream and downstream to be included as from 2024, Own operations (waste) included in the section on Circular economy
	Own operations	Inefficient resource use, landfill and loss of potential heat recovery from incineration	Resource use having a negative impact on climate and ecosystems, potential environmental contamination		
	Downstream	Inefficient resource use due to non-recyclable components in our paints/coatings and related packaging	Resource use having a negative impact on climate and ecosystems		
<b>Working time</b>	Upstream, own operations and downstream	Excessive working hours for own workers and workers in the value chain	Negative impacts on the health and livelihoods of workers and the risk of modern slavery	Diverse, inclusive and healthy organization	To be included as from 2024 in the section on Own workforce (for own operations) and Workers in the value chain (for upstream and downstream workers)
<b>Health and safety</b>	Upstream	Risk of occupational health and safety incidents	Negative impact on the health and safety of people	Health and safety (in 2022 related to own operations and downstream operations only)	Own operations included in the section on Own workforce; Upstream included in the section on Workers in the value chain; Downstream to be included as from 2024
	Own operations	Risk of occupational health and safety incidents			
	Downstream	Inappropriate or unsafe handling of our products			
<b>Opportunity: Product portfolio assessment</b>	Downstream	Active collaboration with customers to ensure growing acceptance of sustainable solutions, thereby bringing tangible sustainability benefits to our customers	Bringing sustainability benefits to our customers, such as reducing carbon emissions	Sustainable Product Portfolio Assessment	Included in the section on Sustainable Product Portfolio Assessment as part of the Environmental section

## 4.2 Connect the business activities to the identified material topics

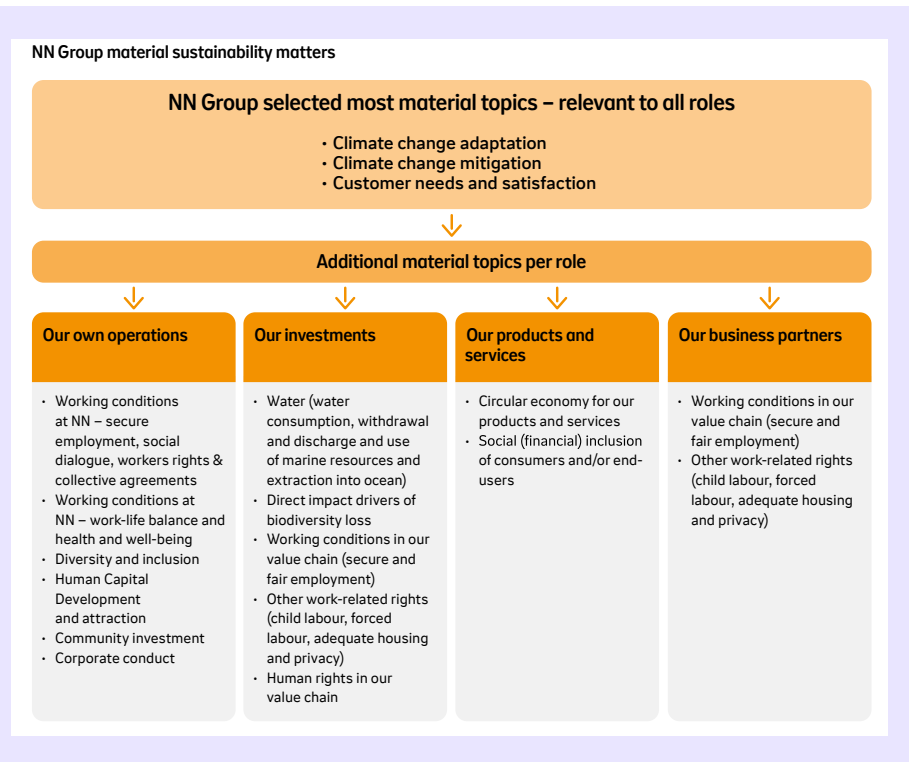
To provide insights into a company’s sustainability effects, it is useful to provide the reader with context on the relationship between the topics chosen and the business operations. Explain how the selected topics are relevant for business operations and, where needed, for which geographical region. This strengthens the understanding of stakeholders of the interconnectedness between material topics and operations and strategies. It allows the user to focus on specific business processes as opposed to the company as a whole. Still, some material topics may be relevant for the whole company. This constitutes an important contextual factor and contributes to a proper understanding of the relevant material topics selected.

Shown below is a good practice from NN Group’s [annual report](#), demonstrating the connection between material topics and their place in the value chain.



### Good practice 7 (NN Group)

Transparency regarding the connection between material topics and their place in the value chain; NN Group annual report (page 12)  
 NN Group offers further context to its material topics by indicating in its annual report where in the value chain these topics are deemed relevant. NN Group links specific material topics to its internal business operations, investments, products and services, and/or business partners. They also mention that some material topics apply across the value chain. This approach reinforces stakeholder understanding of the interconnectedness of these material topics with the different aspects of NN Group’s operations and strategies, thus allowing users to focus on specific business processes and how they relate to material topics.





### 4.3 Provide insight into the materiality assessment of sustainability topics

Regarding the selected sustainability topics, it is important for readers to be given a clear and understandable explanation on both the positive and negative effects, as well as the timeframes of these effects, as well as the process, the methods, the weighting, and the criteria applied for establishing materiality thresholds. This will enhance external auditability and reliability for users of annual reports. For some sustainability topics, the ESRS require the disclosure of a materiality assessment, irrespective of whether these topics are found to be material based on the double materiality analysis.<sup>16</sup> Disclosures on the materiality assessment should indicate how uncertainties have been addressed in assessing the materiality. This could include uncertainties about the future, the availability, and reliability of data, making estimates, or using proxies. Companies can also make use of scenarios to give users insight into the different uncertainties and outcomes.

#### **Address controversial topics**

Both the CSRD and the OECD Guidelines stress the importance of identifying adverse impacts. This is why companies must identify the scale, scope, and irreversibility of impact. We encourage companies not to shy away from properly disclosing adverse impacts or controversial material topics.<sup>17</sup> This will significantly enhance the depth and authenticity of sustainability reporting and demonstrates a dedication to proper dialogue and continuous improvement.

#### **Report transparent about the sustainability topics that were excluded**

Companies assess whether or not a sustainability topic is material. It is important for users to take note of the topics that have been excluded due to the sustainability topics being below the materiality threshold set by the company. We already observe various applications of companies that transparently present the list of excluded topics and the reasons for the exclusion. This significantly enhances the depth and authenticity of sustainability statements and demonstrates a dedication to actual dialogue.

### 4.4 Disclose the materiality of impacts, risks and opportunities

Investors and other users of sustainability reporting need the financial aspects of double materiality to be sufficiently highlighted, in order to have a transparent overview of the financial impacts of sustainability effects. By assessing the materiality of impacts, risks and opportunities, companies may speed up the process by visualizing and focussing on the most important sustainability topics. This will give investors information that can help them in making investment-related decisions.

<sup>16</sup> The ESRS describes mandatory explanatory notes to the materiality analysis. The following topical standards always need to be disclosed: ESRS 1-29, ESRS 2 – Appendix C – IRO 1, ESRS E1-20 and 21 (climate change), ESRS E2-11 (pollution), ESRS E3-8 (water and marine resources), ESRS E4-17 and 19 (biodiversity), ESRS E5-11 (circularity) and ESRS G1-6 (business conduct).

<sup>17</sup> The draft version of the EFRAG Materiality Assessment Implementation Guidance (MAIG) includes examples of how companies may make this visually clear.

**EFRAG's 'materiality assessment implementation guidance' provides guidelines for visualising financial materiality**

From the perspective of double materiality, it is important that companies also pay adequate attention to risks and opportunities (financial materiality). In its guidance on the materiality assessment process, EFRAG offers different tools to adequately identify not only the positive and adverse impacts, but also the risks and opportunities.<sup>18</sup>

A visual display of both positive and adverse impacts<sup>19</sup>, as well as the financial effects of risks and opportunities, offers users a direct insight into their significance. This can be done by using methods such as matrices or bar charts. The combination of impact and financial effects can be a complex matter, and we have seen different approaches. Some companies, such as [Arcadis](#), visually present the outcomes of this process in a bar chart. Another variant uses two separate matrices, separating the impacts and opportunities/risks, as used by [KPN](#).

A visual approach is an effective way of communicating the relative significance of impacts, risks and opportunities and to show their interrelationship. However, it is important to note that these approaches are still subject to further development. Clear, qualitative explanatory notes remain essential to correctly interpret the results.

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<sup>18</sup> EFRAG MAIG ([efrag.org](http://efrag.org)) – materiality assessment implementation guidance

<sup>19</sup> ESRS 1-3.4



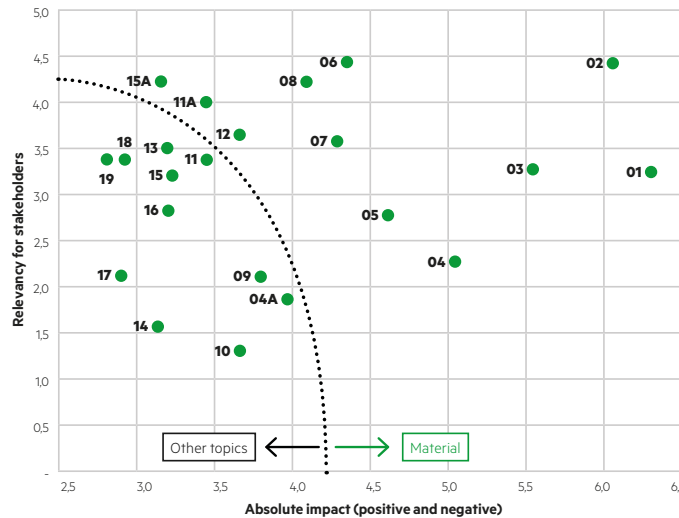
Good practice 8 and 9 (KPN ● and Arcadis ●)

Transparent display of impacts, financial risks and opportunities; KPN annual report (pages 17-18) and Arcadis annual report (page 37). KPN and Arcadis make use of their materiality matrix to illustrate the significance of the impact of each material topic both from the inside out (the impact of the company) and from the outside in (the impact on the company). This gives readers an insight in the relationship between the company and these specific material topics, which contributes to a better understanding of the financial consequences of risks and opportunities. This approach helps stakeholders to understand the company's positioning vis-à-vis the selected topics and helps in communicating on the strategic priorities and performances.

● Value creation model and material topics

Matrix outcome impact materiality assessment 2023

Absolute impact (positive and negative) and Relevancy for stakeholders



Legenda

- 01 Circular economy
- 02 Cybersecurity, data & information protection
- 03 Climate change
- 04 Working conditions in the value chain
- 04A Working conditions in the value chain: Freedom of association & Collective bargaining
- 05 Working conditions own workforce
- 06 Network quality
- 07 Customer value
- 08 Sustainable ICT solutions & product innovation
- 09 Other work related rights in the value chain
- 10 Affected communities
- 11 Equal treatment own workforce
- 11A Equal treatment: diversity within the own workforce
- 12 Business conduct
- 13 Inclusion of consumers and end users
- 14 Water and marine resources
- 15 Access to information, other topics for consumers and end users
- 15A Access to information, privacy for company's consumers and end users
- 16 Facilitating innovation
- 17 Equal treatment for workers in the value chain
- 18 Safety of consumers and end users
- 19 Privacy at work for own workforce

**Material sustainability topic - impact assessment Representing**

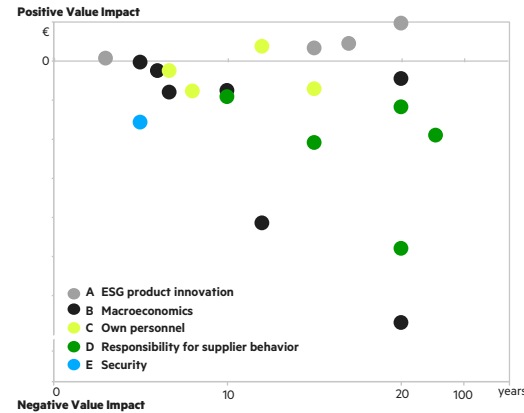
01. Circular economy	The impact KPN has with its circular approach (reduced use of virgin materials, extended product use, recycling and handling of e-waste) on materials and resources (ESRS: E5)
02. Cybersecurity, data & information protection	The impact of KPN's data & information protection and cybersecurity efforts on safeguarding the rights, safety & privacy of customers and employees and, where applicable, suppliers (Entity specific)
03. Climate change	The impact KPN has with its own business operations and in its value chain on reducing energy consumption and CO <sub>2</sub> e emissions to mitigate climate change (ESRS: E1)
04. Working conditions in the value chain	The impact of KPN's responsible supplier management and due diligence on supplier selection regarding human rights (ESRS: S2)
05. Working conditions of our own workforce	The impact of fair and attractive working conditions, ensuring health and safety, and attractive career development opportunities on KPN's workforce (ESRS: S1)
06. Network quality	The impact that the quality and reliability of KPN's networks have on the accessibility of high speed internet (Entity specific)
07. Customer value	The impact of offering future-proof services at a fair price, and transparent marketing and communication on customer appreciation (Entity specific)
08. Sustainable ICT solutions & product innovation	The impact of helping customers with digital product innovation and future-proof technologies on the acceleration of sustainable digitalization (Entity specific)
11A. Equal treatment: diversity within the own workforce	The impact of diversity, equity & inclusion on a workforce that is a good reflection of society (ESRS: S1)

**Value creation model and material topics**

**Financial materiality**

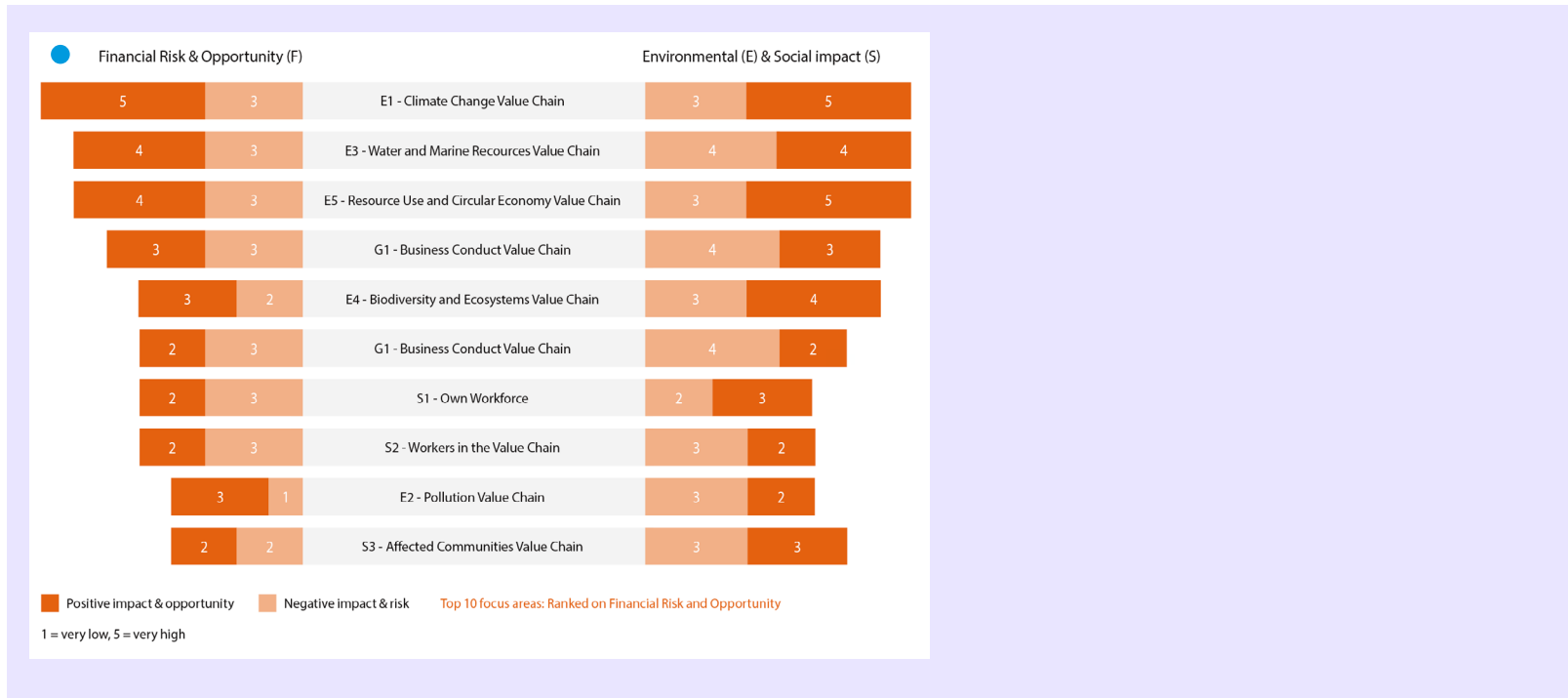
The financial effects of actual and potential risks and opportunities on KPN's cash flows, financial position, financial performance, in the short-, medium and long-term were assessed. The likelihood of occurrence of the impact, risk or opportunity has been taken into account. Scenarios were analyzed, and, due to the large number of items and some of them being sensitive, topics were clustered and presented in five material topics. We present on the Y-axis above the X-axis the themes where we expect the opportunities and below the X-axis we show the themes where we expect the risks. On the X-axis we indicate the likelihood of occurrence of the risks and opportunities over the time horizon within which we estimate them to may materialize.

**Financial Materiality Matrix**



**Material sustainability topic - financial assessment**

A ESG product innovation	The opportunities of helping customers with digital product innovation and future-proof technologies to be more sustainable
B Macroeconomic/geopolitics	KPN's risk of adverse macroeconomic and geopolitical developments
C Own personnel	The risk that KPN runs in a scarce labor market and with an ageing workforce, and the opportunity to attract good staff with favorable working conditions
D Responsibility for supplier behavior	Abuse or misstatements in the value chain for which KPN is held liable
E Security	The risk of cybersecurity attacks



#### 4.5 Report on the relationship between impact and risk in the short and long term

Impact and risk may be correlated. Sometimes directly, sometimes indirectly, sometimes after a certain period of time. It provides insight into the need to improve.<sup>20</sup> For instance, the use of chemicals and pesticides is already having an adverse impact on biodiversity and health. In the long term, this is a risk that may cause problems for business operations, issues with operating sites and raw materials. Additionally, new legislations and potential court cases could pose further risks. It is thus important for companies to clearly explain how they take the medium- and long-term implications into account, for example, for the current impact in relation to long-term risks.

<sup>20</sup> Commonly referred to in literature as licence to operate.

# Appendix. Research methodology and next steps

*The previous chapters list the 10 waypoints derived from the European Sustainability Reporting Standards (ESRS) and based on a number of good practices already seen in the annual reporting of listed issuers. These waypoints contribute to transparency, which will help users in their investment-related decisions. Furthermore, users may use this information to engage in dialogue with companies. This appendix briefly describes the review methodology and the next steps.*

## Review of annual reports of 2023

We have analysed the disclosures on the identification of material topics (double materiality analysis<sup>21</sup>) of 29 annual reports on the 2023 financial year.<sup>22</sup> Our aim was to assess the extent to which these disclosures already meet the disclosure requirements of the European Sustainability Reporting Standards (ESRS), which take effect in 2024. Our focus was mainly on the process of these analyses, including due diligence, stakeholder consultations, and how the results are presented. In addition to this, we conducted in-depth interviews with four issuers and one external stakeholder.

## Awareness and progress

Our analysis shows that most companies understand the complexity of the new requirements and that many of them have started making the necessary adjustments in 2023. However, many of these companies report that their adjustment processes are still ongoing.

## Aim of our review

This report serves to support companies in their implementation of the ESRS, for both the listed issuers due to comply in the 2024 financial year, and the more than 3,000 companies expected to follow in the 2025 financial year.<sup>23</sup>

Our review pertained to three main topics of the double materiality analysis: the disclosure of stakeholder engagement (chapter 3 of ESRS 1), due diligence (chapter 4 of ESRS 1) and the disclosure of outcomes (ESRS 2). Based on this review, the AFM provides 10 waypoints which may support companies in the implementation of the double materiality analysis in their reporting. By focusing on these waypoints, we aim to help companies in their approach. This approach, including the assessment of material topics in consultation with stakeholders, forms the starting point of the sustainability statement.

Following the publication of the report, the AFM will support listed issuers with a webinar to explain the findings. All listed issuers subject to the CSRD as of financial year 2024 will receive an invitation for this.

## References good practices

All references in the good practices refer to the PDF version of the annual report.

<sup>21</sup> ESRS refers to Double Materiality and Materiality Analysis (ESRS 1.37). In practice, this is jointly taken to be the Double Materiality Analysis. We are consistent with this concept in this document.

<sup>22</sup> The report makes no statements on the accuracy of the Double Materiality Analyses that were reviewed, instead it views these analyses from the perspective of transparent explanatory notes in the annual reports, in accordance with our mandate from the Decree on the disclosure of non-financial information, the BNFI. The AFM did not comprehensively examine the annual reports of the companies involved in the review for compliance with the reporting requirements. It should be noted in this respect that any references to a good practice in a certain annual report may not be taken as the sustainability statement being fully compliant with (future) requirements.

<sup>23</sup> <https://www.rijksverheid.nl/actueel/nieuws/2024/06/07/grote-ondernemingen-moeten-uitgebreider-rapporteren-over-duurzaamheid>

### Next steps

Our supervision of the annual reporting of the 2024 financial year will comprise an assessment on how companies adhere to the disclosure requirements of the CSRD/ ESRS. We will do so by means of our regular desktop reviews. In addition, we will conduct a thematic review of a sustainability topic in relation with compliance with the CSRD/ ESRS.