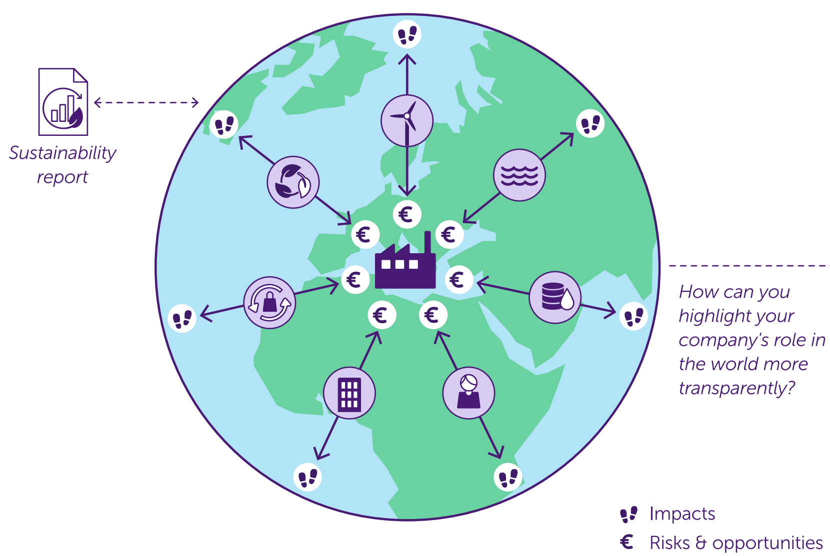
SUPERVISION REPORT

The company and its place in the world: 3 focus areas for CSRD reporting

In short The sustainability report reflects how a company is positioned in the world. The materiality assessment reveals the impact a company has on the natural environment and society, as well as the financial risks a company faces as a result of environmental and social issues. Understanding such impacts and risks will help investors and stakeholders to make more informed decisions. A materiality assessment offers critical strategic insights for the board of directors by identifying areas where company value may be at risk and highlighting opportunities for new value creation. The CSRD and ESRS provide valuable guidance for such assessments. The AFM compliments companies on the steps they have taken so far in providing more relevant information on sustainability matters. This report also shares three important focus areas for companies to identify their position in the global economy even more clearly.

The materiality assessment shows how a company relates to the world



Sustainability reports (under the CSRD and ESRS) provide relevant information. Reports are more structured, more accessible and more visual. Companies are making steady progress

3 focus areas

1 Materiality assessment: explain how impacts, risks and opportunities are identified

- Clearly map own operations and value chain
- Due diligence: demonstrate the extent to which impacts, risks and opportunities are managed
- Show how material topics relate to own activities and value chain
- Explain clearly how material topics are determined

2 Assessment: clarify the considerations for each sustainability topic

- Explain the assessment for each environmental topic
- Highlight interdependencies in a balanced way

3 Effects: disclose interaction between impacts, risks and opportunities with the strategy and business model

- Connect the material topics with the resilience of the business model and strategy
- Disclose financial effects and ensure transparent application of exemptions

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SUPERVISION REPORT

AFM

1. Summary

The Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) mark a new phase of sustainability reporting. The aim of these standards is to make the reporting of sustainability matters more transparent, to create a level playing field for European companies and to enable stakeholders to make more informed decisions. Boards of directors indicate that performing a materially assessment provides valuable insights for strategic decision-making. While applying the CSRD and ESRS requirements is still challenging for companies at present, the AFM remains committed to supporting a journey of steady progress. The 2024 sustainability reports are an integral part of this journey.

In our previous report, the AFM observed that companies had made a promising start in carrying out materiality assessments, the core basis of a sustainability report – despite the CSRD not yet being implemented.[1] In the meantime, companies have developed their sustainability reports further. This year's thematic review focuses on the identification and assessment of impacts, risks and opportunities, the related disclosures and the effect on strategy and business models. In other words, this report focuses on the company and its materiality assessment.[2] We focus on the question of whether the relevant sustainability information is reported transparently. In this report, the AFM does not express any opinion on how sustainable a company is.

The AFM compliments the first group of reporting companies: the materiality assessment results in useful and relevant information. This report shows the level of progress that companies made in reporting sustainability matters and provides companies with three important focus areas for the next steps in further developing the disclosures.

1.1 The materiality assessment shows the company's position within its societal and environmental context

The materiality assessment shows the company's position within its societal and environmental context: not only does it provide insights into the impact that a company has on people and the natural environment, but it also shows the extent to which a company is exposed to sustainability-related risks and challenges from a financial perspective. The materiality assessment clarifies which sustainability topics are of material importance to a company and which are not. Based on the results of the assessment, companies can determine goals and take action. The sustainability challenges in our world are more pressing than ever and require immediate effort and attention, and this information is therefore of value to the organisation and its stakeholders. Specifically, a clear understanding of a company's financial exposure to sustainability-related risks, challenges and opportunities is critical to key stakeholders. Therefore, the AFM welcomes the progress that is being made by companies in reporting relevant sustainability information in a way that is more transparent, structured and visually accessible. The AFM encourages companies to continue to report reliably and transparently on their sustainability impacts.

Relevance for investors and society

Materiality assessments provide insight in the impact a company has on its environment in the short term and long term. It also gives insight into the financial interdependencies that arise from sustainability-related risks and challenges. These can have positive as well as negative consequences. Clarifying these is critical for investors, suppliers and customers, as it allows them to make more informed (investment) decisions. Moreover, greater insights into the

1 Ten navigation points for the proper application of CSRD.

2 The thematic review specifically focuses on the disclosure requirements of the materiality assessment (ESRS 2 IRO-1), IRO management (SBM-3), and the environmental thematic ESRS standards (E1 to E5). It does not cover other disclosure requirements, such as those related to social standards (S1 to S4) and business conduct (G1).

most important impacts, risks and opportunities can reduce the risk of greenwashing.

Relevance for the executive and supervisory board
The materiality assessment process provides the board of directors with valuable insights as input for strategic decision-making. Specifically, the assessment provides insights into the sustainability-related impacts, risks and opportunities of a company and their interactions with the company's strategy and business model. The CSRD and ESRS provide guidance for performing this assessment, and companies noted that "it helps us to understand ourselves better". Not only does this indicate the relevance of a materiality assessment for future decision-making processes, but it also facilitates transparent communication to investors and stakeholders, thereby increasing their confidence and trust in the organisation. With all European companies that fall under the CSRD being required to report according to the same standards, a level playing field is created and the comparability of sustainability information improves. For companies which already took these steps it means recognition of their past efforts to provide comprehensive and meaningful sustainability information.

1.2 The materiality assessment provides relevant insights

Almost all listed companies that would have had to apply the CSRD and ESRS in 2024 that are included in this review drew up their sustainability report in accordance with the CSRD and ESRS.[3] In these first reports, the disclosure of the materiality assessment provides a lot of relevant and concrete information. Our review shows that sustainability reports improved significantly compared to previous years.[4] We observe that companies report their sustainability information in a more structured and accessible manner, but also in a more visual way.

Preserving double materiality is crucial for reliable sustainability information
The European Commission's Omnibus proposal includes a change in the scope and gradual implementation of the CSRD reporting requirements. The AFM considers it crucial that the availability of reliable and transparent sustainability information is guaranteed. The proposal preserves double materiality.[5]

1.3 Three focus areas

This review shares 3 focus areas to help companies identify and report on their position in the global economy even more transparently. Our report includes good practices by companies on application of specific elements of ESRS.

1. **Materiality assessment: explain how impacts, risks and opportunities are identified**
   We note that companies made considerable progress in their sustainability reporting. Clear explanations and disclosures about the materiality assessment process are important because the outcome of this assessment determines which material sustainability topics (and corresponding impacts, risks and opportunities) are elaborated on in detailed disclosures later in the sustainability report.

2. **Analysis: clarify the considerations for each sustainability topic**
   A number of companies already provide a good explanation of the analysis of impacts, risks and opportunities for the environmental topics. This is important for the reader, because for these topics – for example biodiversity and pollution – a significant level

3 At the time of publication, the Dutch Sustainability Reporting by Companies Implementation Act and the Sustainability Reporting Directive Implementation Decree have not yet been implemented. Companies that fall within the scope of this study often indicate that they already voluntarily comply with the future legal requirements from the CSRD and ESRS.

4 Ten navigation points for the proper application of CSRD.

5 The Omnibus Proposal consists of a number of amendments related to the CSRD, ESRS, and the Taxonomy. For the CSRD, it includes proposals to limit its scope and to amend the European Sustainability Reporting Standards (ESRS). In addition, it introduces a "stop-the-clock" regulation that postpones the obligations for companies that would fall under the requirements as of 1 January 2025, as well as an extended relief ("ESRS quick fix") for large listed companies that are already reporting under the CSRD and ESRS.

of discretion and judgment is required when performing the materiality assessment, which makes disclosures regarding the approach and reporting about the choices important for a good understanding by the user.[6]

3. **Effects: disclose the interaction between impacts, risks and opportunities with the strategy and business model**
   The fact that a number of companies are already reporting on this interaction helps: investors and other stakeholders are more informed when making investment decisions because it provides insight into the interaction between impacts, risks and opportunities and the resilience of the strategy and business model. For the medium to long term, reporting exemptions for companies still apply to the disclosure of the financial effects of identified risks and opportunities.

6 These are: ESRS E1 – Climate, ESRS E2 – Pollution, ESRS E3 – Water, ESRS E4 – Biodiversity, ESRS E5 – Circularity. This is also required for the topic of business conduct ESRS G1, but it is not within the scope of our review.

2. Materiality assessment: explain how impacts, risks and opportunities are identified

The materiality analysis is an essential process to identify the sustainability impacts, risks and opportunities of products and services originating from both the company's own operations and its entire value chain[7], and to determine which topics are to be reported on in the sustainability statement. By providing insight into the key considerations behind these decisions, transparency is enhanced and sustainable action is encouraged. We already observe several good practices of companies that clearly explain these considerations, although there are still steps that could be taken for further improvement.

2.1 Clearly map own operations and value chain

A clear understanding of the company's value chain is essential for comprehending both the organisation itself and its material sustainability matters. This enables readers of the sustainability statement to better understand where the undertaking operates, what it does and what impact it has. Therefore, it is important to clearly define the value chain: what are the company's relevant relationships, both upstream and downstream? This provides insight into the undertaking's scope and the potential impacts, risks and opportunities it faces. We observe that it is sometimes unclear whether all relevant parts of the value chain have been considered, such as the inflow of raw materials and the associated environmental impacts or the use of hazardous substances. When such elements are excluded, an incomplete picture of material sustainability impacts and their potential consequences is presented. In most cases, as in the Heineken report (good practice 1), we see that a thorough description of the value chain is explained in the sustainability report.

Map the value chain
A clear understanding of the value chain is essential to fully grasp the undertaking and its connection to sustainability matters. It helps in identifying where activities and services take place and the related impacts and risks that may arise. Therefore, it is important that undertakings — in addition to describing their own products, services and business processes — also provide transparency on what happens across their value chain. This includes, for example, raw material consumption, the role of suppliers and transport in the upstream phase, the undertaking's own operations and subsequently the downstream aspects such as distribution, sales, product or service use and end-of-life stages such as waste treatment and recycling.

7 ESRS-1 paragraph 12(c)(i) and ESRS-2 Reporting requirement IRO-1 – Description of the processes to identify and analyse material impacts, risks and opportunities.

EFRAG has issued guidelines for applying the value chain requirements under the ESRS

The EFRAG IG 2 guidance on the value chain provides explanations and examples to support undertakings in reporting on their value chain in accordance with the ESRS.[8] It serves as a practical tool for undertakings to navigate the value chain requirements within the ESRS, and includes a summary of frequently asked questions aimed at helping organisations implement the value chain concept in the ESRS context.

8 ESRS 1 paragraphs 59 and 60 and section 5.3 IG 1 Materiality Assessment_final.pdf

Good practice 1 (Heineken N.V.) Transparency on business model and value chain; annual report Heineken N.V. (page 157)

In its sustainability statement, under the section on strategy, business model and value chain, Heineken provides a concise and accessible overview of how its value chain is structured and how it connects to the business model. Heineken does this by describing the different parts of the value chain and indicating their position: upstream, operations or downstream. This approach makes it easier for the reader to understand Heineken's business model and value chain, and in turn supports a clearer understanding of the various sustainability topics and their associated impacts, risks and opportunities.

Business model and value chain description

Our ambition is to Brew a Better World across the value chain, from Barley to Bar. We work with more than 35,000 direct suppliers across approximately 140 countries to support our operations.

Upstream

Agriculture

We source a wide range of agricultural raw materials for brewing and producing our beverages. Our ten primary raw materials include barley, hops, rice, and maize for our beers; apples for cider; grapes for wine; and various fruits for flavouring. These materials are grown by farmers across different regions worldwide, and we source them from both local and global suppliers. Developing responsible agricultural supply chains is a priority for us, as increasing the use of sustainable raw materials helps reduce the impact on nature and supports the social and economic conditions of farmers and their communities.

Packaging

Most of our beer and cider is packaged in glass bottles, aluminium cans, and steel kegs. For secondary packaging, we use materials such as paper and plastic. We are constantly exploring innovative ways to use packaging materials to enhance reuse and recycling. Packaging materials are sourced from various suppliers around the world. Our circularity strategy prioritises three key areas to drive progress towards a closed-loop approach for our packaging: reuse, recycled content, and recyclable design.

Operations

Brewing

Brewing beer and making cider is a craft. We operate over 170 breweries, malteries, cider plants, and other production facilities worldwide. These facilities enable us to brew, ferment, and process our beverages for distribution. Under our Net Zero Programme, we aim to improve energy consumption and transition to renewable energy. Our water strategy takes a holistic approach, focusing on responsible water use, effective wastewater management, and supporting water security in our production, supply chain, and communities – particularly in water-stressed areas.

Logistics

We manage the global movement of our products using various transport modes, including road, rail, ocean freight, and inland barges. We adapt our distribution methods to meet local demands and ensure timely delivery, using both our own fleet and third-party distributors. Reducing the distance our products travel benefits the environment, and optimising trips and trucks used for distribution is a key driver in reducing our impact.

Downstream

Customers

We sell our products through various sales channels, including on-trade establishments such as bars, restaurants, and hotels, as well as off-trade retailers, both large and small. To serve a cool drink, we work with our fridge suppliers to continually improve energy efficiency, explore fridge circularity, and - where possible - support local pubs and bars in accessing renewable electricity more easily.

Consumers

Our consumers are individuals who buy our beverages, either through our customers or via our e-commerce platforms. We offer more choice with our 0.0 portfolio of beer and cider brands and empower consumers with clear, transparent information about our products. We also use our brands to promote moderation and responsible consumption through campaigns and sponsorships, with an increasingly important role for our non-alcoholic products.

2.2 Due diligence: demonstrate the extent to which impacts, risks and opportunities are managed

Due diligence is an important process to identify impacts, risks and opportunities for the company and its value chain and to determine their relative importance.[9] A transparent explanation of this due diligence process shows the extent to which a company is in control when it comes to identifying and assessing impacts, risks and opportunities. In addition, it is important to properly explain how the results of the due diligence process feed the materiality analysis.[10] We see that the level of analytical depth varies greatly and note that more specific explanations contribute to the reader's understanding. Some companies such as JDE Peet's (good practice 2) go beyond a general description and provide an in-depth analysis for specific topics. This increases the reader's insight and makes clear how the company implements the principle of due diligence.

Be transparent on the due diligence process

We have seen several examples that do not sufficiently demonstrate how the company has designed its due diligence process to identify its impacts and associated risks and dependencies. We note that providing insight into the due diligence process and the extent to which this process feeds the materiality analysis is important for the user's insight. This allows the user of the sustainability report to form an idea of the extent to which the company has a grip on the impacts, risks and opportunities that are relevant to it.

SRS provide guidelines on due diligence

The requirements of the ESRS provide good guidance for performing the due diligence process to identify and assess impacts, risks and opportunities.[11] Companies can base the design of their due diligence process on the OECD guidelines. In addition, there are also tools that can help identify impacts, risks and opportunities. One of these tools is the LEAP approach (**L**ocate, **E**valuate, **A**ssess, **P**repare). This approach is based on the due diligence guidelines of the Taskforce on Nature-related Financial Disclosures (TNFD).[12] The TNFD focuses primarily on nature, biodiversity and ecosystem services. With this approach, companies can carry out a systematic analysis of their nature-related impact and risks. This makes the LEAP approach a useful tool for giving substance to nature-related due diligence. In addition to the TNFD, the ESRS refer to guidance from the Taskforce on Climate-related Financial Disclosures (TCFD) for climate-related due diligence, which companies can use to conduct a systematic analysis of their climate-related impact and risks and opportunities.[13]

9 ESRS 1 paragraph 58 Due Diligence.

10 ESRS 1-60 as well as ESRS 2-53b.

11 ESRS 1 paragraph 59 – OECD Guidelines and UN Guiding Principles on Business and Human Rights (UNGPs), see also Application requirements of thematic ESRS standards: ESRS E-4 Application Requirement (AR) 6. This approach is also part of the application requirements of E2 (Pollution) AR 1 and 2, E3 (Water) AR 1 and 2 and E5 AR 1 and 2 (Circularity).

12 Guidance_on_the_identification_and_assessment_of_nature-related_Issues_The_TNFD_LEAP_approach_V1.1_October2023.pdf See also chapter 1.1. The Use case of LEAP for the relationship with Due Diligence.

13 ESRS E-1 Application Requirement (AR) 14 and IFRS - ISSB and TCFD.

Good practice 2 (JDE Peet's N.V.) Transparent explanation of due diligence process; annual report JDE Peet's N.V. (page 127 - 130)

JDE Peet's describes how it uses the LEAP (Locate, Evaluate, Assess, Prepare) approach in its due diligence process to identify and assess sustainability impacts on 'biodiversity' (ESRS E4). Based on this approach, JDE Peet's describes where in its value chain impacts, risks, opportunities and dependencies lie on nature related issues and how it evaluates them. JDE Peet's also reports on the extent to which the associated risks and opportunities feed the materiality analysis and how the results interact with the sustainability strategy. This example shows parts of the first two steps of JDE Peet's LEAP approach.

OUR STRATEGY

TRANSITION PLAN

As an SBTN Corporate Engagement member and a TNFD Early Adopter, we contribute to shaping a science-based nature strategy. Our efforts follow the **LEAP** framework, structured into four stages:

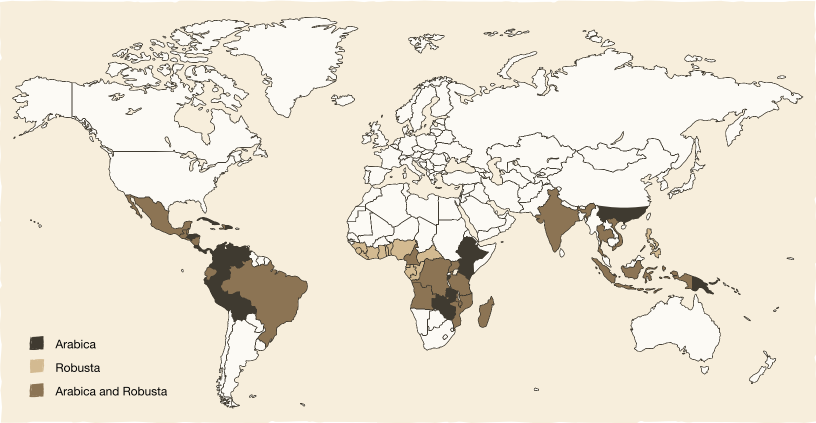
- **L**ocate: Identify the company's interface with nature across geographies and the value chain
- **E**valuate: Assess dependencies and impacts on nature
- **A**ssess: Analyse nature-related risks and opportunities
- **P**repare: Develop responses to these risks and opportunities, and report on material nature-related issues.

LOCATE

As a company sourcing approximately 8% of the world's coffee, we operate across the coffee belt, sourcing from over 30 countries annually. With a non-vertical integration model, our sourcing varies year-to-year, requiring engagement with different farmers. This dynamic shapes our sustainability transition plans, focusing on the entire coffee value chain.

EVALUATE

The following table highlights the key environmental pressures and dependencies associated with coffee production, based on IPBES[48] pressure categories and ecosystem services using the ENCORE tool.



IPBES Pressure category	SBTN Pressure category	Pressure materiality assessment
Ecosystem use and use change	Terrestrial ecosystem use and use change	Deforestation due to farmers encroaching on forested land to expand their farms.
	Freshwater ecosystem use and use change	Extraction of ground and surface water, increasing water stress to water basins for irrigation.
	Marine ecosystem use and use change	n/a
Resource exploitation	Water use	Water use for washed arabica and irrigation.
	Other resource use	n/a
Climate change	GHG emissions	Mainly fertiliser application either through emissions on farms (ammonia, NOx, phosphorus) or fertiliser production.
Pollution	Water pollutants	Inadequate water treatment of after-processing washed arabicas.
	Soil pollutants	Soil degradation due to impact of fertilisers and application of pesticides.
Invasive alien species	Invasive alien species	n/a

Ecosystem service type	Ecosystem service	Dependency materiality assessment
Provisioning services	Biomass provisioning services; genetic material services	Very high materiality rating
	Water supply	High materiality rating
	Other provisioning services - Animal-based energy	Medium materiality rating
Regulating and maintenance services	Global climate regulation services; rainfall pattern regulation services; local (micro and meso) climate regulation services; soil quality regulation services; soil and sediment retention services; water purification services; pollination services	Very high materiality rating
	Water flow regulation services; flood mitigation services; storm mitigation services; biological control services	High materiality rating
	Air filtration services; solid waste remediation; other regulating and maintenance service - dilution by atmosphere and ecosystems	Medium materiality rating

2.3 Show how material topics relate to own activities and value chain

It is important that a clear description is also provided of *where* the impact, risks and opportunities occur, and on what time horizons; this applies to *where* in the value chain and *where* in one's own activities. These aspects are crucial for a good understanding of impacts, risks and opportunities, how they affect the company and vice versa: the way in which the company has an impact on the outside world. We see that many companies in our review already explain the interrelationship between the impacts, risks and opportunities and their own activities and value chain. In its sustainability report, ING Group (good practice 3) shows how the various impacts, risks and opportunities relate to its business activities.

Good practice 3 (ING Group N.V.) Transparent explanation of material topics in relation to the value chain and activities, including time horizons; annual report of ING Group N.V. (page 102)

ING provides an overview of the impacts, risks and opportunities in its sustainability report using the table below, including insight into where they occur in its value chain, the associated time horizons and the business activities to which they relate. This provides users of the sustainability report with insight into ING's material sustainability topics. For each topic, it indicates to which part of the value chain it relates, what the most important (potential) negative and positive impact is, what the most important risks and opportunities are and within which time horizon it is considered relevant. This approach strengthens the reader's understanding of these material topics and provides insight into the relationship between impacts and risks in both the short and long term.

The table below presents an overview of the impacts, risks and opportunities including insights on the location of these IROs in our value chain, the respective time horizons, and the affected business models.

IRO type	Material impacts, risks and opportunities	Upstream	Own operations	Downstream	Very short-term	Short-term	Mid-term	Long-term	Affected business model
	Environmental	Location in Value Chain			Time horizon				
Climate change (E1)									
Negative impact	as a result of lending to clients operating in high-emitting sectors and the financing of non-energy efficient properties (Climate change mitigation).			☐	☐	☐	☐	☐	Private Individuals, Private Banking, Wholesale Banking, Business Banking
Risk	▪ of potential (non) financial losses from client defaults and reduced collateral values as a result of the transition to a low-carbon business model or economy (Climate change mitigation); or ▪ of potential financial losses due to the increased likelihood of client defaults and non-performing loans as a result of physical climate effects. These may occur in the form of acute event-driven occurrences, such as storms and floods as well as chronic long-term shifts and trends, like rising sea levels and temperatures (Climate change adaptation).			☐	☐	☐	☐	☐	
Opportunity	is defined as ING's publicly disclosed voluntary commitments to support the climate transition of our clients (Climate change mitigation).			☐			☐	☐	
Biodiversity (E4)									
Negative impact	as a result of lending to clients whose operations cause irreversible damage to the state of species.			☐	☐	☐	☐	☐	Wholesale Banking
Risk	can materialise following the severity of a negative impact and can result in reputational - and financial losses.			☐			☐	☐	
	Social								
Own workforce (S1)									
Negative impact	as a result of employees being exposed to unrealistic workloads and expectations and ING perpetuating gender inequality, sustaining pay gaps and failing to adequately prevent violence and harassment, which may diminish the wellbeing of our workforce, especially among vulnerable groups such as women and minorities.		☐		☐	☐	☐	☐	Own operations
Positive impact	as a result of upskilling employees with new competencies and knowledge and exposing them to a work environment with diverse teams.		☐			☐	☐	☐	
Risk	Risks recognised primarily arise from the materialisation of negative impacts which might lead to reputational and turnover risk. Risks may also pertain to the employment and inclusion of persons with disabilities. For instance, failing to provide adequate workplace accessibility could result in reputational damage.		☐		☐	☐	☐	☐	
Consumers and end-users (S4)									
Negative impact	as a result of not providing access to quality information, ensuring social inclusion, and ensuring privacy towards our clients, which might harm customer wellbeing, damage our reputation, and expose us to financial losses and regulatory risks.			☐	☐	☐	☐	☐	Private Individuals, Private Banking
Risk	arising from the materialisation of the identified negative impacts.			☐	☐	☐	☐	☐	
	Governance								
Business conduct (G1)									
Risk	of financial loss, regulatory fines, and reputational damage resulting from infringements of our corporate culture, instances of bribery and corruption, and failure to protect whistleblowers.		☐		☐	☐	☐	☐	Own operations

2.4 Explain clearly how material topics are determined

An important step is the description of what considerations the company has made and how it has arrived at criteria for determining material impacts, risks and opportunities. Although all companies indicate which topics are considered material, the underlying considerations often remain unclear. Most companies provide threshold values for this materiality determination. If these threshold values are clearly explained, they increase the comprehensibility of the materiality determination.[14] We recognise that determining the threshold values with which the sustainability topics are weighted may be complex and difficult to describe, partly because the ESRS have no requirements for determining these values. Visualising the outcomes can therefore be helpful. It helps users of the sustainability report to better contextualise and interpret the information. Applying visualisations and providing the relevant explanations, as in the example of Stellantis (good practice 4), contributes to a better understanding for the reader.

Provide insights into the application of thresholds
We have seen a number of examples that do not make clear why subjects are material or not. In these examples, threshold values are often applied without much explanation to the reader. For example, some sustainability reports only use the quantitative threshold as an explanation for classifying a subject as non-material, without explaining what that threshold is based on. Although the use of threshold values is useful to limit the number of material sustainability topics, it is important that the user of the sustainability report has a sufficient understanding of how the materiality of a subject has been determined and what the most important considerations have been. In the explanatory notes, it is therefore important to clarify how uncertainties have been dealt with when using threshold values and determining whether or not a subject is material. These may be uncertainties about the future, the availability and reliability of data, making estimates or the use of approximations.

14 ESRS 1 Appendix B Qualitative characteristics of information

Good practice 4 (Stellantis N.V.) Transparent explanation of the application of threshold values; annual report Stellantis N.V. (page 185)

Stellantis has visually represented its thresholds in terms of impact and financial materiality through the materiality assessment below in its sustainability report. This highlights at a glance to the user of the sustainability report what the effect is of applying these threshold values and which topics are, or are not, material or fall just below these threshold values. This informs the user of the sustainability report as to which sustainability topics are material, which are (just) below the threshold and what the effect of applying these threshold values is.

3. Assessment: clarify the considerations for each sustainability topic

Disclosing the considerations that were taken into account when assessing the impacts, risks and opportunities for each sustainability topic is of great relevance to the reader of a sustainability report. For this report, we have focused on the disclosure relating to the materiality assessment of environmental topics. Given the leeway the materiality assessment guidance provides in assessing the material relevance of environmental topics such as biodiversity and pollution, companies need to explain clearly what their underlying reasons and considerations were to justify why certain sustainability topics are material to them while others are not. While it is also deemed important to provide clear disclosures about the companies' activities, value chain, due diligence process and materiality assessment, clarifying the underlying reasons and considerations for the set materiality levels is key. The ESRS require disclosure about this for each environmental topic regardless of whether a company assesses them as material or not.[15] Our review shows that some organisations provide clear disclosures of the assessed materiality for each sustainability topic.

3.1 Explain the assessment for each environmental topic

Providing a good understanding of sustainability reporting requires companies to clearly explain how they identify and assess impacts, risks and opportunities for each sustainability topic included in the ESRS standards. The ESRS standards require such disclosure for each individual environmental topic, we observed great variability both in scope and depth.

The materiality assessment on climate change is usually well established
We have observed that the materiality assessment of the climate change topic (ESRS E1) is quite established by most companies. This may be due to societal focus on this topic, and this might explain why companies are able to report clearly not only on the physical and transitional risks they are exposed to but also on scenario analyses that they perform to assess the impact that changes in temperature and CO_2 pricing might have. In addition, we observe companies linking the climate change topic back to their business strategy in accordance with the TCFD guidelines.

Disclose the most important considerations of your impacts, risks and opportunities assessment for each sustainability topic
We observe that the topic E1 Climate Change is of material relevance to most companies, while the remaining environmental topics (i.e. E2 Pollution, E3 Water, E4 Biodiversity and E5 Circular Economy and Ecosystems) are often identified as non-material. There might be logical underlying reasons for this observation, but we notice that companies often neglect to report or report very little as to why certain topics are immaterial to them. Instead, we see companies often explaining the process of their materiality assessment instead of explaining the considerations that were taken into account when assessing each topic. Disclosing these considerations will positively contribute to the quality of a sustainability report, via improved transparency and insight for the reader.

15 The ESRS have mandatory disclosures for the materiality study. The following sustainability topics should always be explained: 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).

Use established frameworks for clearer structure and insights
The use of established frameworks can facilitate structure and support companies in gaining clearer insights for a more comprehensive assessment. The LEAP approach is one of many assessment frameworks which can help companies gain such insights and applies to E2 Pollution, E3 Water, E4 biodiversity and E5 Circular Economy. LEAP supports companies in describing their assessment process clearly and in explaining how they can tackle topic-specific impacts, risks and opportunities, such as the use of pesticides, substances of (very) high concern, how to approach the analysis of water stress areas and threatened ecosystems. Disclosing such information improves not only the transparency and depth of the reporting but also the overall quality of a sustainability report. Therefore, we encourage the use of established frameworks where applicable and possible.

3.2 Highlight interdependencies in a balanced way

Interdependencies exist between 1.) impacts and dependencies and 2.) risks and opportunities. We encourage companies to clearly explain the sustainable impacts a company has on the natural environment and its people, as well as the impacts the company is exposed to.[16] For example, companies are dependent on natural resources for their production. At the same time, their production has an impact on natural resources. We notice that some companies emphasise the positive impact their products can have and the opportunities they provide for people and the natural environment but pay little attention to disclosing the negative impacts and risks transparently. Furthermore, companies rarely disclose the interactions between environmental topics and the consequences of these interactions.[17]

The sustainability topics E2 Pollution, E3 Water and E4 Biodiversity are interconnected. As we observe these topics being frequently approached independently of one another, companies may run the risk of approaching materiality too narrowly. Another, more comprehensive approach was observed in several companies that grouped sustainability topics together. For example, Ahold Delhaize (good practice 5) focuses on the overarching topic of 'Nature' instead of on the individual environmental topics. Another example worth highlighting is the good practice of BAM Group (good practice 6), which clearly shows the different dependencies between the topics.

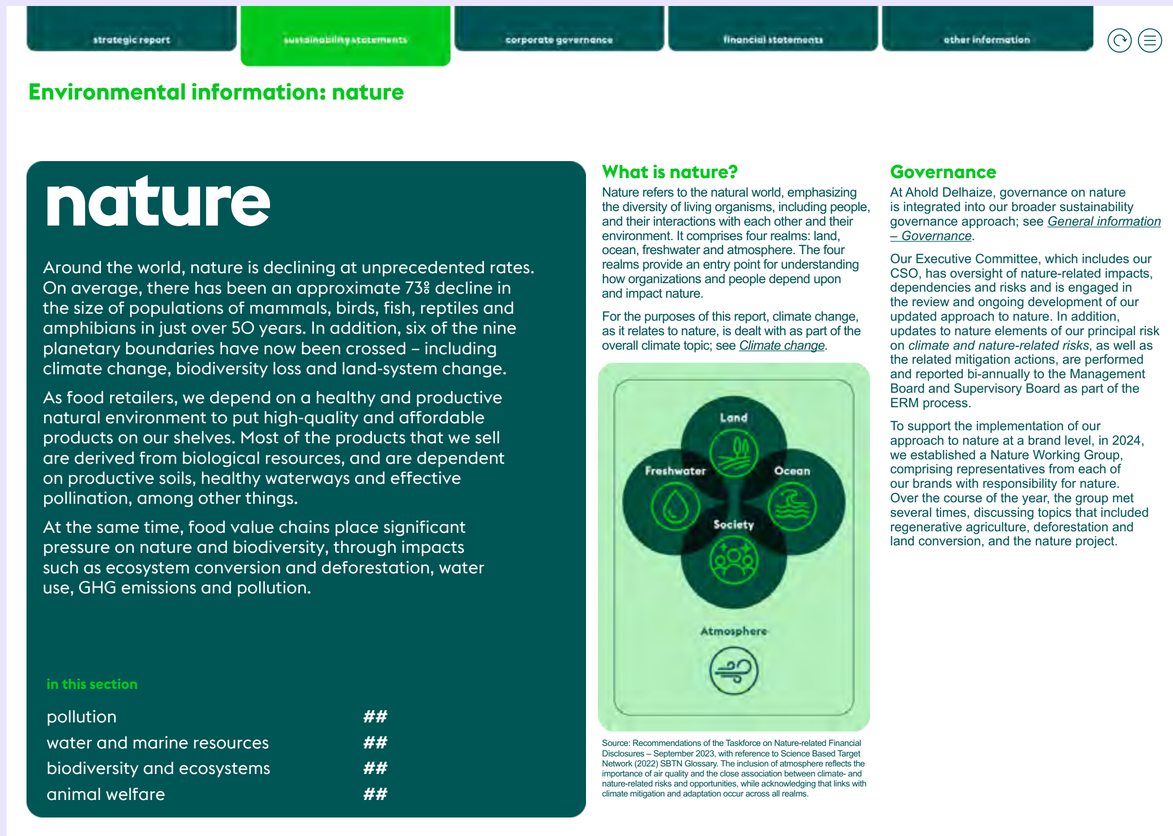
Combining environmental topics
We notice that several companies group different sustainability topics with clear underlying dependencies such as E2 Pollution, E3 Water and E4 Biodiversity together and perform one integrated materiality assessment. An integrated assessment has the potential to provide readers with a clearer understanding of the interdependent impacts, risks and opportunities. While integrated assessments do not give rise to impediments for compliance with the ESRS standards for individual sustainability topics, they provide opportunities to identify, highlight and interpret underlying interdependencies between topics.

16 See ESRS-2 paragraph 53 (c)i.

17 See the chapter in the ESRS Standards E1, up to and including E5: 'interaction with other ESRS' and the overlapping (sub)topics in ESRS-1 application requirement 16: Sustainability topics to be included in the materiality analysis with Include references of E-standards interaction + ESRS 1 AR-16.

Good practice 5 (Royal Ahold Delhaize N.V.) Insight into how sustainability topics are linked to each other; annual report Royal Ahold Delhaize N.V. (page 122)

In Ahold Delhaize's sustainability report, the various topics of Pollution, Water and Biodiversity that are relevant to it are combined into one topic: 'Nature'. In this way, Ahold Delhaize shows the different dependencies and connections of this sustainability topic to the reader so that they can better understand the related impacts, risks and opportunities that arise from its 'Nature Project'. In this combined approach, Ahold Delhaize also pays attention to the separate reporting requirements per thematic standard, so that the reader's understanding is not lost. Ahold Delhaize is also transparent about the fact that this analysis has not yet been perfected. In addition, the various dependencies and their relative size that Ahold Delhaize identified are mentioned, such as: fresh water and fertile soil. This transparent interpretation allows the reader to understand the relationship between the various topics and to see in one glance where in the report the (more detailed) information can be found.



strategic report | sustainability statements | corporate governance | financial statements | other information

Environmental information: nature

nature

Around the world, nature is declining at unprecedented rates. On average, there has been an approximate 73% decline in the size of populations of mammals, birds, fish, reptiles and amphibians in just over 50 years. In addition, six of the nine planetary boundaries have now been crossed – including climate change, biodiversity loss and land-system change.

As food retailers, we depend on a healthy and productive natural environment to put high-quality and affordable products on our shelves. Most of the products that we sell are derived from biological resources, and are dependent on productive soils, healthy waterways and effective pollination, among other things.

At the same time, food value chains place significant pressure on nature and biodiversity, through impacts such as ecosystem conversion and deforestation, water use, GHG emissions and pollution.

in this section

pollution ##
water and marine resources ##
biodiversity and ecosystems ##
animal welfare ##

What is nature?

Nature refers to the natural world, emphasizing the diversity of living organisms, including people, and their interactions with each other and their environment. It comprises four realms: land, ocean, freshwater and atmosphere. The four realms provide an entry point for understanding how organizations and people depend upon and impact nature.

For the purposes of this report, climate change, as it relates to nature, is dealt with as part of the overall climate topic; see *Climate change*.

Land
Freshwater
Ocean
Society
Atmosphere

Source: Recommendations of the Taskforce on Nature-related Financial Disclosures – September 2023, with reference to Science Based Target Network (2022) SBTN Glossary. The inclusion of atmosphere reflects the importance of air quality and the close association between climate- and nature-related risks and opportunities, while acknowledging that links with climate mitigation and adaptation occur across all realms.

Governance

At Ahold Delhaize, governance on nature is integrated into our broader sustainability governance approach; see *General information – Governance*.

Our Executive Committee, which includes our CSO, has oversight of nature-related impacts, dependencies and risks and is engaged in the review and ongoing development of our updated approach to nature. In addition, updates to nature elements of our principal risk on *climate and nature-related risks*, as well as the related mitigation actions, are performed and reported bi-annually to the Management Board and Supervisory Board as part of the ERM process.

To support the implementation of our approach to nature at a brand level, in 2024, we established a Nature Working Group, comprising representatives from each of our brands with responsibility for nature. Over the course of the year, the group met several times, discussing topics that included regenerative agriculture, deforestation and land conversion, and the nature project.

Ahold Delhaize Annual Report 2024

Environmental information: nature continued

Outcomes of the 2024 nature project

Through the project, we assessed potential impacts on nature and biodiversity in our upstream own-brand value chains, with a focus on 27 HICs[1]. In evaluating these impacts, we considered both the pressure these commodities place on nature and biodiversity, and the state of nature in the actual or estimated production location[2]. To assess pressure, we conducted life-cycle assessments over several nature pressure categories, including water use, water pollution, soil pollution, air pollution and land use. The State of Nature assessment included consideration of whether the value chain was likely to intersect with key biodiversity areas or ecologically sensitive areas.

1. The pressure assessment was conducted at the product level, rather than the ingredient level. While the approach varied across categories, this means weight was allocated to HICs based on assumptions.
2. In instances where the country of origin of select HICs was unknown, we utilized desk-based research and trade flow databases to identify likely sourcing countries. In these instances, and where sub-national information was not available, we utilized MapSPAM crop maps to identify likely sourcing locations within a country.

The assessment identified several high-impact value chains for additional exploration, set out below.

High-impact value chains for additional exploration	
Land use, soil, air and water pollution	Animal value chains such as beef, poultry, pigs and dairy (includes feed) in selected locations
Deforestation and conversion	Palm oil, soy, cocoa, coffee, tree nuts, pulp, banana, avocado and beef value chains in selected locations
Water use	Tree nut, cotton, cocoa, beef, dairy, rice and avocado value chains in selected locations

Our existing program of work on deforestation and conversion covers many of the value chains flagged for further exploration, including palm oil, soy, coffee, tea, cocoa and wood fiber. See *Biodiversity and ecosystems* for more information on our deforestation approach.

In the coming year, we plan to engage our brands, NGOs and value chain partners (where relevant) to validate the results of this assessment, investigate potential mitigation actions and further prioritize actions and value chains.

Dependency assessment

Food and agriculture value chains are highly dependent on ecosystem services. This year, we assessed the dependency of our brands' own-brand supply chains on four ecosystem services that are considered to have high or very high importance to the food and agriculture sector. The assessment drew on tools including ENCORE and the TNFD's Food and Agriculture Sector Guidance.

A summary of the results is as follows:

Ecosystem services	Relative dependency[2]	Related supply chains
Water supply and quality	Very high	The majority of our assortment is dependent on the provision of clean freshwater and fertile soil in order to support biomass supply. This includes animal products, broadacre crops, and fruits and vegetables.
Soil fertility and quality	Very high	
Biomass supply	Very high	
Pollination	Medium	Some products within our assortment have a high or very high[1] direct dependency on pollination. These include (but are not limited to) cocoa, melons, pumpkins and squash, tree nuts, avocados, cucumbers, berries, plums, pears, apples apricots and peaches. We also have an indirect reliance on pollinators through other value chains, e.g., pollination required to produce some crops in feed in animal value chains.

Level of dependency Very high High Medium

1. Very high dependency refers to crops that are expected to have a yield reduction of more than 90% without pollinators. High-dependency crops are those with an anticipated yield reduction of approximately 40-90% without pollinators.
2. Refers to the proportion of the assessed assortment that has a high or very high direct dependency on the ecosystem service

Nature risks and opportunities

Building on the risks and opportunities identified through the DMA, we conducted a more detailed risk and opportunity assessment, focusing on physical and transition risks in our upstream value chain.

We assessed the likelihood and magnitude of 21 risks and opportunities in our upstream value chain using the World Wide Fund for Nature (WWF) Biodiversity Risk Filter, the results of our impact and dependency assessments, and desk-based research.

The risks and opportunities assessed are set out in the table below, with those initially identified to be most severe underlined. We have included some additional detail on several risks, along with current mitigation where relevant.

This represents our first nature risk assessment, and we will continue to refine and build upon this work in years to come. As a first step, we will engage with our brands to validate the results, and will work to embed the learnings and outcomes of this process into our ERM risks on climate and nature, where applicable.

SUPERVISION REPORT

Good practice 6 (Royal BAM Group N.V.) Transparency, explanation per materiality analysis and link with other topics; annual report Royal BAM Group N.V. (page 88)

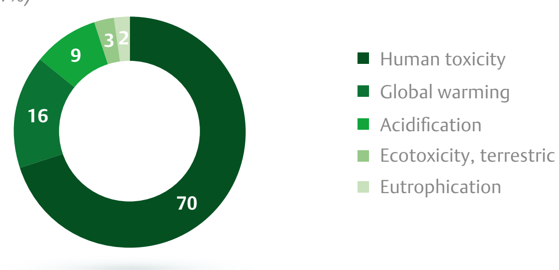
BAM explicitly mentions the relationships between different sustainability topics in its sustainability report. On the topic of pollution (E2), BAM makes it clear that this also has an impact on other topics, such as climate (E1) and biodiversity (E4). BAM distinguishes between different forms of pollution, such as emissions to the air that do not involve greenhouse gases ('air pollution') and soil pollution. By providing insight into these relationships, BAM shows that it has an eye for the interconnectedness between these sustainability topics. This allows the reader to see the connection between these topics. The references indicate well where information can be found.

42 E2 – Entity-specific Pollution

Material impact, risk or opportunity		
Pollution		
Pollution of air and soil	(VC upstream)	Negative impact

The disclosures in this section should be read in conjunction with the disclosures in chapter 6.2 on Impact, risk and opportunity management. The topic of pollution is closely connected to the other environmental sub-topics such as climate change and biodiversity. The seven greenhouse gases connected to air pollution are included in section Climate change (ESRS E1), pollution as a direct impact of biodiversity loss is addressed in section Biodiversity (ESRS E4). Upstream pollution in BAM's value chain is identified as a material impact in BAM's double materiality assessment.

43 Relative estimated impact of pollution in BAM's upstream value chain*
(in %)



* Pollution emission figures are calculated with estimations assumptions

4. Effects: disclose interaction between impacts, risks and opportunities with the strategy and business model

The interplay between identified impacts, risks and opportunities and a company's strategy and business model also influences the strategic direction the company follows. Conversely, strategic choices also have consequences for the impacts, risks and opportunities. The transparent disclosure of this reciprocal relationship provides users with insight into the resilience of the business model and the company's strategy in relation to the most important sustainability topics.[18] Reporting exemptions currently apply to reporting about medium- to long-term financial effects. We noted that companies make use of these exemptions and are usually transparent about doing so. However, we also already see a few companies that report transparently about the resilience of their business model, their strategy and the financial effects.

4.1 Connect the material topics with the resilience of the business model and strategy

Clearly illustrating the relationship of the material topics with the resilience of the strategy and business model is useful for companies and users of sustainability reports. It provides insight into the interaction between sustainability topics and the company's strategy. We often see that this reciprocal relationship is not yet explicitly described in the report. However, this is relevant information for readers of the sustainability report, because it provides indications of the company's (future) course. Conducting a robust resilience analysis is an important key first step. It enables organisations to map out the extent to which their business model is resilient to future sustainability developments and what strategic adjustments may be needed. Royal Heijmans sustainability report (good practice 7) provides an example of a resilience analysis.

18 ESRS-2 Reporting requirement SBM-3.

Give clear insight into the resilience of the strategy and business model

We see that performing a thorough resilience analysis is still a challenge for many companies. This is partly due to the complexity and uncertainty of future developments, such as changing regulations regarding, for example, volatile organic compounds, or dependencies on scarce raw materials like (clean) water or (useful) land. It is therefore essential that companies structurally analyse and report on the relationship between their impacts, risks and opportunities and the resilience of their strategy and business model, also bearing the long term in mind. Companies can make use of the aforementioned frameworks, such as the TCFD and TNFD, which provide concrete guidance for conducting this type of strategic resilience analysis.

Good practice 7 (Royal Heijmans N.V.) Resilience analysis provides insight into the resilience of strategy; annual report of Royal Heijmans N.V. (page 216)

Regarding the impacts, risks and opportunities related to the subject of biodiversity and ecosystems, Heijmans conducts a resilience analysis that provides insight into the risks for the business model. Heijmans transparently discloses that this is the first year that this resilience analysis is conducted and also indicates which important limitations, considerations and assumptions have been a factor in this process. Through this disclosure, Heijmans clearly communicates and emphasises that the analysis is an ongoing process, which will be subject to further refinement and elaboration in the future. The interdependencies and the relationship with the business model are well described and gives clear insight into the analysis performed. Heijmans used a tool from the World Wide Fund for Nature (WWF), which can be used to implement the LEAP approach.

4.2 Disclose financial effects and ensure transparent application of exemptions

It is important to provide insight into the current and future expected financial effects of (sustainability) risks and opportunities, for investors and users of sustainability reports, because it provides an indication of the influence of these effects on (future) financial performance and cash flow. Therefore, the investor is more informed when making investment decisions. In addition, these disclosure requirements are closely aligned with the internationally developed reporting standards of the International Sustainability Standards Board (ISSB).[19] Moreover, it can contribute to a better alignment and connectivity with the financial part of the annual report, the financial statements and the risk section of the management report. We identified several companies that transparently disclose their use of these exemptions. We also already see some companies that provide both qualitative and quantitative disclosures about these financial effects, such as JDE Peet's (good practice 8).

Exemptions for reporting financial effects
For the first reporting year based on ESRS, the expected (future) financial effects do not yet have to be disclosed. In addition to the possibility of applying this exemption, companies can opt to provide only qualitative disclosures about these financial effects for the first three reporting years, when it is practically (not yet) possible to quantify these effects.[20]

19 ISSB S1 General Requirements Section 29 and S2 Climate
20 ESRS-1 Appendix C List of Phased-in Reporting Requirements

Good practice 8 (JDE Peet’s N.V.) Transparent disclosure of the financial effects of risks and opportunities; annual report JDE Peet’s N.V. (page 139)

In its sustainability report, JDE Peet’s presents the current and future expected effects of the risks and opportunities it has identified. The anticipated (quantitative) consequences of these future effects on its assets, percentage of turnover, liabilities and required investments are disclosed, as well as the impact on the risk management strategy, methodologies used, connection with relevant other parts of the annual report and the time frame in which these risks and opportunities arise. This approach enhances the reader’s comprehension of the financial effects of risks and opportunities, clarifying their consequences and significance.

CURRENT AND ANTICIPATED FINANCIAL EFFECTS

Risk description		Financial risk			Mitigation strategy		Methodology
Risk / Opportunity	Input of TNFD risk assessment	EUR amount of assets at risk	Financial implication (cumulative up to 2030) of revenue at risk	Liabilities recognised in financial statements	Incremental capex / opex investments	Mitigation strategy (management of risk/ opportunity)	Assumptions used in calculations and linked to the financial statements
Risk: Deforestation regulation	• **Transition risk - Policy and legal** Increase in compliance costs due to dependency on forest risk commodities exposed to jurisdictions with regulatory restrictions.	0		0	We estimate that the related annual increase in cost of raw materials will be in the range of 1% to 1.5% as of 2026.	Our sourcing flexibility allows us to leverage strategic relationships with suppliers, and continue to develop supply options. More information can be found in the Deforestation-free supply chains: Protecting local environments section of this report.	We estimate the additional cost of goods sold necessary to conduct due diligence, required resources, tools and coffee sourcing based on recent industry engagements. These additional costs will be part of the Cost of sales in the income statement.
Opportunity: Sustainable agricultural practices	• **Opportunity - resource efficiency** Reduction in input costs as a result of investment in good agricultural practices.	n/a	Not quantified	n/a	n/a	Our farmer programmes aim to lower input costs, improve incomes and build resilience. Through our brands and our Common Grounds programme, we drive sustainable sourcing and strength our competitive edge. By offering coffee & tea grown with sustainable and regenerative agricultural practices, we also align with evolving consumer preferences.	n/a

Appendix: review methodology

Background

The first year of reporting under the Corporate Sustainability Reporting Directive (CSRD) and associated European Sustainability Reporting Standards (ESRS) marks a new phase in sustainability reporting in Europe. However, the CSRD had not yet been implemented in Dutch law during the conduct of this review and the writing of this report. Nevertheless, almost all companies in our review have applied the ESRS voluntarily and in full. This appendix briefly describes the review methodology and the aim of the review..

Review of 2024 annual reports

We analysed the transparent disclosure of the materiality assessment – focusing on the identification and assessment of impacts, risks and opportunities – and the explanation of the consequences thereof in 30 annual reports for the 2024 financial year.[21] In addition, we conducted interviews with 5 companies at board and/or decision-making level.

To arrive at our selection of 30 reports, the following demarcation was applied: the listed companies are in (the intended) scope of the CSRD, the annual report was published in the first quarter of 2025, the companies do not apply a consolidation exemption for their sustainability reporting and the companies are not 'issuers outside the European Economic Area'.

Our review focuses on three sub-questions: (1) how are relevant impacts, risks and opportunities for the organisation identified and assessed, (2) how do companies explain how and why certain sustainability matters are material to the company while others are not[22], and (3) are companies aware of the consequences that sustainability issues can have on their strategy and the business model.

Aim of our review

Our review objective was to assess the extent to which the disclosures in the annual reports meet the requirements of the ESRS and whether the outcomes of the impacts, risks and opportunities and their interaction with the strategy and business model are explained in a sufficiently transparent manner. This review builds upon our earlier thematic review on double materiality and offers a more in-depth analysis.[23] Please note that this review does not provide any judgment or conclusions on how sustainable a company is.

This report aims to help companies to apply the ESRS when performing the materiality assessment. It is intended to help the companies that already do so, as well as other companies that will follow in the coming years.

After publication of the report, the AFM will support listed companies further through a webinar held to further explain the findings of this review. All listed companies that are in the (intended) scope of the AFM's CSRD supervision with effect from the 2024 financial year will receive an invitation to this webinar.

21 The report does not make any statements about the accuracy of the annual reports examined, but looks at these analyses from the perspective of transparent disclosures in the annual reports, in accordance with our mandate from the BNFI. The AFM did not fully examine the annual reports of the companies involved in the investigation for compliance with the reporting requirements. It should not be inferred from a reference to a good practice in a given annual report that the sustainability reporting complies in all respects with the (future) requirements.

22 Climate [ESRS E-1], pollution [ESRS E-2], water [ESRS E-3], biodiversity [ESRS E-4], and circularity [ESRS E-5]

23 Ten navigation points for the proper application of CSRD.

References in good practices

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

What's next

Sustainability in the financial sector and the reporting thereon is a strategic priority of the AFM. We expect to continue to perform thematic review in the future on the topic of CSRD. In the 'Calendar 2026', more specific information will be shared by the AFM about planned studies.

Disclaimer

This report is a translation of the original Dutch report. Efforts have been made to ensure the accuracy of this translation. However, in the event of any discrepancies or inconsistencies between this translation and the original Dutch version, the Dutch version shall prevail.