The maturity of environmental and social impact governance in Dutch businesses

IMPACT ECONOMY FOUNDATION

POTLOC

Roland Berger

Executive summary

To assess the extent to which Dutch businesses are organized to create natural, social and human value alongside financial value, the Impact Economy Foundation, Potloc, and Roland Berger surveyed 77 large companies operating in the Netherlands. These companies evaluated their impact maturity across four governance factors: Transparency, Integration into decision-making, Resource allocation, and constructive Advocacy (TIRA) for each Corporate Sustainability Reporting Directive (CSRD) topic. Among those, business conduct and climate change are the most mature while biodiversity is relatively low in maturity, which is surprising given its high societal relevance.

Businesses are preparing for the CSRD as it requires an initial selection of large companies to disclose the environmental, social and governance (ESG) impact of their activities in their 2024 annual reports, and the remaining large businesses in their 2025 annual reports.

Although increasing regulation leads to more attention of societal impacts, it runs the risk of becoming a "check the box"-exercise rather than a strategic endeavor. Impact maturity provides a reflection of the extent to which impact is integrated into business operations; it also shows the readiness of an organization to address its impact targets. Also, CSRD asks companies to set targets on their most material impacts; it does not provide guidance on how to achieve those targets and prioritize them alongside financial value creation. This study highlights how Dutch businesses are evolving to meet both regulatory demands and broader societal goals. The findings present best practices that can inform and inspire others as the CSRD rolls out.

Transparency
A majority of companies report their ESG "output", such as emissions, and 65% also report "input" like policies, investments and targets. However, only 44% go further to quantify their actual impact, insights that are often hindered by data limitations and measurement challenges. While stakeholder communication is a key tool in transparency, communication remains largely corporate, with minimal direct customer engagement. Those companies at the forefront of transparency in ESG report quantified impact and build broad awareness around the sustainability of their products and services.

Integration into decision-making
The integration of ESG considerations into decision-making remains limited, with only 29% of companies considering external costs, such as carbon price, alongside financial values in their strategic decisions. However, 45% of companies have introduced review boards that assess sustainability impact and 38% conduct impact assessments to align key performance indicators (KPIs) with business strategy. Leading companies actively integrate external costs into their decision-making, incorporate ESG indicators into performance reviews, and tie executive and employee compensation to KPIs. This comprehensive approach embeds non-financial KPIs into daily decision-making, encouraging all levels of the organization to prioritize ESG goals.

Resource allocation
Companies incorporate a mix of in-house and external expertise when it comes to resource allocation for sustainability initiatives. While 46% report having sufficient in-house expertise to address ESG topics, others rely on third-party support as a short-term solution while they work to build internal capabilities. Many organizations also maintain a dedicated budget for sustainability-related projects, though this is often not integrated at the department level. Frontrunners in this area continuously develop in-house sustainability capabilities, and complement this with external experts in specialized fields. By integrating sustainability into departmental budgets, organizations ensure that sustainability initiatives are prioritized at all levels and embedded in daily operations.

Constructive advocacy
Competing priorities and resource constraints restrict advocacy efforts at a majority of companies. Only 19% actively advocate for stronger policies, and the ones that do, advocate for a diverse range of topics. Leading companies dedicate resources to advocacy and integrate it into their broader business strategies. They also form coalitions and partnerships with other companies and industry groups, pooling resources to enhance the impact and efficiency of their efforts.

Contents

Coverphoto 1387830449/GettyImages   This study has been printed on paper made from 100% recycled fibers.

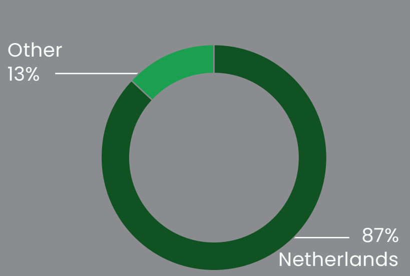
Acknowledgements

We would like to sincerely thank all respondents and interviewees who contributed their time and insights to this study. Your input has been invaluable in shaping the results.

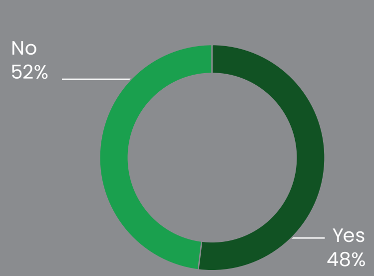
I About this study BACKGROUND

The Impact Economy Foundation, Potloc and Roland Berger conducted this study in 2024 to gain insights into the extent to which the Dutch business community is organized to create social, natural and human impact alongside financial impact. They surveyed 77 companies that operate in the Netherlands, and performed in-depth interviews with selected respondents. Below you can find some statistics about the respondents.

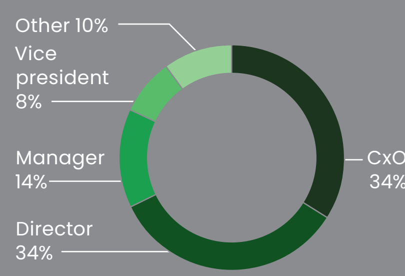
Company HQ



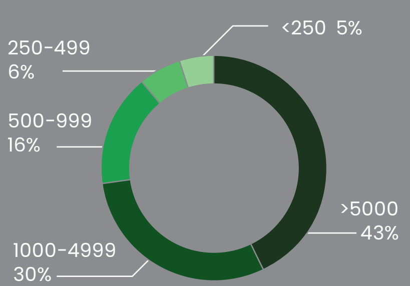
Listed company



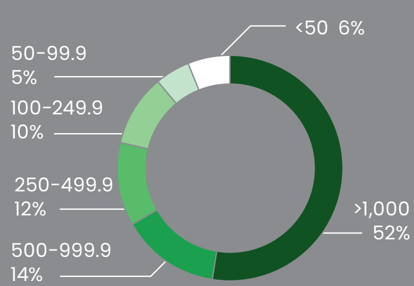
Seniority level of respondent



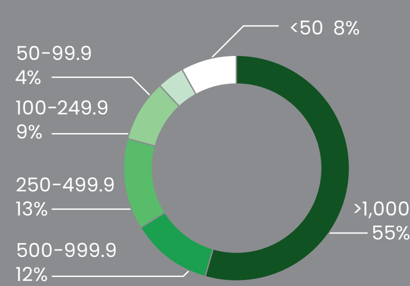
Company headcount [FTE]



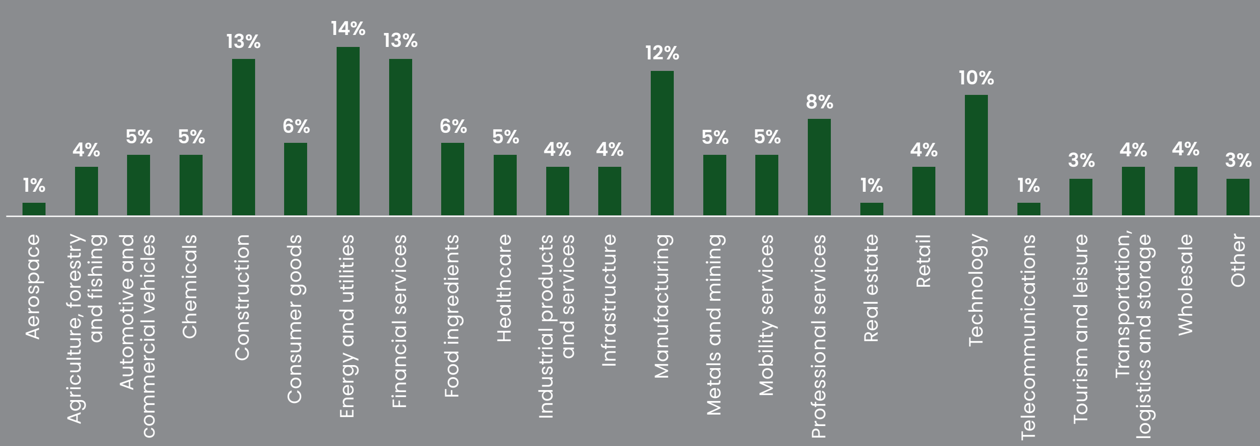
Company revenues [EUR m]



Company asset value [EUR m]



Which of the following best describes the industry in which your company operates? [%]



Source: Survey by Roland Berger and Potloc

II What is the CSRD? BACKGROUND

The Corporate Sustainability Reporting Directive (CSRD) is a regulatory framework established by the European Union in 2021, in line with the commitment made under the European Green Deal. The CSRD aims to enhance and standardize sustainability reporting at companies. It replaced the Non-Financial Reporting Directive (NFRD), and significantly expands the scope and depth of reporting requirements. The NFRD covered approximately 11,700 companies and organizations across the EU. With the introduction of the CSRD, that number is expected to increase to around 49,000.

The European Commission approved the final delegated act for the European Sustainability Reporting Standards (ESRS) on July 31, 2023.

The ESRS specifies the information that a company must disclose about its:

- **Impact:** Positive and negative sustainability-related impact connected with the business
- **Risks and opportunities:** Sustainability-related financial risks and opportunities for the business

There are currently two categories of ESRS:

- **Cross-cutting standards**
- **Topical standards** (environment, social and governance topics)

Sector-specific and SME-proportionate standards will come into effect in future. In February 2024, sector-specific ESRS was postponed until June 2026.

Cross-cutting standards and topical standards are sector-agnostic, meaning they apply to all businesses regardless of the sector(s) in which they operate. Cross-cutting standards outline the core reporting principle and key concepts of the CSRD and reporting boundaries. They also specify the general disclosures that all companies subject to the CSRD must provide. Topical standards cover specific reporting obligations related to environment, social and/or governance issues.

CROSS-CUTTING STANDARDS

ESRS 1 General requirements	**ESRS 2** General disclosures

TOPICAL STANDARDS

ENVIRONMENT	SOCIAL	GOVERNANCE
E1 Climate change	**S1** Own workforce	**G1** Business conduct
E2 Pollution	**S2** Workers in the value chain	
E3 Water and marine resources	**S3** Affected communities	
E4 Biodiversity and ecosystems	**S4** Consumers and end-users	
E5 Resource use and circular economy		

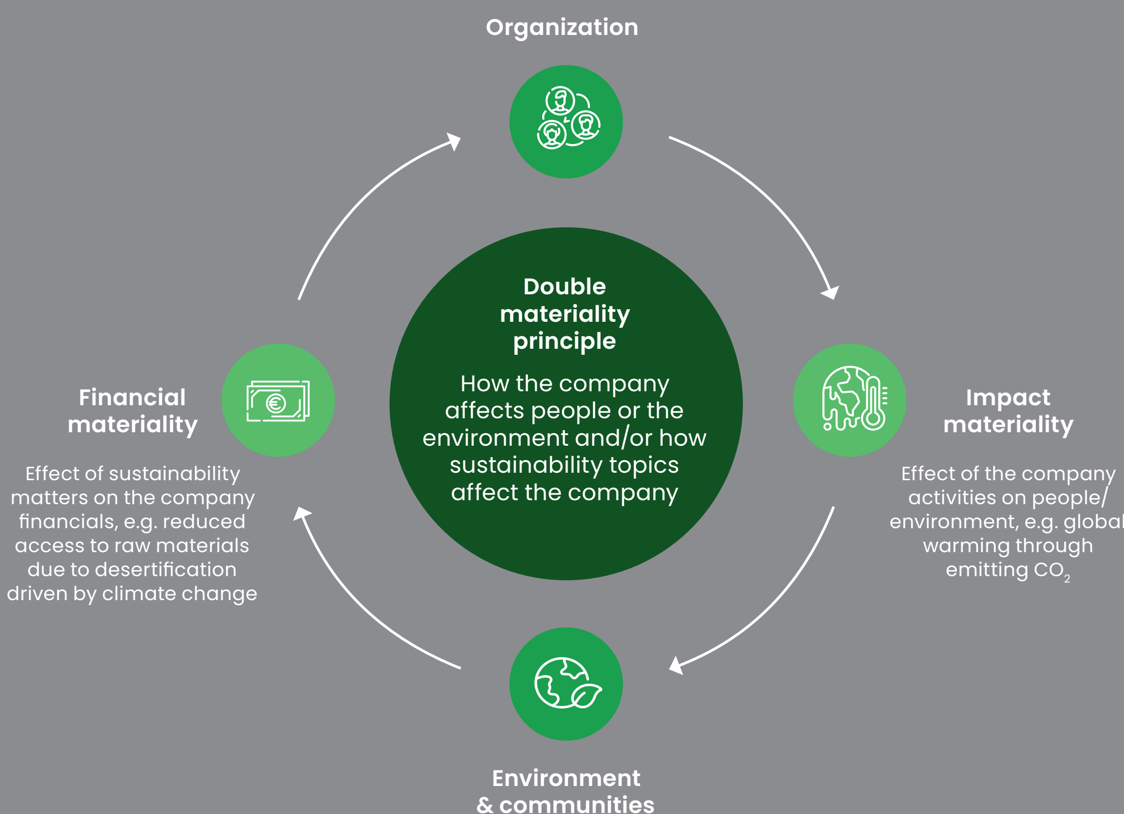
Source: European Commission and Global Reporting Initiative

III Double materiality principle in reporting BACKGROUND

Organizations are required to report on sustainability matters based on the double materiality principle. This means that companies have to report on how sustainability issues might create financial risks for them (financial materiality), and how the company's activities impact the environment and society (impact materiality).

Reporting on financial materiality is required if a sustainabililty issue causes, or is reasonably expected to cause, significant financial effects on the organization. Financial materiality is not limited to issues within the organization's control, but also includes material risks and opportunities arising from business relationships.

Reporting on impact materiality is required if it relates to the organization's actual or potential effects on society or the environment, whether positive or negative. Such impact includes those associated with the organization's own operations as well as its effects on the value chain.



Source: European Commission

IV CSRD standards explained BACKGROUND

CSRD standards	Explanation
E1 Climate change	Companies must assess, manage, and disclose the impacts of climate change on their operations and how their activities contribute to climate change. This standard includes reporting on greenhouse gas emissions, climate-related risks, and strategies for mitigation and adaptation.
E2 Pollution	Companies must disclose information about their pollution impacts, including on air, water, and soil. This standard covers the types and amounts of pollutants released, efforts to reduce pollution, and compliance with relevant regulations.
E3 Water and marine resources	Companies must report on water consumption, water sources, and efforts to manage water resources sustainably, as well as impacts on marine ecosystems.
E4 Biodiversity and ecosystems	Companies must disclose their impact on biodiversity and ecosystems. This includes reporting on land use, habitat destruction, and efforts to protect and restore biodiversity.
E5 Resource use and circular economy	Companies must report on resource consumption, waste generation, recycling, and initiativesto reduce resource use and promote circularity.
S1 Own workforce	Companies must report information about their direct employees. This includes workforce demographics, working conditions, employee rights, health and safety, training and development, and diversity and inclusion initiatives.
S2 Workers in the value chain	Companies must report on all workers in the company's value chain, including suppliers and contractors. This standard covers labor practices, working conditions, and human rights within the supply chain.
S3 Affected communities	Companies must report on their impacts on local communities. This includes social and economic impacts, community engagement, and efforts to mitigate negative effects and enhance positive contributions to community well-being.
S4 Consumers and end-users	Companies must disclose information about their impact on consumers and end-users. This includes product safety, access to products and services, data privacy, non-discrimination, and responsible marketing practices.
G1 Business conduct	Companies must report on governance structures, anti-corruption measures, compliance with laws and regulations, and initiatives to promote transparency and accountability.

Source: European Commission

V Other ESG standards BACKGROUND

In addition to the CSRD, there are several other prominent Environmental, Social, and Governance (ESG) standards that companies adhere to. One such standard is the Sustainable Development Goals (SDGs) set by the United Nations, which have become a global norm. These 17 goals aim to address a wide range of issues, including poverty, inequality, climate change, and environmental degradation. Many companies have already integrated the SDGs into their business strategies to contribute to these global objectives. Importantly, the CSRD does not replace SDGs but rather complements them by providing a more structured framework for sustainability reporting. Another key framework is the Global Reporting Initiative (GRI) standards, which offer a comprehensive set of guidelines for ESG reporting. The GRI standards are widely used by organizations to disclose their environmental, social, and governance impacts. The GRI and CSRD have aligned closely, ensuring that companies can use their existing GRI-based reporting practices to meet the new CSRD requirements. This alignment ensures that entities can report in accordance with both the CSRD and GRI through one report.

Source: European Commission and Global Reporting Initiative

1 General findings

More than 90% of companies view the CSRD reporting as **a potential benefit for their business**, while only 8% see no immediate value from it

1.1 Companies generally see the CSRD as beneficial

The overall sentiment towards the CSRD is predominantly positive. Companies' qualitative responses to the survey support this view, with many highlighting the value of increased transparency, improved investor relations, and the promotion of sustainable business practices.

"Investors have a right to know."

"It helps steer the company towards sustainability."

"It will help us integrate ESG into the core of our business."

Companies also note several operational and strategic advantages, such as improved decision-making, better stakeholder communication, and enhanced business models. Many believe that CSRD reporting will provide a competitive edge and help with their market positioning.

"It will help us in better decision-making and enhance our operations."

"It will provide us with a competitive edge, as it can aid in risk management."

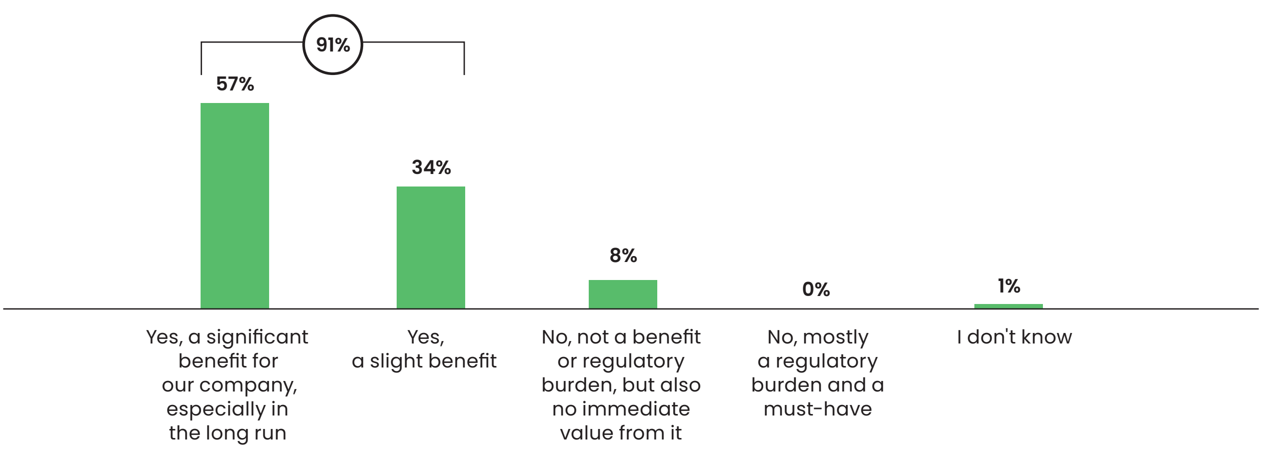
Despite the generally positive stance towards the CSRD among the Dutch business community, there are some concerns around the regulatory burden and effort required for compliance.

A minority of companies, 8%, do not see any immediate value from it. However, the majority of companies believe that the long-term benefits of the CSRD outweigh the initial regulatory challenges, ultimately implementing an advantageous pathway for their businesses. ▶ A

"We use the CSRD as an inspiring platform for our employees and all other stakeholders, aiming to clearly communicate our sustainability efforts, core values and strategy."

Alex Kruiter, Royal Smilde

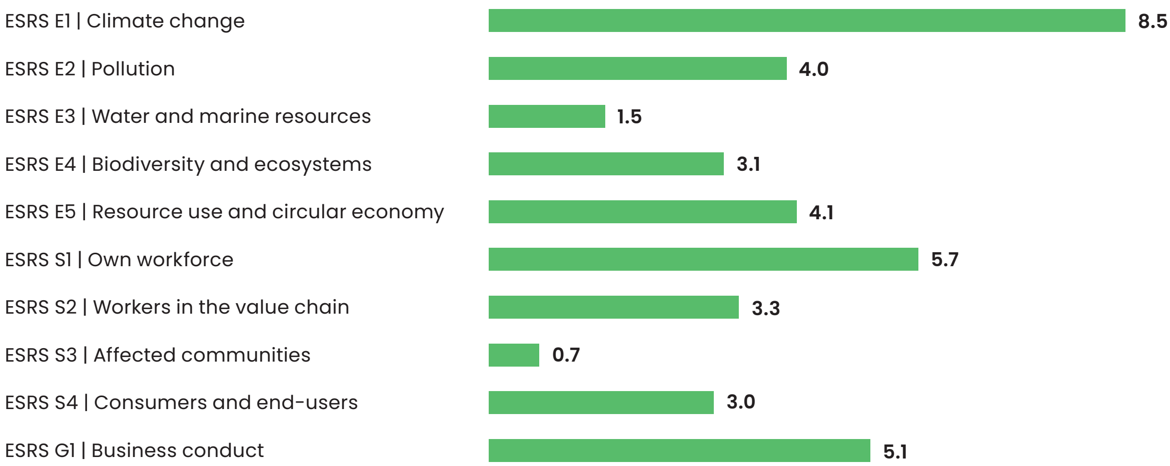
A Responses to the survey question, "In your opinion, will the upcoming CSRD reporting be beneficial for your company?"



Source: Survey by Roland Berger and Potloc

B **Responses to the survey question, "Which topical standards of CSRD are most relevant for your company's sustainability reporting?"**

Companies ranked each topic on a scale of 0-10, with 0 being irrelevant and 10 being most relevant



Source: Survey by Roland Berger and Potloc

1.2 Climate change, own workforce and business conduct are considered the most relevant topics

Companies indicate that **climate change, their workforce and business conduct** are the **most relevant** topics for them, reflecting the broad relevance of these issues across industries and society today

When asked about which CSRD topics, or ESRS, are most relevant for their company's reporting, companies indicate that climate change, their own workforce and business conduct are at the fore. This sentiment aligns with the broad relevance of these topics across industries and the emphasis given to them in society today. Affected communities and water and marine resources are considered the least relevant, as the companies surveyed indicate that their business activities have little impact on these issues, and vice versa. ▶ **B**

Looking at how the Transparency, Integration into decision-making, Resource allocation, and constructive Advocacy (TIRA) governance factors score on maturity for each of the ESRS, resource allocation emerges as the most mature. This indicates that companies generally believe they have sufficient resources for sustainability-related projects. Constructive advocacy is the least mature factor, indicating that advocacy for more stringent ESG policies is limited across the Dutch business community.

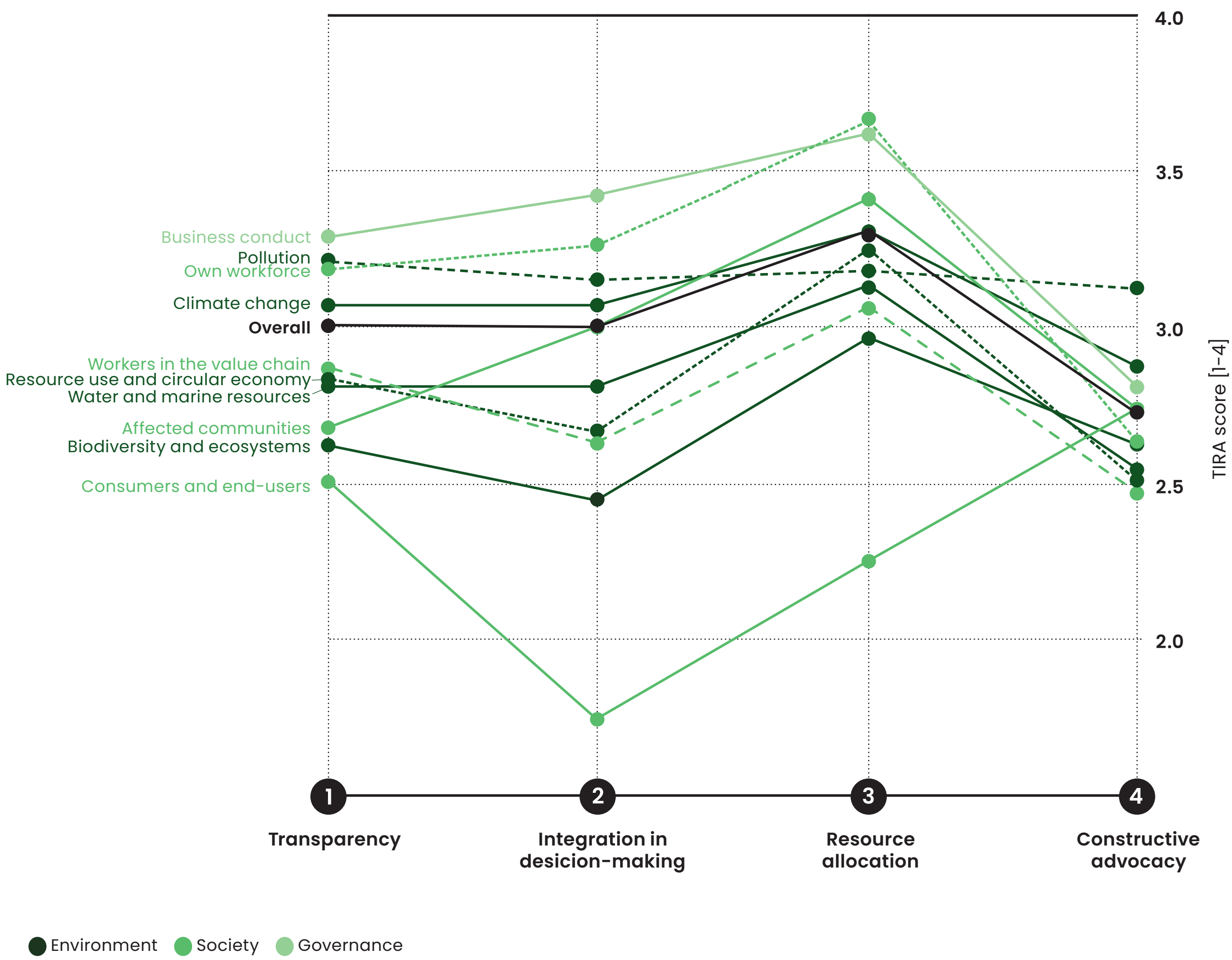
However, we should note that maturity levels vary widely across the topics. Well-recognized topics such as climate change and workforce issues enjoy more transparency and integration into decision-making processes, likely benefiting from established frameworks and clearer reporting standards, which in turn facilitate better governance and accountability. Less familiar topics such as biodiversity and affected communities perform lower on transparency and are only integrated into decision-making in limited scope. This disparity highlights that there is still work to be done to achieve a more balanced approach to ESG, and thus to fulfill the CSRD requirements. ▶ **C**

C TIRA maturity score on the CSRD topics

The impact maturity has been assessed using the TIRA framework. Each company has self-assessed their maturity by answering the following questions for each of the relevant CSRD topics (climate change, pollution, etc.) for them. The goal is to determine in which areas, and for which topics, they are the most mature and for which greatest improvements can be made.

Based on the following survey questions:

1. **Transparency:** "In your opinion, how transparent is your company in reporting its ESG impact on these topics to stakeholders?"
2. **Integration in desicion-making:** "In your opinion, how integrated is environmental and social impact in decision-making on these topics within your company?"
3. **Resource allocation:** "Does your company have sufficient in-house expertise for sustainability management with regard to these topics?"
4. **Constructive advocacy:** "How actively does your company engage in advocating for policies that support these topics?"

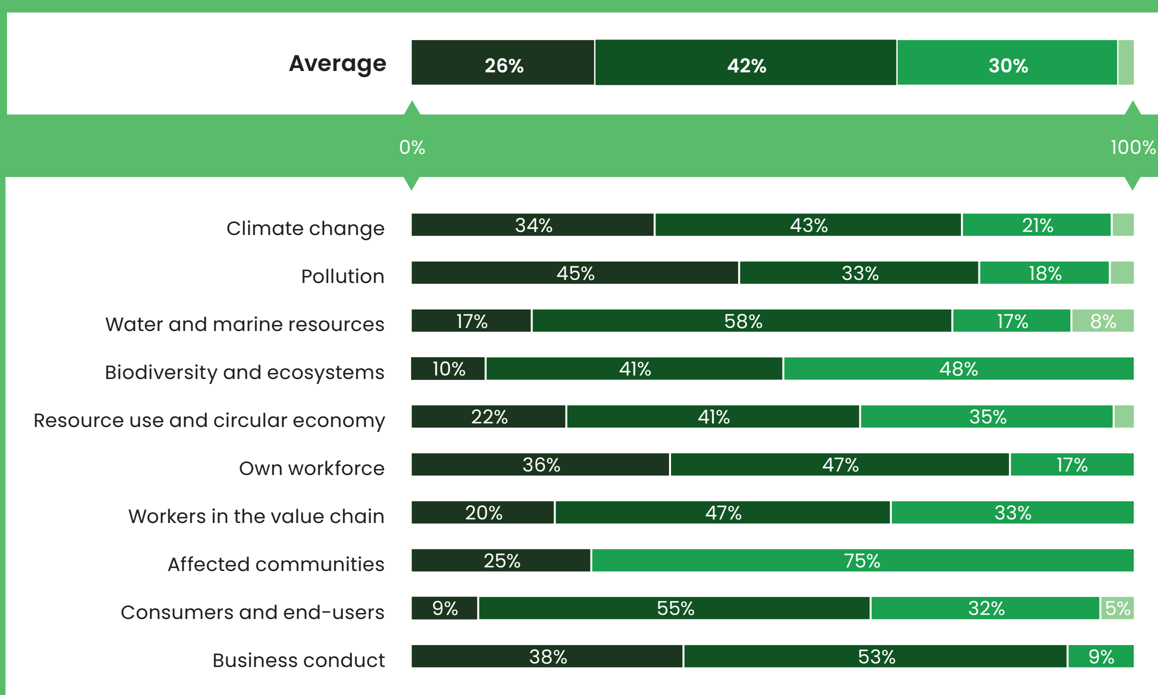


Source: Survey by Roland Berger and Potloc

2 Transparency

Only 26% of companies believe they are fully transparent when it comes to the impact topics

Responses to the survey question, "In your opinion, how transparent is your company in reporting its environment, social and governance (ESG) impact on these topics to stakeholders?"



- Fully transparent, with comprehensive quantified disclosures incl. impact across value chain
- Moderately transparent, with partial disclosures in reports and limited public communication
- Minimally transparent, with only basic or legally required disclosures
- Not transparent, with no active disclosure

Source: Survey by Roland Berger and Potloc

2.1 Companies are generally transparent in reporting their input and output data, but reporting quantified impact needs attention

82% of companies report on social and environmental output, such as emissions, and 65% report on input, like policies and targets, but only 44% report their quantified impact on the environment or broader society

While many companies are making strides in transparency, there is significant room for improvement, particularly in reporting on quantified impact. Currently, 82% of companies report their output, such as emissions and other immediate effects of their activities. Input and target reporting are also fairly common. However, only 44% of companies report their quantified impact. ▶ D

This discrepancy highlights an important area for enhancing transparency. While it is a good starting point that most companies share what they are doing and planning, the lack of quantified impact data means that stakeholders are often left in the dark about the actual outcomes of these efforts. Quantified impact reporting is crucial to understanding the real-world effects of a company's operations, and in turn to holding them accountable for their sustainability and social responsibility commitments. ▶ E

E Quantified impact

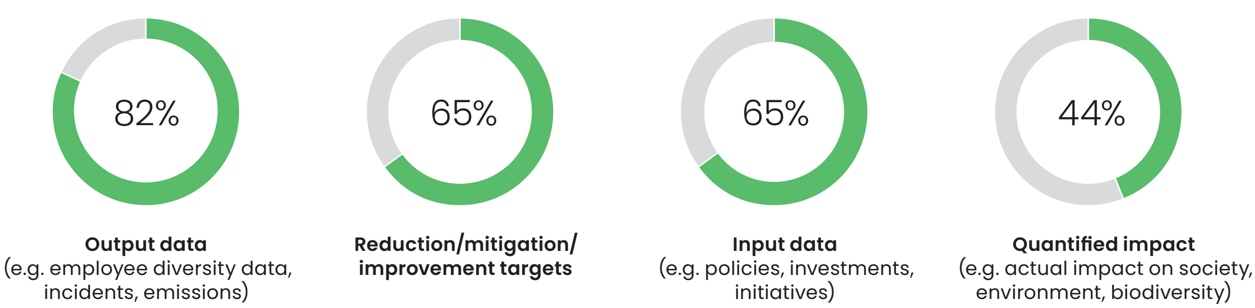
Quantified impact is the difference an organization makes on the society's well-being. Impact indicators are different from input and output indicators. For example, an organization may report the total amount invested in biodiversity initiatives (input) or the number of beehives installed (output). This information, however, does not provide insight into the contribution of the organization to the well-being of its stakeholders, i.e. its impact.

Quantified impact, for example, would be the total land use and soil quality of the organization. It is best if organizations not only quantify these impacts, but also value them (express them in monetary units) to create comparability between impacts.

"We would love to report on quantified impact in addition to the various outputs we are already disclosing. We aim to do this step by step, starting small and scaling it up in the years to come. At this moment we focus on implementing the CSRD."

Babs Dijkshoorn, Achmea

D Responses to the survey question, "What types of information does your company currently mainly focus on regarding impact reporting?"



Source: Survey by Roland Berger and Potloc

2.2 Data is a clear hurdle in reporting

60% of companies mention limited data availability as a significant challenge in ESG reporting, and 57% point to the difficulty in measuring and reporting impact

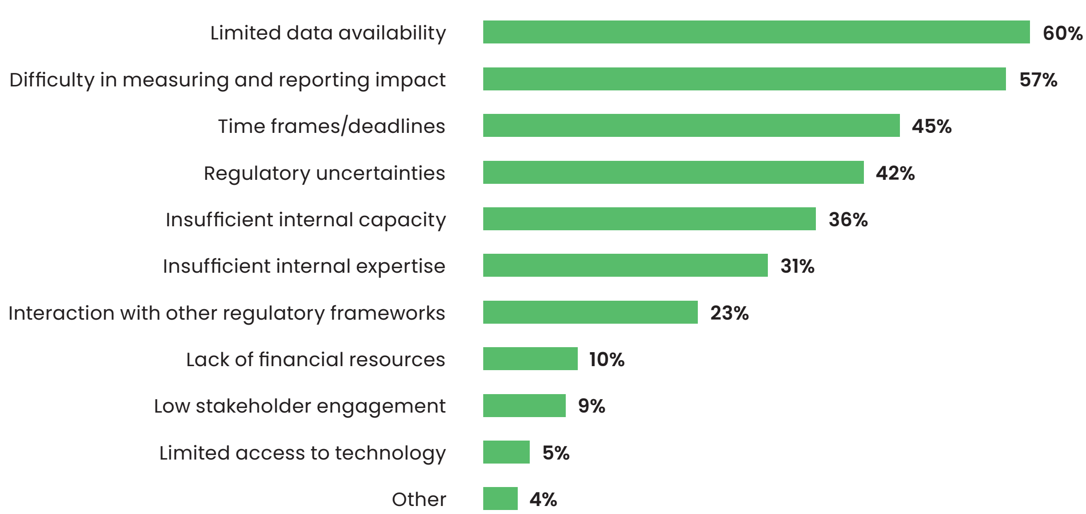
Companies are increasingly recognizing the importance of accurate and comprehensive reporting, but significant challenges remain. Our survey highlights that 60% of companies are hampered by limited data availability, and 57% struggle with the intricacies of measuring and reporting impact.

These challenges are compounded by other factors such as tight regulatory time frames and deadlines (45%), regulatory uncertainties (42%), and insufficient internal capacity (36%) and expertise (31%). Addressing these hurdles will require investment in data collection methods, standardized tools, and enhanced internal capabilities. That being said, clearer guidelines and more flexible timelines from regulatory bodies can facilitate better compliance and more accurate reporting. ▶ F

"We want to be clear in our communication; everything that can be seen as greenwashing should be avoided. We applaud the policy of the Authority for Consumers and Markets (ACM) that has made us extra cautious."

Maartje Koeken, Greenchoice

F Responses to the survey question, "What are the main challenges your company faces in reporting on and implementing measures related to environment, social and governance (ESG) impact?"



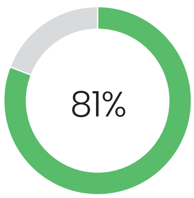
Source: Survey by Roland Berger and Potloc

2.3 Most ESG communication is corporate

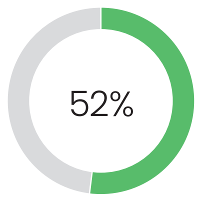
Most communication around ESG is currently corporate, and is not reaching the general public directly

G Responses to the survey question, "How does your company communicate its environmental/ social performance to external stakeholders?"

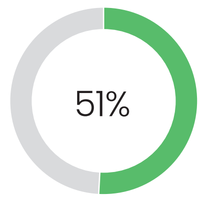
Corporate communication



Annual sustainability reports

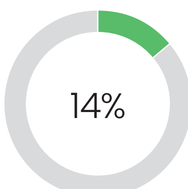


Press releases and public announcements

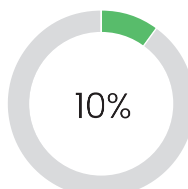


Online dashboards and updates on the company website

Direct communication

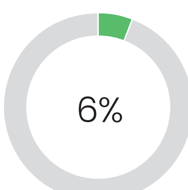


Information/KPI sharing to customers/end-users via packaging, brochures, etc.



Direct communication with affected communities

Other



Other

"We have our own member magazine in which we communicate on parts of our societal impacts."

"Additionally, we communicate through social media."

"As a PE owned firm, we communicate with our owners and their investors as well as direct customers on a tailored basis."

Source: Survey by Roland Berger and Potloc

BEST PRACTICES

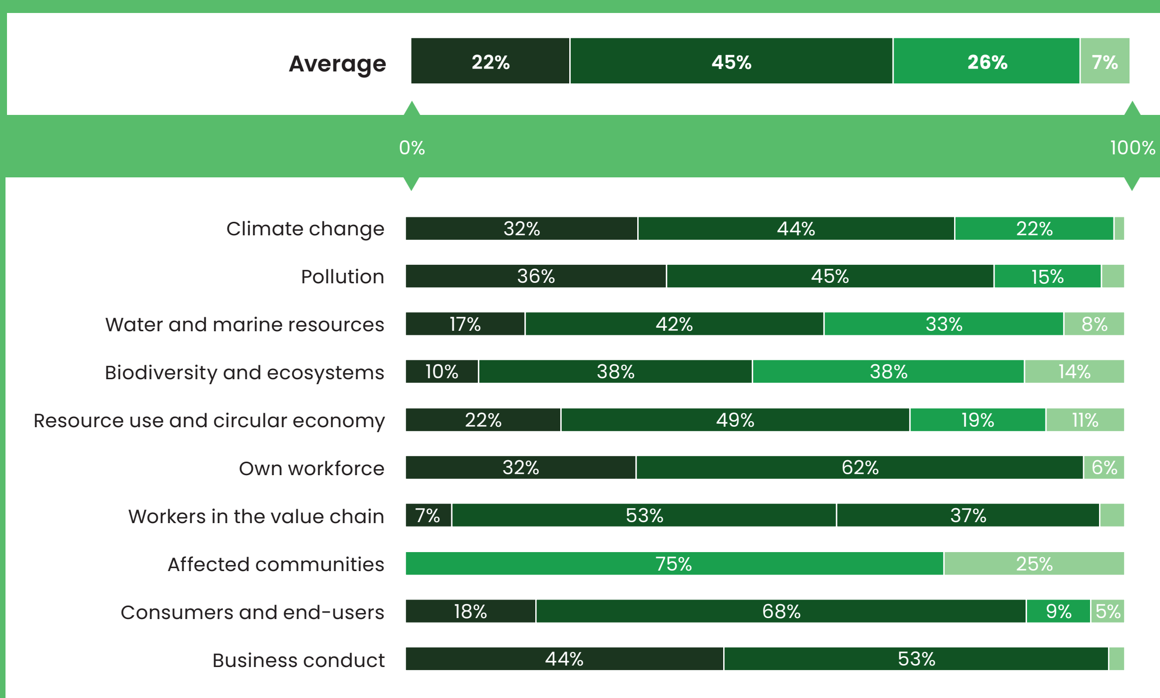
Transparency

Leading companies in sustainability set a standard by consistently reporting their quantified environment, social and governance (ESG) impact. They engage and communicate directly with consumers, fostering transparency and building awareness around the sustainability of their products or services.

3 Integration into decision-making

22% of companies believe they have the CSRD topics fully integrated into their decision-making, and 46% express a decent level of integration

Responses to the survey question, "In your opinion, how integrated is ESG impact in decision-making on these topics within your company?"



- Fully integrated, with environment, social and governance (ESG) impact integrated into all business processes
- Moderately integrated, with environment, social and governance (ESG) impact integrated into most important business processes
- Minimally integrated, with environment, social and governance (ESG) impact occasionally integrated into decision-making
- Not integrated at all

Source: Survey by Roland Berger and Potloc

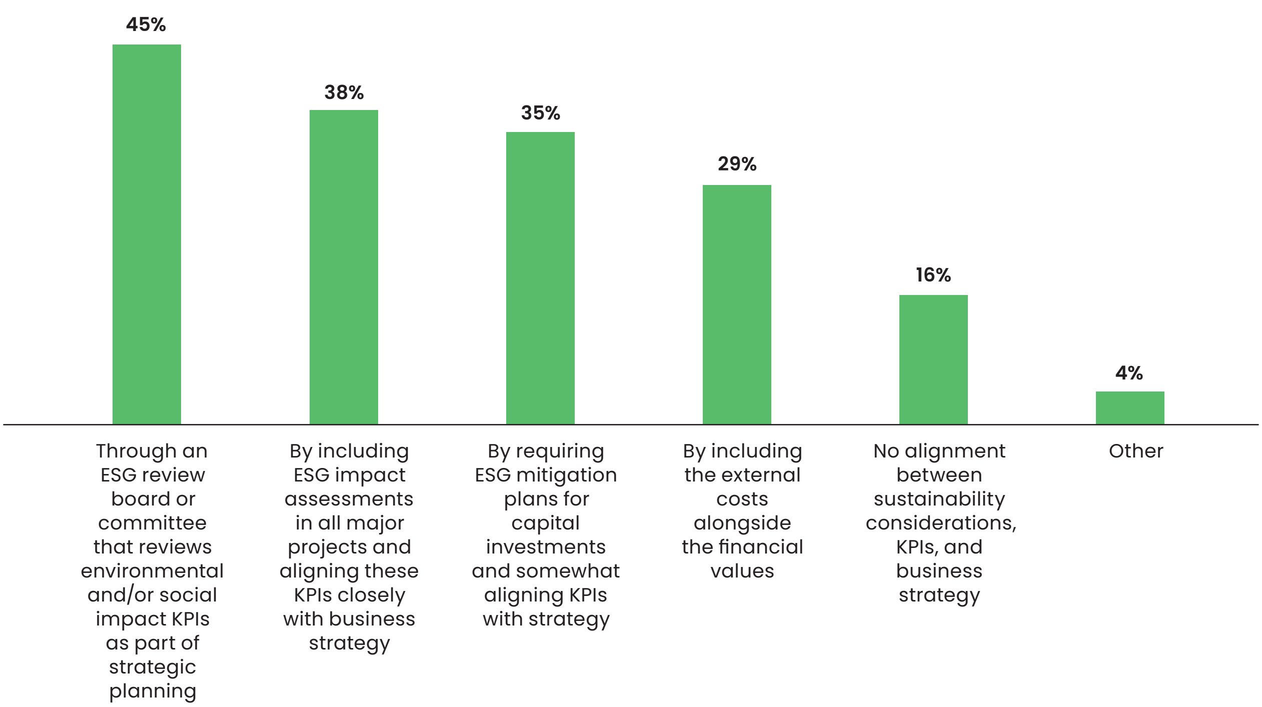
3.1 A significant number of companies take ESG into account in investment and strategy decisions

Though few companies consider the societal or environmental costs in their strategic decisions, a significant number of companies are establishing ways to integrate ESG key performance indicators (KPIs) into their strategic processes

When asked about how sustainability considerations are integrated into investment and strategic decisions, only 29% of companies currently factor in external impact costs, such as carbon price, with financial value. This indicates that most companies still prioritize traditional financial metrics over broader social and environmental data points.

However, a considerable share of companies have adopted measures that signal a shift toward more integrated decision-making. Around 45% of companies have established review boards and 38% have introduced impact assessments to align ESG impact KPIs with their business strategies. Companies are thus beginning to take a more holistic approach in their decision-making, one that considers not just financial performance but also how their business affects a wider context beyond company walls. This movement is gaining momentum, likely driven by increasing regulatory pressure, stakeholder expectations, and the recognition that sustainable practices can lead to long-term value creation. ▶ H

H Responses to the survey question, "How does your company ensure that sustainability considerations, including environment, social and governance (ESG) KPIs, are integrated into investment and strategy decisions?"



Source: Survey by Roland Berger and Potloc

3.2 ESG integration is now fairly common in workforce performance reviews

72% of companies include ESG KPIs in employee or executive performance reviews, 61% also take these into account for bonus considerations

A significant 72% of companies have integrated ESG KPIs into the performance reviews of their employees or executives. Notably, more than half of these companies apply these indicators to both employees and executives, the remainder just to executives. This underscores a strong commitment to holding leadership accountable for sustainability goals and embedding these objectives within the performance evaluation framework.

Moreover, about 61% of companies tie sustainability KPIs to financial compensation, reinforcing the importance of these metrics within the firm and incentivizing their people to prioritize sustainable practices in their roles.

Qualitative feedback also suggests that more companies may adopt this practice over time.

However, it is important to note that while integrating sustainability aspects into performance reviews and compensation is a positive step, the impact of such measures heavily depends on the ambition of the goals set. If sustainability targets are relatively low, the overall effect on advancing sustainable practices may be limited. For this measure to have real impact, companies must set ambitious goals that push their workforces to a higher standard. ▶ I

> **"The company has financial and sustainability related goals set. Bonuses for executives and employees are based on all company goals, and therefore also depend on whether sustainability goals are met."**
>
> **Maartje Koeken, Greenchoice**

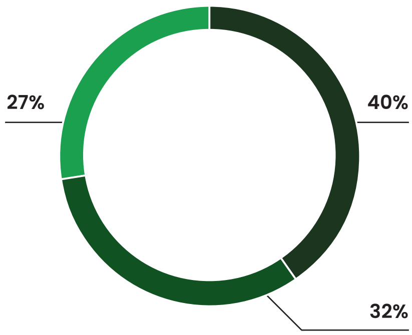
BEST PRACTICES

Integration into decision-making

Frontrunner companies in sustainability integrate external costs into their strategic decision-making processes, ensuring that their choices benefit society as a whole. They also incorporate environment, social and governance performance indicators into performance reviews and link financial compensation for executives and employees to achieving ESG KPIs. This approach ensures that sustainability considerations are embedded into daily decision-making and incentivizes all levels of the organization to prioritize ESG goals.

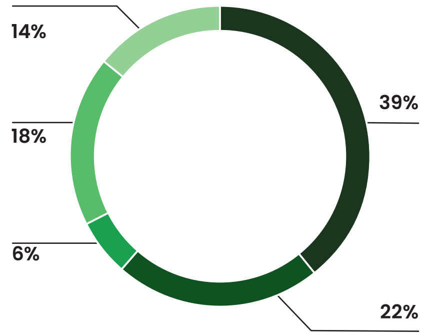
Responses to the survey questions:

"Are ESG performance indicators incorporated into the performance reviews?"



- Yes, for both employees and executives
- Yes, for executives only
- No, not included

"Is achieving ESG impact KPIs linked to (financial) compensation?"



- Yes, for both employees and executives
- Yes, for executives only
- Only as part of broader environment, social and governance goals[1]
- No, but considering linking in the future
- No, not linked

[1] e.g. bonus related to overall performance

Source: Survey by Roland Berger and Potloc

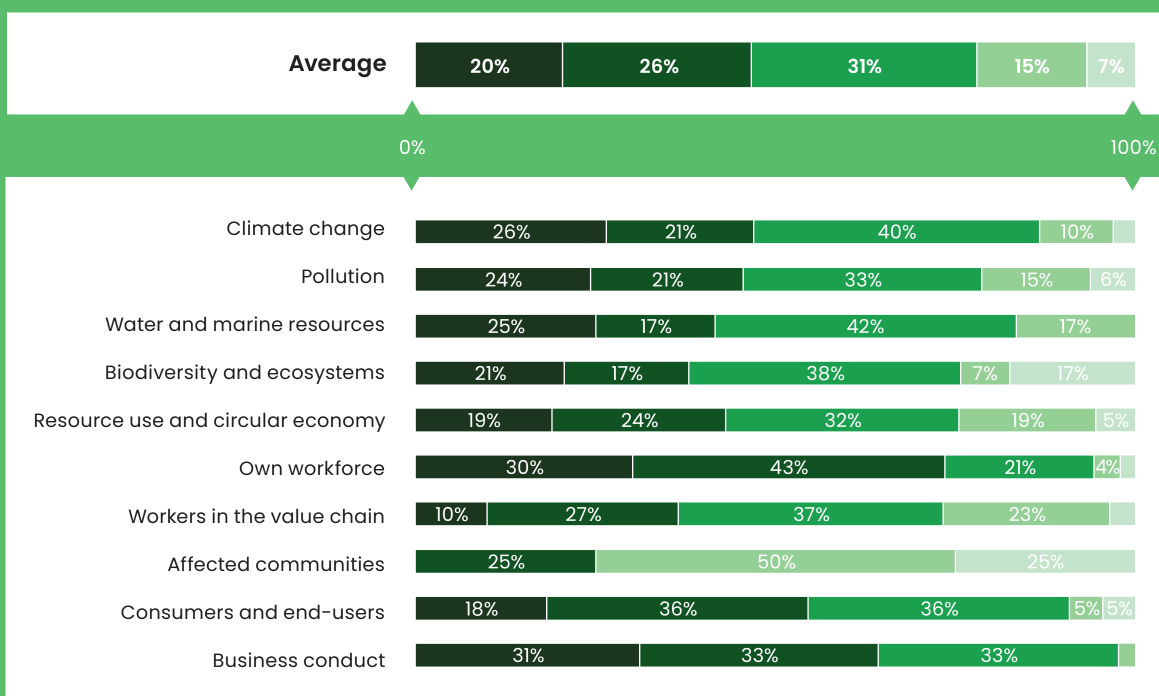
"The most important thing is that you look at your company and analyze where you can make a difference. The CSRD should serve as a tool to merge sustainability with business strategy."

Frans De Beaufort and Lars Jongerius, Aegon

4 Resource allocation

46% of companies say they have enough in-house expertise to tackle ESG topics themselves, while most others are working to build this competency or have contracted third parties in the interim

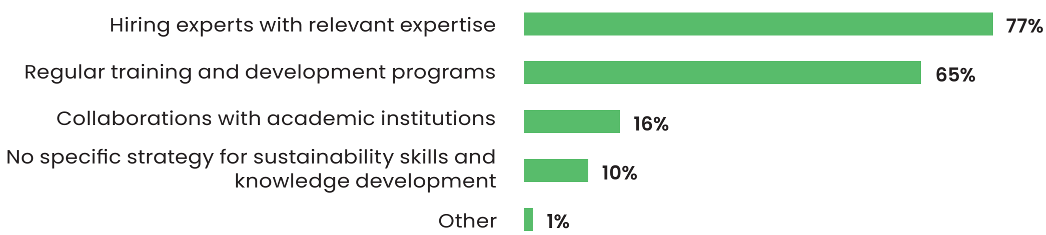
Responses to the survey question, "Does your company have sufficient in-house expertise for sustainability management with regard to these topics?"



- Yes, we have a dedicated team with all relevant expertise (e.g. in-house ecologists, sociologists, etc.)
- Yes, but expertise is spread across different teams
- Partly, we have some relevant expertise in-house, and use external consultants/experts for additional support
- Partly, and we are currently developing/hiring in-house expertise
- No, we do not have sufficient in-house expertise and are not currently developing this

Source: Survey by Roland Berger and Potloc

J **Responses to the survey question, "How does your company ensure that teams involved in sustainability projects have the necessary skills and knowledge?"**



Source: Survey by Roland Berger and Potloc

4.1 Most companies are allocating resources to meet ESG targets and requirements

To ensure that the necessary expertise is in-house, most companies have hired experts (77%) and offer regular training and development programs to their personnel (65%). Companies are taking ESG seriously as a long-term commitment, and are allocating their resources accordingly.

Interestingly, only a small percentage of companies are collaborating with academic institutions. This suggests that there may be untapped opportunities for leveraging external expertise to further enhance sustainability initiatives. Such collaborations can provide access to cutting-edge research and data, potentially increasing the effectiveness of a company's sustainability efforts. ▶ J

"We have established a relatively small corporate sustainability team mainly focused on strategy, policy and reporting, and have installed dedicated sustainability resources across our business units to ensure sustainability topics are addressed at the most effective level - these professionals report directly in the business with a close link to the sustainability team."

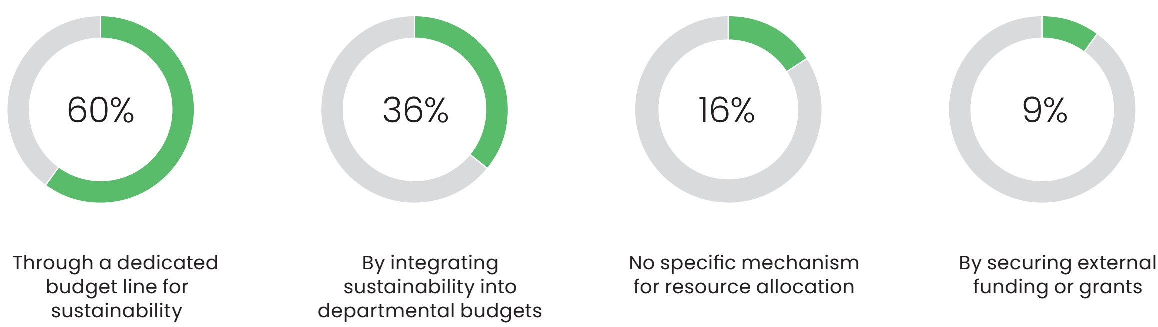
Margreeth Pape, Intergamma

4.2 Many companies have dedicated sustainability budgets

60% of companies have embedded sustainability through a dedicated budget line. This means that these companies have allocated specific financial resources solely for sustainability initiatives, ensuring that there is a clear and focused investment in sustainability projects and goals. However, only 36% of companies have integrated sustainability into their departmental budgets. By doing so, these companies ensure that the financial responsibility for sustainability is embedded within the departments. This approach helps to ensure that sustainability considerations are taken into account in the day-to-day decision-making processes at all levels of the organization. Integrating sustainability into departmental budgets can lead to more consistent and widespread adoption of sustainable practices, because it becomes a part of the regular financial planning and operations of each department. ▶ K

> **"We work together with external consultants on the CSRD. They can provide us with necessary expertise on the topic. In the long term, we want to be independent of third parties, but for now it is necessary to meet the targets on time."**
>
> **Jelle IJsselstijn, ANWB**

K Responses to the survey question, "How does your company ensure that sufficient financial resources are allocated to ESG-related projects?"



Source: Survey by Roland Berger and Potloc

BEST PRACTICES

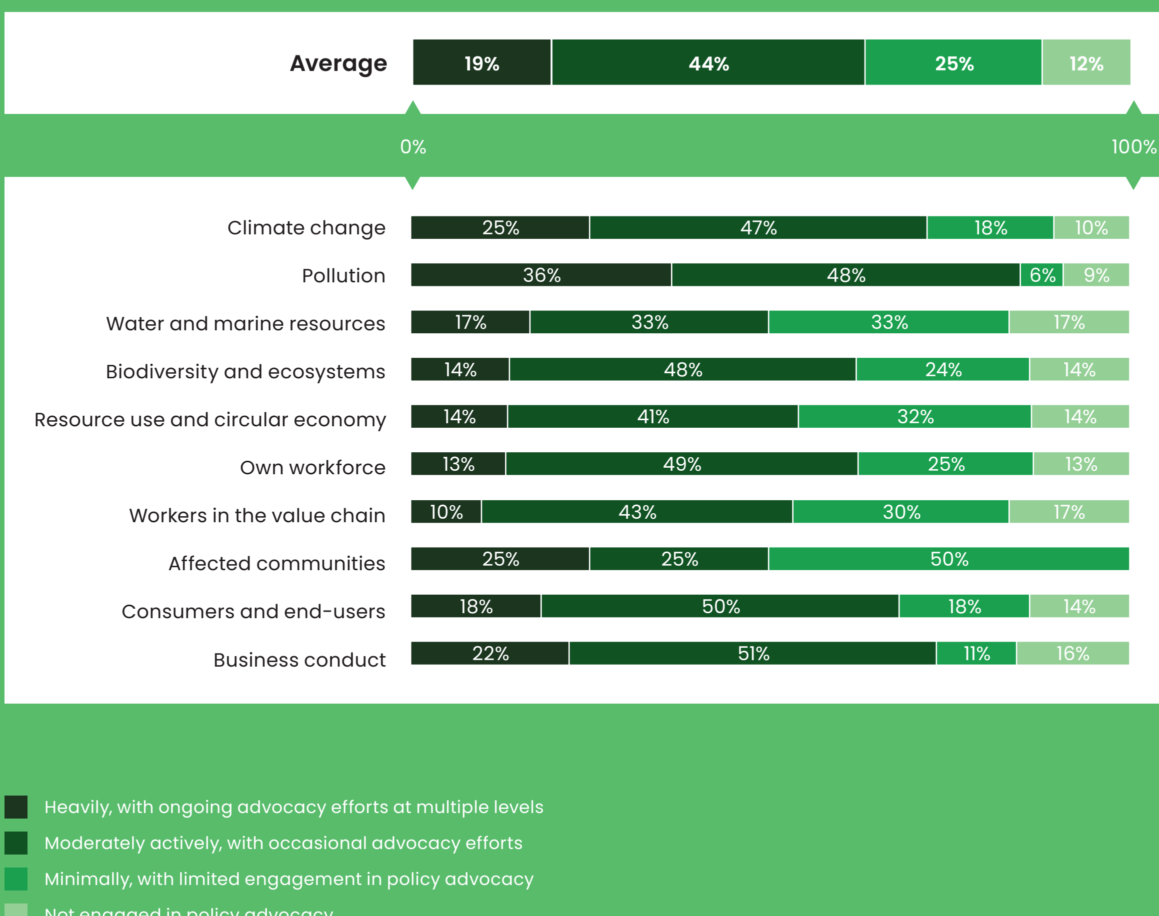
Resource allocation

Leading companies continuously develop in-house sustainability expertise, recognizing the ongoing effort required for compliance with the CSRD. They complement this by engaging external experts in areas where specialized knowledge is needed. While having a dedicated budget for sustainability is a strong starting point, these companies also integrate sustainability into departmental budgets. This dual approach ensures that sustainability initiatives are prioritized at both the organizational and departmental levels, embedding them into daily operations across the business.

5 Constructive advocacy

Only 19% of companies heavily advocate for stronger ESG policies

Responses to the survey question, "How actively does your company engage in advocating for policies that support these topics?"



Source: Survey by Roland Berger and Potloc

5.1 ESG advocacy is a clear hurdle for companies

Competing business priorities and limited resources form the main barriers to more proactive policy advocacy

Only 19% of companies actively advocate for stronger policies, which we define as ongoing efforts towards better ESG policies at multiple levels. The main barriers to this are seen as competing business priorities (48%) and limited resources (45%). ▶ L

L Responses to the survey question, "What barriers does your company face in advocating for stronger policies?"

Source: Survey by Roland Berger and Potloc

"Sustainability regulation can play an important role in creating a level playing field with respect to sustainability impact measurement. When implemented well, regulation can be an important tool to help companies streamline and coordinate their sustainability efforts."

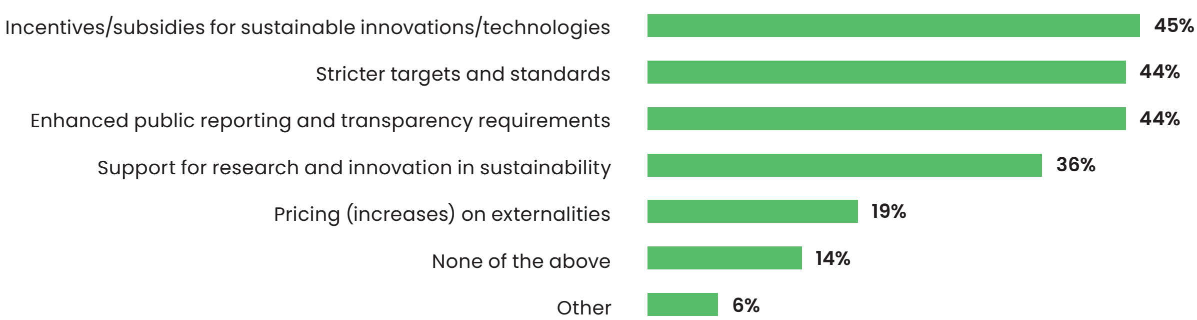
Roel van Poppel, ofi

5.2 Advocacy efforts, when present, are scattered

Companies tend to advocate for a wide range of policies rather than having a clear consensus on the most relevant topics

In terms of the policies that companies do lobby for, the field is quite diverse: 45% advocate for incentives or subsidies for sustainable innovations, 44% for stricter targets and standards, and 44% for enhanced public reporting and transparency standards. This wide range of advocacy topics makes it more difficult to build consensus, which in turn hinders cohesive and effective policy change. ▶ M

M Responses to the survey question, "What types of policies or regulations does your company advocate for?"



Source: Survey by Roland Berger and Potloc

BEST PRACTICES

Constructive advocacy

Frontrunner companies dedicate resources to advocacy and integrate these efforts into their broader business strategy, which helps them navigate competing priorities. Additionally, they form coalitions and partnerships with other companies and industry groups, pooling resources to build industry consensus and make their efforts more impactful and resource-efficient.

6 Selected best practices from surveys and interviews

"By aligning financial incentives with our sustainability goals, we demonstrate our commitment to putting our money where our mouth is."

"We integrate ESG principles into our core business operations and maintain a strong commitment to these values through continuous programs and events."

"We have decided to implement a software tool that enables us to automate tracking and reporting our ESG data in line with CSRD requirements, which will allow us to focus on improving our sustainability impact."

"We collaborate with partners across various industries, including engineering, infrastructure, and education, to integrate sustainability into our operations and make it a regular topic of discussion. This cross-industry partnership approach ensures that we benefit from diverse expertise and perspectives."

"We integrate financial and non-financial reporting and have established a sustainability governance model that includes representation from various departments and seniority levels to ensure comprehensive oversight and accountability in our sustainability efforts."

"Our commitment includes setting strong, straightforward, and largely numeric targets that are clear to everyone. We prioritize transparency and strive to maintain a unified language within the company when it comes to sustainability."

6 Selected best practices from surveys and interviews

"Top-management support and understanding are critical foundations for our efforts. A broad functional alliance is essential to mobilize for change, along with a deep technical understanding within the company to evaluate proposals and chart the path forward. Additionally, an external engagement mindset is crucial for learning and sharing best practices."

"We launched an innovative platform to link sustainability performance measurement to the products we supply to our customers, the first of its kind. We also took the initiative to bring together the industry, including customers and suppliers, to align on a common methodology for measuring sustainability performance."

"We began publishing an annual ESG report a few years ago which gets a lot of attention, internally and externally, fostering a culture of environmental awareness among employees, and enhancing our reputation with stakeholders and customers."

"Our approach to implementing CSRD involves leveraging our own team, investing significantly in research, and developing our unique organizational vision despite our limited scale."

"We have prioritized three key areas of impact to focus on, which helps us maximize the effectiveness of our programs and educate employees on how they can contribute to our goals."

Imprint

Roland Berger

Tijo Collot d'Escury
Managing Partner
tijo.collotdescury@rolandberger.com

Evelijn Zikken
Partner
evelijn.zikken@rolandberger.com

Floor van Werven
Principal
floor.vanwerven@rolandberger.com

Gilles de Kok
Senior Consultant

Alexandra van der Jagt
Consultant

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IMPACT ECONOMY FOUNDATION

Werner Schouten
Director
werner@impacteconomyfoundation.org

Jeroen Vanson
Coalition Manager
jeroen.vanson@impacteconomyfoundation.org

IMPACT ECONOMY FOUNDATION accelerates the transition towards the Impact Economy: a market economy in which value and success in businesses and the economy is redefined from financial gain to societal impact. We redefine value in the economy by embedding social, human and environmental impact in balance sheets, pricing and at the heart of every decision and organization. This shifts the competitive focus from a race to the bottom towards a collective race to the top, where societal impact becomes the benchmark for success. To accelerate this transition, IEF builds the movement, the instruments (such as impact accounting) and the market incentives for the Impact Economy. IEF works with an international coalition of businesses, academic institutions and policymakers on the Impact Economy.

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POTLOC

Antoine Béguerie
Senior Account Executive
antoine.beguerie@potloc.com

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