

***[Draft] European Sustainability Reporting Standard 2
Strategy and business model***

DISCLAIMER

This working paper is an Appendix to and must be read in conjunction with the related document '[PTF-ESRS Batch 1 working papers – Cover note and next steps](#)', which establishes the general context, the status of this working paper and the subsequent due process steps to be followed.

WORKING PAPER

Table of content

[Draft] European Sustainability Reporting Standard 2	3
Objective	3
Interaction with other ESRS	3
Disclosure requirements categories	3
Disclosures on strategy and business model(s) as a context for sustainability reporting	4
Disclosure requirement 1 - Overview of strategy and business model	4
Disclosure requirement 2 - Sectors of activity	4
Disclosure requirement 3 - Products and services, Markets	4
Disclosure requirement 4 - Key features of the value chain	5
Disclosure requirement 5 - Key drivers of value creation	5
Disclosures on interaction between sustainability matters, strategy and business model	5
Disclosure requirement 6 - Interests of stakeholders	5
Disclosure requirement 7 - Impacts related to sustainability matters	6
Disclosure requirement 8 - Risks and opportunities related to sustainability matters	6
Appendix A: Defined terms	8
Appendix B: Application Guidance	9
Disclosure requirement 1 - Overview of strategy and business model	9
Disclosure requirement 2 - Sectors of activity	10
Disclosure requirement 3 - Products and services, markets	10
Disclosure requirement 4 - Key features of the value chain	10
Disclosure requirement 5 - Key drivers of value creation	10
Disclosure requirement 6 - Interests of stakeholders	11
Disclosure requirement 7 - Impacts related to sustainability matters	11
Disclosure requirement 8 - Risks and opportunity related to sustainability matters	12
Appendix C: Digitisation guidance	13
[Draft] Basis for conclusions on ESRS 2	14
Objective of the [draft] standard	14
Existing EU Requirements	15
Disclosure requirements	18

[Draft] European Sustainability Reporting Standard 2

Strategy and business model

Objective

- 1 The objective of this [draft] standard is to specify disclosure requirements for how a reporting undertaking describes:
 - (a) Its strategy and business model(s) as a context to its sustainability-related reporting;
 - (b) how sustainability-related matters are related to, interact with and inform its strategy and business model(s).

Interaction with other ESRS

- 2 All requirements related to Strategy and business model are described in this ESRS even when related to specific topics such as Climate, and other environmental or social issues.
- 3 Other cross-referencing standards requirements (Governance and organisation, Risks, opportunities and impacts) describe in combination with this standard requirements how sustainability matters influence the undertaking's activity and its governance and management from a general standpoint. Interactions, when applicable, between these standards are indicated in the related disclosure requirement.

Disclosure requirements categories

- 4 The disclosure requirements in this [draft] standard can be grouped into two main categories as shown in the table below:

Disclosure requirements related to the strategy and business model(s) of the undertaking as a context for its sustainability-related reporting	Disclosure requirements relating to how sustainability matters interact with, are related to, and inform the strategy and business model(s) of the undertaking
Disclosure requirement 1 - Overview of strategy and business model(s)	Disclosure requirement 6 - Interests of stakeholders
Disclosure requirement 2 - Sectors of activity	Disclosure requirement 7 - Impacts related to sustainability matters
Disclosure requirement 3 - Products and services, Markets	Disclosure requirement 8 - Risks and opportunities related to sustainability matters
Disclosure requirement 4 - Key features of the value chain	
Disclosure requirement 5 - Key drivers of value creation	

Table1: Structure of the (draft) standard

Disclosures on strategy and business model(s) as a context for sustainability reporting

Disclosure requirement 1 - Overview of strategy and business model

- 5 **An undertaking shall provide a summarised description of its strategy and business model as context to its sustainability-related reporting.**
- 6 The principle to be followed under this disclosure requirement is to provide relevant contextual information necessary to understanding the sustainability-related reporting of the undertaking. It is therefore a reference-point for other disclosure requirements.
- 7 The disclosure required by paragraph 6 shall include:
- (a) An overview of the key features of the general strategy and business model(s) of the undertaking,
 - (b) A summarised description of specific sustainability related strategies developed by the undertaking
 - (c) An explanation of the mission statement of the undertaking, if formalised, including its status (statutory or other) and its key features (such as vision, purpose and values).
- 8 The disclosure requirements in paragraphs 10 to 24 are complementary to the general disclosure requirement in paragraph 6.

Disclosure requirement 2 - Sectors of activity

- 9 **An undertaking shall provide a description of the sector(s) it is active in.**
- 10 The principle to be followed under this disclosure requirement is to provide a clear depiction of the distribution of the undertaking's activities by reference to a common sector definition.
- 11 The sectors to be used for this disclosure shall be based upon the sector classification as defined in ESRS n [name of sector classification standard].
- 12 The disclosure shall include a reconciliation of turnover by sector to the total turnover included in the income statement of the undertaking and to the turnover by operating segments (when requested by financial reporting standards).

Disclosure requirement 3 - Products and services, Markets

- 13 **An undertaking shall provide a description of its main products and services as well as the main markets it operates in.**
- 14 The principle to be followed under this disclosure requirement is to provide an understanding of the undertaking's footprint in terms of products and services, customers and geographies.
- 15 The disclosure required by paragraph 14 shall include the following information:
- (a) a description of the products or services the undertaking offers and to whom, providing information on:
 - (i) Products and services offered,
 - (ii) Markets the undertaking operates in, including the characteristics of those markets, as well as the size and relative importance of those markets to the undertaking , and
 - (iii) Customer groups targeted by the undertaking,
 - (iv) Related headcount and major locations.

- (b) An analysis of turnover:
 - (i) by product or service,
 - (ii) by market and
 - (iii) by geographical area.

Disclosure requirement 4 - Key features of the value chain

16 An undertaking shall describe its value chain.

17 The principle to be followed under this disclosure requirement is to provide an understanding of the value chain in which the undertaking operates and of the undertaking's positioning in the process of delivering products and services to end-users.

18 The disclosure required by paragraph 17 shall include the following information:

- (a) a description of the other participants in the value chain until delivery of products and services to end-users: main suppliers (upstream value chain) and main customers (downstream value chain),
 - (b) a description of the key resources the undertaking is leveraging to perform its own operations, and
 - (c) the characteristics of the undertaking's relationship with end-users of products and services delivered by the value chain.
- 19 The description of the value chain shall be granular enough to allow an understanding of where the most material sustainability-related risks, opportunities and impacts, manifest themselves in the value chain in which the undertaking operates, as determined by the undertaking, following its own assessment process,.

Disclosure requirement 5 - Key drivers of value creation

20 An undertaking shall describe how it creates value.

21 The principle to be followed under this disclosure requirement is to provide an understanding of the key value creation drivers the undertaking is leveraging to contribute to the overall performance of the value chain it operates in with regard to the respective interests of all stakeholders.

22 To comply with paragraph 21, an undertaking shall provide a description of how it structures its operations and relationships to create value for all stakeholders on the basis of its strategy and business model(s).

23 A link to relevant information in the financial statements of the undertaking shall be provided.

Disclosures on interaction between sustainability matters, strategy and business model

Disclosure requirement 6 - Interests of stakeholders

24 An undertaking shall describe how the views and interests of its stakeholders inform the undertaking's strategy and business model(s).

25 The principle to be followed under this disclosure requirement is to provide an understanding of how stakeholders' views, interests and expectations are taken into account for the undertaking's decision and evolution of its strategy and business model(s).

26 The disclosure required by paragraph 25 shall include the following information:

- (a) a summarised description of the undertaking's principal stakeholders and of their views, interests and expectations as analysed during the undertaking's own assessment process.
- (b) a description of how the strategy and business model(s) of the undertaking are informed by these views, interest and expectations.

Disclosure requirement 7 - Impacts related to sustainability matters

- 27 **An undertaking shall provide a description of the interaction between its material impacts and its strategy and business model(s)**
- 28 The principle to be followed under this disclosure requirement is to describe:
- (a) how material impacts related to sustainability matters originate from the undertaking's strategy and business model(s), and
 - (b) how material impacts related to sustainability matters inform the undertaking's strategy and business model(s).
- 29 The disclosure required by paragraph 28 shall include the following information:
- (a) a summary of the undertaking's material sustainability impacts that due to their importance to the undertaking are prioritised and monitored directly by the highest governing bodies, originating from its activities, with the appropriate cross-reference to actual and potential, positive and negative material impacts on sustainability matters as identified under ESRS 4,
 - (b) with reference to material impacts that due to their importance to the undertaking are prioritised and monitored directly by the highest governing bodies, a description of the undertaking's strategic decisions and commitments as well as changes to its business model(s) to (i) prevent or mitigate its material sustainability negative impacts and (ii) foster its material sustainability positive impacts including a summarised description of the related plans and targets.
- 30 The disclosure required by paragraph 30 (b) shall cover the strategic and business level decisions taken by the undertaking in relation to the impacts that due to their importance are prioritised and monitored directly by the highest governing bodies described under paragraph 30 (a). The detail of policies, targets, plans and resources put in place to implement the strategic and business model level decisions shall be covered by the disclosures required under topical or other ESRS.

Disclosure requirement 8 - Risks and opportunities related to sustainability matters

- 31 **The undertaking shall provide a description of the interaction between its material risks and opportunities and its strategy and business model(s).**
- 32 The principle to be followed under this disclosure requirement is to describe:
- (a) how actual and potential material risks and opportunities related to sustainability matters are related to the undertaking's strategy and business model(s),
 - (b) how actual and potential material risks and opportunities related to sustainability matters inform and contribute to adapting the undertaking's strategy and business model(s), and
 - (c) the overall resilience of the undertaking's strategy and business model(s) regarding its capacity to address its material risks and its capacity to leverage its opportunities.
- 33 The disclosure required by paragraph 31 shall include the following information:
- (a) a summary of the undertaking's material sustainability risks and opportunities affecting its activities that due to their importance are prioritised and monitored directly by the highest governing bodies with the appropriate cross-reference to actual and potential material risks and opportunities on sustainability matters as identified under ESRS 4 Sustainability material impacts, risks and opportunities,

- (b) with reference to risks and opportunities that due to their importance to the undertaking are prioritised and monitored directly by the highest governing bodies, a description of the undertaking's strategic decisions and commitments as well as changes to its business model(s) to prevent or mitigate its material sustainability risks and to foster its material sustainability opportunities, including a summarised description of the related plans and targets, and
 - (c) an assessment of the resilience of the strategy and business model(s) of the undertaking over the short, medium and long term.
- 34 Risks and opportunities that due to their importance are prioritised and monitored directly by the highest governing bodies are not systematically connected to material impacts originating from the undertaking's activities that due to their importance are prioritised and monitored directly by the highest governing bodies, as covered under disclosure requirement 7 above. While material impacts generated by the undertaking generally trigger risks and opportunities for the undertaking, many risks and opportunities for the undertaking can be unrelated to its impacts.
- 35 The disclosure required by paragraph 34 (b) shall cover the strategic and business level decisions taken by the undertaking in relation to each of the risks and opportunities that due to their importance are prioritised and monitored directly by the highest governing bodies described under paragraph 36. The details of policies, targets, plans and resources put in place to implement the strategic and business model level decisions shall be covered by the disclosures required under topical or other ESRS.
- 36 The disclosure required by paragraph 34 (c) shall provide the undertaking's assessment of the resilience of its strategy and business model(s) over the successive time horizons. This disclosure is expected to cover:
- (a) how the undertaking 's strategy and business model(s) are informed by and compatible with specific sustainability objectives at EU or global levels, and
 - (b) the overall adequacy of strategy and business model level decisions taken or to be taken in respect of the strategic and business model challenges the undertaking is confronted with.

Appendix A: Defined terms

This appendix is integral part of the [draft] standard.

[to be included in the general glossary]

Business model	An undertaking's system of transforming inputs through its business activities into outputs and outcomes, that aim to fulfil the undertaking's strategic purposes. It provides an overview of how an undertaking operates, the rationale of its structure and how it creates and preserves value over time.
Sector	Subdivision of an economy, society or sphere of activity, defined on the basis of some common characteristic. A sector generally refers to a large segment of the economy or grouping of business types, while 'industry' is used to describe more specific groupings of undertakings within a sector.
Strategy	An undertaking's plan to achieve its mission and vision and apply its core values.
Sustainability matters	Sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council, and governance factors.
Value chain	Entire sequence of activities or parties that create or receive value through the provision of a product or service.

Appendix B: Application Guidance

This appendix is an integral part of the [draft] ESRS n Strategy and business model. It describes the application of the requirements set for in paragraphs 1 to 36 and has the same authority as the other parts of the [draft] standard. The provisions set under paragraphs 1 to 36 and under paragraphs AG 1 to AG 34 of this Application Guidance below are cumulative.

For presentation purposes the disclosures can be combined as appropriate for the preparer. In particular, disclosures 3, 4 and 5 may be combined, especially for smaller undertakings.

Disclosure requirement 1 - Overview of strategy and business model

AG 1. A strategy is the plan to achieve an undertaking's defined mission and vision and apply its core values. It incorporates the set of goals or purposes an undertaking assigns itself in terms of delivering certain defined products and services to defined categories of customers in certain defined geographic areas under a defined framework of relationships with all stakeholders.

AG 2. A summarised description of an undertaking's strategy shall include:

- (a) A description of the mission, vision and core values of the undertaking, when defined as such, and of the goals and purposes of the undertaking's in terms of product and services, customer categories, geographic areas and relationships with stakeholders,
- (b) An assessment of the undertaking's current market position in relation to its goals or purposes,
- (c) A statement on the undertaking's intended direction of travel on the basis of relevant defined time horizons, including main challenges ahead, critical solutions or projects to be put in place and possible or projected or expected outcomes,
- (d) The key targets the undertaking expects to reach.

AG 3. A business model is the system developed by an undertaking for transforming inputs through its business activities into outputs and outcomes, that aims to fulfill the undertaking's strategic purposes. It provides an overview of how an undertaking operates, the rationale of its structure and how it creates and preserves value over time. An undertaking may develop one or several business models.

AG 4. A summarised description of an undertaking's business model(s) shall include:

- (a) A description of the undertaking's critical inputs and its approach to gather, develop and secure those inputs,
- (b) A description of the key aspects of the undertaking's value creation system, including structure and processes, through which it brings added value to the inputs it gathers. This description requires specific attention since it provides explanations on how the undertaking creates value for stakeholders,
- (c) A description of the undertaking's outputs and outcomes with the related current and expected benefits for stakeholders.

AG 5. If an undertaking has implemented one or several specific sustainability related strategies, their key features and their linkage to the general description of its strategy and business mode(s) shall be disclosed under this disclosure requirement. The interaction between impacts on the one hand, risk and opportunities on the other hand and the undertaking's strategy and business model(s) is covered under disclosure requirements 7 and 8.

AG 6. The undertaking's mission can be established following a purely internal definition process or following a definition process developed according to certain best practice, regulatory or legal frameworks. In the latter case explicit reference shall be made to those frameworks.

AG 7. This disclosure requirement is at the undertaking level, or at its consolidated level, following the boundaries applicable to sustainability reporting. A specific narrative may be needed if the boundaries of the financial reporting and of the sustainable reporting are different and if it has an influence on the understanding of the undertaking's strategy and business model(s). Reconciliation tables can be useful.

Disclosure requirement 2 - Sectors of activity

AG 8. The undertaking should list all identified sectors according to ESRS n [number of sector classification standard].

AG 9. For most material sectors the undertaking shall consider disclosing the relationship between the sector and the key features of the business model(s) developed to perform the sector activities as described following disclosure requirement 1. The potential challenges and/or competitive advantages of the undertaking in performing the activities can be highlighted. If a code for sub-sector does not exist, a narrative description of the sub-sector is given in the caption "others".

AG 10. This disclosure requirement is a closed list of the sectors in which the undertaking operates.

AG 11. Quantitative information has to be provided in order to illustrate the weight of the various sectoral activities (such as for instance % of sales).

Disclosure requirement 3 - Products and services, markets

AG 12. When describing its products and services as well as markets the undertaking shall consider relevant disclosures related to:

- (a) new products and services, removed products and services and their relative shares in sales.
- (b) new markets served as well as markets closed and their relative shares in sales,
- (c) new customer groups and customer groups not to be served anymore and their relative shares in sales,
- (d) products and services under bans, restrictions or authorisation systems as well as under public debate regarding potential bans, restrictions or authorisation systems in certain markets.

Disclosure requirement 4 - Key features of the value chain

AG 13. The required description shall at least provide a high-level overview of the key features of the value chain participants (categories of main direct suppliers, sub-contractors and customers (including their country of origin and their own value chain)), indicate their relative importance in financial terms (in income statement terms) and explain how they contribute to the value creation of the undertaking.

AG 14. The undertaking shall describe the key characteristics of its business relationships with its suppliers, sub-contractors, customers and distribution channels together with the related underlying contractual terms (including duration and legal instruments).

AG 15. The boundaries of the value chain cannot be quantitatively defined in a way that suits all undertakings. Rather, the boundaries are defined qualitatively as relative to an undertaking's material risks, opportunities and impacts. The description of the value chain should be directly linked to the undertaking's identified risks, opportunities and impacts and to sustainability reporting boundaries. Specific links shall be provided as appropriate for each of the risks, opportunities and impacts considered under disclosure requirements 7 and 8.

AG 16. To illustrate the link between material impacts and its value chain an undertaking may provide for example additional details on suppliers and resources connected to the identified or prescribed material issues.

Disclosure requirement 5 - Key drivers of value creation

AG 17. When describing the key drivers of value creation for all stakeholders, the undertaking shall consider:

- (a) the key drivers of investor-related value creation, including potential financial effects of impacts and also the organisation and main processes implemented by the undertaking to generate revenues and manage its cost base in a competitive manner,
- (b) the key drivers of value creation for other stakeholders, covering financial and other benefits.

- AG 18. Keys drivers of investor-related value creation shall be disclosed in a summarised manner either by direct disclosure or by explicit reference to clearly identified indicators located in financial statements or located in the management report (for instance in relation to non-GAAP measures as disclosed by the undertaking). They shall cover the shareholders perspective as well as the credit institutions and other lenders perspective.
- AG 19. Specific attention shall be given to disclosures on the forward-looking aspects of the undertaking's investor-related value creation that reflect its stated direction of travel and targets and/or ambitions. That includes: revenue generation, cost management and control, profitability, capex plans, financial structure and cash flow generation. Specifying the stated time horizons of targets and ambitions is particularly critical. So is their relation to the resilience of the undertaking, both in that respect as well as in other sustainability-related objectives.
- AG 20. Reconciliation with financial data should be performed with reference to applicable accounting standards, such as IFRS 8 requirements for entities applying International accounting standards (IAS regulation) or on local GAAP for the others.
- AG 21. Disclosures on key drivers of value creation for other stakeholders shall build on the identification of the most important stakeholders (all stakeholders being considered under other requirements), assess and disclose the key aspects of value creation for them in terms of financial and other risks and/or benefits.

Disclosure requirement 6 - Interests of stakeholders

- AG 22. The undertaking shall explicitly refer to its assessment process of material risks, opportunities and impacts. This process is covered by disclosure requirements established following the specific standard on this process.
- AG 23. Under this disclosure requirement the undertaking shall provide a summarised description of the interests, views and expectations of its principal stakeholders, i.e., stakeholders which are critical for the development of its strategy and to its business model(s). For each category of stakeholders, it shall cover in particular:
- (a) their current positive or negative perception of the undertaking's strategy and business model(s),
 - (b) the recent evolution of this perception, and
 - (c) the challenges and opportunities that lie ahead from stakeholder perspectives. On the basis of this description of the interests, views and expectations of each category of stakeholders, the undertaking shall disclose:
 - i. if and how it has taken steps to amend its strategy and business model(s) to address interests, views and expectations,
 - ii. what are the further steps which are considered and in what time line, and
 - iii. to what extent these steps are likely to modify the relationship with and perception of stakeholders.
- AG 24. The undertaking shall pay specific attention in its disclosures to the development of its prevention and remediation of impacts strategies and to its approach to due diligence.

Disclosure requirement 7 - Impacts related to sustainability matters

- AG 25. The undertaking shall explicitly refer to its assessment of material impacts which is covered by disclosure requirements established following the specific standard on this assessment. Material impacts can be addressed by the undertaking through management measures taken on a regular basis and/or through strategic orientations and decisions likely to affect its business model(s). When considering which material impacts due to their importance to the undertaking are prioritised and monitored directly by the highest governing bodies and therefore addressed under this disclosure requirement, the undertaking shall be able to justify its decisions and the absence of omissions.

- AG 26. Material impacts to be disclosed shall be:
- (a) listed,
 - (b) identified when appropriate as prioritised and monitored directly by the highest governing bodies due to their importance, including the reasons for doing so,
 - (c) qualified in terms of key characteristics, and
 - (d) quantified if possible.
- AG 27. These impacts (both positive and negative) can be prioritised.
- AG 28. For each listed material impact that due to its importance is prioritised and monitored directly by the highest governing bodies, the undertaking shall provide:
- (a) a description of how its strategy and business model(s) cause and drive the impact in its own operations and along the value chain,
 - (b) a description of the strategy developed or to be developed by the undertaking to modify its business model(s) in order to mitigate negative impacts and enhance positive impacts.
- AG 29. Disclosure requirements in relation to material impacts that due to their importance are prioritised and monitored directly by the highest governing bodies are addressed under the relevant ESRS.

Disclosure requirement 8 - Risks and opportunity related to sustainability matters

- AG 30. The undertaking shall explicitly refer to its assessment of material risks and opportunities which is covered by disclosure requirements established following the specific standard on this assessment, including reference to and compatibility with relevant EU and/or international objectives. Material risks and opportunities can be addressed by the undertaking through management measures taken on a regular basis and/or through strategic orientations and decisions likely to affect its business model(s). When considering which material risks and opportunities due to their importance are prioritised and monitored directly by the highest governing bodies and therefore addressed under this disclosure requirement the undertaking shall be able to justify its decisions and the absence of omissions.
- AG 31. Material risks and opportunities to be disclosed shall be:
- (a) listed,
 - (b) identified when appropriate as prioritised and monitored directly by the highest governing bodies due to their importance, including the reasons for doing so,
 - (c) qualified in terms of key characteristics, and
 - (d) quantified if possible.
- AG 32. These risks and opportunities can be prioritised.
- AG 33. For each listed risk or opportunity, the undertaking shall provide:
- (a) a description of how this risk or opportunity is related to its strategy and business model(s),
 - (b) a description of the strategy developed or to be developed by the undertaking to modify its business model(s) in order to reduce or eliminate the risk or to benefit from the opportunity,
 - (c) an assessment of the interaction between the risk or the opportunity and the resilience of the undertaking's strategy and business model(s).
- AG 34. Disclosure requirements in relation to material impacts that due to their importance are prioritised and monitored directly by the highest governing bodies are addressed under the relevant ESRS.

Appendix C: Digitisation guidance

This appendix is an integral part of the [draft] ESRS 2 *Strategy and business model*. It provides instructions for the digital tagging of the disclosure requirements in paragraphs [4-36].

[to be completed]

WORKING PAPER

[Draft] Basis for conclusions on ESRS 2 Strategy and business model

- BC1. This [draft] Basis for conclusions accompanies, but is not part of [draft] ESRS 2 Strategy and Business model. It summarises the considerations and references of the [EFRAG Sustainability Standards Board (the 'Board')] in developing the contents of the [draft] standard. [Individual Board members may be giving greater weight to some factors than to others.]
- BC2. The general approach followed by (the Board) covers the following steps:
- (a) complying first with the requirement of the draft CSRD,
 - (b) seeking guidance if necessary from the existing NFRD and its 2017 and 2019 implementation guidelines,
 - (c) analysing the current international frameworks as recital 37 of the CSRD requires that “sustainability reporting standards should take account of existing standards and frameworks for sustainability reporting and accounting where appropriate. Those include the Global Reporting Initiative, the Sustainability Accounting Standards Board, the International Integrated Reporting Council, the International Accounting Standards Board, the Task-Force on Climate-related Financial Disclosures (TCFD), the Carbon Disclosure Standards Board, and CDP. Guidance from and coherence with these existing standards and frameworks have been sought.
 - (d) analysing the key findings and path to improvement indicated in the European Reporting Lab of EFRAG report issued in October 2021: Towards sustainable businesses: Good practices in Business model, risks and opportunities reporting in the EU.
 - (e) analysing the concordance and compatibility with the publication dated 3 November 2021 from the Technical Readiness Working Group (TRWG) of the IFRS Foundation for consideration by the International Sustainability Standards Board (ISSB) for a general requirements for disclosure of sustainability-related financial information standard.

Objective of the [draft] standard

- BC3. (The Board) has determined two main objectives directly from the CSRD requirements and recitals as described in BC5 below. The (draft) standard specifies disclosure requirements for the description by a reporting undertaking of:
- (a) Its strategy and the business model as a context for its sustainability-related reporting; and
 - (b) how sustainability-related matters are related to, interact with and originate from and inform its strategy and business model.
- BC4. EFRAG Lab report highlights in particular the following necessary steps to get improved reporting in the area of Strategy and Business model:
- (a) clearer descriptions of the business model and linkage to sustainability risks and opportunities; and
 - (b) more emphasis on reporting opportunities
- BC5. These objectives are fundamental to understanding and putting into context of a specific undertaking, the full set of sustainability disclosures to be reported by the undertaking (according to the CSRD). The disclosure requirements do not require disclosure of information beyond what is necessary for users of reporting to understand the sustainability information as prescribed by the CSRD.
- BC6. Following the structure of standards, the objectives necessarily imply interrelations between this (draft) standard and other ESRS. These interrelations may be summarised as follows:
- (a) The (draft) standard on Impacts, Risks, & Opportunities is the starting point for determining which sustainability-related matters shall be reported upon by the undertaking,

- (b) (Draft) standards on Impacts, Risks & Opportunities(IRO), on Strategy & Business model (SBM), and on Governance & Organisation (GO) are interlinked and together constitute an overarching set of cross-cutting standards (CCS) mandating disclosures allowing for a good understanding of why and how the undertaking is reporting sustainability-related matters in compliance with CSRD objectives,
- (c) The (draft) standard on Policies, Targets, Action Plans & Resources (PTAPR) is designed to provide robust common definitions on key implementation aspects to be used as reference when required by specific ESRS.

Existing EU Requirements

BC7. EU requirements are shown below (extracts from draft CRSD and current NFRD):

- (a) Draft CSRD references (Article 19a – Article 29a) are very explicit in term of disclosures required on Strategy and business models. Links with other cross-cutting standards and guidelines are indicated in italics in the table below extracted from CSRD requirements.
 1. Large undertakings and, as of 1 January 2026, small and medium-sized undertakings which are undertakings referred to in Article 2, point (1), point (a), shall include in the management report information necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position.
 2. The information referred to in paragraph 1 shall contain in particular:
 - a. a brief **description of the undertaking's strategy and business model**, including:

I. the resilience of the undertaking's strategy and business model to risks related to sustainability matters;	<i>Link with CCS IRO and link with topical standards</i>
II. the opportunities for the undertaking in relation to sustainability matters;	<i>Link with CCS IRO</i>
III. the plans of the undertaking to ensure that its strategy and business model are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement;	<i>Link with CCS SBM and link with topical standards</i>
IV. how the undertaking's strategy and business model take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters;	<i>Link with CCS SBM and link with CCS IRO</i>
V. how the undertaking's strategy has been implemented with regard to sustainability matters;	<i>Link with CCS SBM</i>

- b. **a description of the targets related to sustainability matters set by the undertaking** and of the progress the undertaking has made towards achieving those targets; *Link with CCS PTAPR – ESRS5*
- c. a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters; *Link with CCS GO- ESRS 3*
- d. a description of the undertaking's policies in relation to sustainability matters; *Link with CCS PTAPR– ESRS5*

- e. a description of:
 - (i) the due diligence process implemented with regard to sustainability matters;
 - (ii) the principal actual or potential adverse impacts connected with the undertaking's value chain, including its own operations, its products and services, its business relationships and its supply chain; **CCS SBM, CCS IRO– ESRS4**
 - (iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts; **CCS SBM, CCS IRO– ESRS4**
- f. a description of the principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks; **CCS SBM, CCS IRO– ESRS4**
- g. indicators relevant to the disclosures referred to in points (a) to (f).

Undertakings shall also disclose information on intangibles, including information on intellectual, human, and social and relationship capital.

Undertakings shall report the process carried out to identify the information that they have included in the management report in accordance with paragraph 1 and in this process they shall take account of short, medium and long-term horizons.

- (b) In addition the recitals of the draft CSRD provide references to prior EU strategy and business model disclosure requirements.

(26) Articles 19a(1) and 29a(1) of Directive 2013/34/EU require undertakings to disclose information about five reporting areas: **business model**, policies (including due diligence processes implemented), the outcome of those policies, risks and risk management, and key performance indicators relevant to the business. Article 19a(1) of Directive 2013/34/EU does not contain explicit references to other reporting areas that users of information consider relevant, some of which align with disclosures included in international frameworks, including the recommendations of the Task Force on Climate-related Financial Disclosures. Disclosure requirements should be specified in sufficient detail to ensure that undertakings report information on their resilience to risks related to sustainability matters. **In addition to the reporting areas identified in Articles 19a(1) and 29a(1) of Directive 2013/34/EU, undertakings should therefore be required to disclose information about their business strategy and the resilience of the strategy and business model to risks related to sustainability matters; any plans they may have to ensure that their strategy and business model are compatible with the transition to a sustainable and climate-neutral economy; whether and how their strategy and business model take account of the interests of stakeholders; any opportunities for the undertaking arising from sustainability matters; the implementation of the aspects of the business strategy which affect, or are affected by sustainability matters; any sustainability targets set by the undertaking and the progress made towards achieving them; the role of the board and management with regard to sustainability matters; the principal actual and potential adverse impacts connected with the undertaking's activities; and how the undertaking has identified the information that they report on. Once the disclosure of elements such as targets and the progress towards achieving them is required, the separate requirement to disclose the outcomes of policies is no longer necessary.**

- (c) **Non-binding Guidelines (2017) related to current Non-Financial Reporting Directive (EU2014/0095)**

PTF-NFRS §350 points out that the NFRD requires companies to disclose information that is necessary for understanding a company's development, performance, position and impact. The PTF has assessed crucial that undertakings explain their activities, their context and their organisation as a first step in the strategy process.

Specific paragraphs related to strategy and business model (words stressed in bold) are the following:

3.2 - Material information should be provided with appropriate context to make it easier to understand. A company's performance may, for example, be presented **with reference to its strategies and broader goals**. Companies are expected to describe how non-financial issues relate to their long-term strategy, principal risks and policies.

3.4 - The statement is expected to **provide insights into a company's business model, strategy and its implementation, and explain the short-term, medium-term and long-term implications of the information reported**.

Companies are expected to **disclose relevant information on their business model, including their strategy and objectives**. Disclosures should provide insight into the **strategic approach to relevant non-financial issues; what a company does, how and why it does it**.

Example and KPIs

A company may disclose how it approaches a sustainable business strategy and how environmental, social and governance performance can help achieve its business goals. It could also disclose targets relating to KPIs reported, and explain the uncertainties and factors which may underpin forward-looking information and future prospects.

4.1 Business model

Article 1 of the Directive sets out that the non-financial statement contains information including:

- (i) a. 'a brief description of the undertaking's business model;'
- (ii) A company's business model describes how it generates and preserves value through its products or services over the longer term. The business model provides context for the management report as a whole. It provides an overview of how a company operates and the rationale of its structure, by describing how it transforms inputs into outputs through its business activities. In more simple terms, what a company does, how and why it does it.

When describing their business model, companies may consider including appropriate disclosures relating to:

- **their business environment;**
- **their organisation and structure;**
- **the markets where they operate;**
- **their objectives and strategies; and**
- **main trends and factors that may affect their future development.**

Companies **may consider using KPIs to explain their business model, main trends, etc.**

Companies **are expected to explain their business model in a clear, understandable and factual manner. A business model is a matter-of-fact case**. Companies should avoid immaterial disclosures of promotional or aspirational nature which distract attention from material information.

Companies are expected to highlight and explain when material changes to their business model have taken place in the reporting year.

Example

A company may consider specific disclosures explaining:

- the main products it makes, and how they meet the needs of consumers/customers;
- how these products are made, and what makes its production approach competitive and sustainable;
- the characteristics of the market where it operates, and how it may evolve;

BC8. As a consequence, disclosing information related to strategy and business model is not a new requirement at least for entities which apply the Non-Financial Reporting Directive. As a result, many frameworks have already developed references or standards on this topic.

Disclosure requirements

BC9. The analysis for content of disclosure requirements has been performed on the basis of the draft CSRD, existing NFRD and its guidelines and current international frameworks: GRI, SASB, IIRC, TCFD, CDSB as mentioned in the recitals of the CSRD with a perspective of compatibility and coherence in order to capitalise on existing applied standards or frameworks.

BC10. In addition, early November 2021, the Technical Readiness Working Group (TRWG) of the IFRS Foundation issued a document for consideration by the ISSB for a general requirements for disclosure of sustainability related financial information standard prototype. This document includes items relative to Strategy which have been included in the analysis below even if its scope is limited to sustainability-related financial disclosure. One can consider that similar concepts would be extended to other sustainability disclosures.

BC11. Many assertions related to strategy and business model in these international frameworks are general and are not necessarily organised as disclosure requirements. They are summarised in the table below:

<p>GRI</p>	<p>In its universal standards issued in 2021, GRI requires specific disclosures (2-6 and 2-22) in relation with BM&S:</p> <p>Disclosure 2-6 Activities, value chain and other business relationships (as from line 1506)</p> <p>Requirements</p> <p>The organization shall:</p> <ul style="list-style-type: none"> a. report the sector(s) in which it is active; b. describe its value chain, including: <ul style="list-style-type: none"> i. the organization’s activities, products, services, and markets served; ii. the organization’s supply chain; iii. the entities downstream from the organization and their activities; c. report other relevant business relationships; d. describe significant changes in 2-6-a, 2-6-b, and 2-6-c compared to the previous reporting period. <p>Disclosure 2-22 Statement on sustainable development strategy (as from line 2075)</p> <p>Requirements</p> <p>The organization shall:</p> <ul style="list-style-type: none"> a. report a statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development to the organization and its strategy for contributing to sustainable development. <p>These two disclosure requirements are accompanied with additional guidance which have been the basis for our proposed sub-disclosure requirements.</p>
<p>SASB</p>	<p>SASB has not developed general standard dealing with this topics, nevertheless in its conceptual framework, SASB indicates that this topic has been taken into account when developing the sector standards: (page 4-5):</p> <p>“SASB’s sustainability topics are organized under five broad sustainability dimensions:</p> <p>...</p>

	<p>4. Business Model and Innovation. This dimension addresses the impact of sustainability issues on innovation and business models. It addresses the integration of environmental, human, and social issues in a company’s value-creation process, including resource recovery and other innovations in the production process; as well as in product innovation, including efficiency and responsibility in the design, use phase, and disposal of products. It also includes management of environmental and social impacts on tangible and financial assets—either a company’s own or those that it manages as the fiduciary for others.</p> <p>...”</p>
<p>IIRC</p>	<p>Extract from “Business Model Representation in Integrated Reporting: Best Practices and Guidelines”, chapter 2 refers more to a definition of business model.</p> <p>In fact, there is no universally accepted definition of business model. In the context of the Framework IIRC here considered for our purposes, the business model is the system chosen to organize inputs, business activities (processes), outputs and outcomes, with the objective of creating value in the short, medium and long term.</p> <p>Business model has a central position in the value creation model developed by IIRC.</p>
<p>CDSB</p>	<p>The requirement 01 in its framework requires:</p> <p>Disclosures shall describe the governance of environmental policies, strategy and information.</p> <p>Purpose:</p> <p>This requirement is designed to demonstrate transparency about, and accountability for, the organisation’s oversight of environmental policies, strategy and information. Successful environmental policies require the support and leadership of an organisation’s board, or highest governing body.</p> <p>Disclosures should consider including the following detail:</p> <ul style="list-style-type: none"> • The executive, officer, board committee or highest governing body in the organisation responsible for environmental policies, strategy and information; • Processes and frequency by which the highest governing body is informed about environmental issues; • Whether the highest governing body considers environmental issues when: <ul style="list-style-type: none"> – Reviewing: guiding strategy, major plans of action, risk management policies, annual budgets and business plans; – Setting the organisation’s performance objectives; – Monitoring implementation and performance; and – Overseeing major capital expenditures, acquisitions and divestures; • How the highest governing body monitors and oversees progress against goals and targets related to addressing environmental issues; • Explain the nature and reliability of the underlying information and control systems used (oversight) by the highest governing body to prepare environmental information, their impacts and dependencies as well as related disclosures; • How responsibility for environmental policies, strategy and information is delegated to management-level staff and how progress is reported back to the highest governing body. <p>This includes: a description of the organisational structure(s), processes by which management is informed about environmental issues, and how management (for example, specific positions or committees) monitors environmental issues;</p>

	<ul style="list-style-type: none"> • Explain whether the organisation’s environmental policies and strategies are subject to the same governance processes, disclosure controls and procedures that are used for financial management. • How management-level staff are held accountable and incentivised for addressing environmental issues
<p>TCFD</p>	<p>Recommendations are exclusively linked to climate-related risks and are described as follows: “Disclose the actual and potential impacts of climate-related risks and opportunities on the company’s businesses, strategy, and financial planning where such information is material”.</p>
<p>ISSR / TRWG</p>	<p>From TRWG : General requirements prototype</p> <p>26 The objective of sustainability-related financial disclosure on strategy is to enable users of general purpose financial reporting to understand the entity’s strategy for addressing significant sustainability-related risks and opportunities. Such information supports evaluations of whether sustainability-related financial risks and opportunities are incorporated into an entity’s strategic planning and are core to an entity’s strategy.</p> <p>27 To achieve this objective in paragraph 26, the entity shall disclose its assessment of:</p> <ul style="list-style-type: none"> (a) the significant sustainability-related risks and opportunities that it reasonably expects could affect its business model, strategy, and cash flows over the short, medium or long term (see paragraph 28); (b) the impact of significant sustainability-related risks and opportunities on its business model (see paragraph 30); (c) the impact of significant sustainability-related risks and opportunities on management’s strategy and decision making (see paragraph 31); (d) the impact of significant sustainability-related risks and opportunities on the entity’s financial position, performance and cash flows at the reporting period end, and anticipated over the short, medium and long term (see paragraph 32); and (e) the resilience of the entity’s strategy to significant sustainability-related risks (see paragraph 33). <p>28 An entity shall disclose information that enables users of general purpose financial reporting to understand the significant sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s business model, strategy and cash flows over the short, medium or long term. Specifically, the entity shall disclose:</p> <ul style="list-style-type: none"> (a) a description of the processes in place to identify significant sustainability-related risks and opportunities that it reasonably expects could positively or negatively affect the entity’s business model, strategy, and cash flows; (b) how the entity defines short, medium and long term and how the definitions are linked to the entity’s strategic planning horizons and capital allocation plans; and (c) a description of specific significant sustainability-related risks or opportunities and the time horizon over which each could reasonably be expected to have a financial effect on the entity. <p>29 The relevant time horizons required in paragraph 28(b) can vary based upon many factors, including industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons adopted by users, and the planning horizons typically used by management in the entity’s industry for strategic decision making.</p> <p>30 An entity shall disclose information that enables users of general purpose financial reporting to understand its assessment of the current and anticipated effects of significant sustainability-related risks and opportunities on its business model. Specifically, the entity shall disclose:</p>

	<p>(a) a description of the current and anticipated effects of significant sustainability-related risks and opportunities on its value chain for producing goods or services (for example, supply chains, operations, workforce, marketing and distribution channels); and</p> <p>(b) where in the entity's value chain significant sustainability-related risks or opportunities are concentrated (for example, geographic areas, facilities or types of assets, inputs, outputs or distribution channels).</p> <p>31 An entity shall disclose information that enables users of general purpose financial reporting to understand its assessment of the impact of sustainability-related risks and opportunities on management's strategy and decision making. To achieve this objective, the entity shall disclose:</p> <p>(a) how it is responding to significant sustainability-related risks and opportunities;</p> <p>(b) plans and critical assumptions for legacy assets, where applicable;</p> <p>(c) quantitative and qualitative information about the progress of plans previously disclosed in accordance with paragraphs with 30(a) and 30(b) in the prior reporting periods;</p> <p>(d) what trade-offs between sustainability-related risks and opportunities were considered by management in their decision making (for example, in a decision on the location of new operations, a trade-off between the environmental impacts of those operations and the employment opportunities they would create in a community, and the related effects on enterprise value); and</p> <p>(e) how significant sustainability-related risks and opportunities are included in the entity's financial planning decision making (for example, in relation to investment decisions and funding).</p> <p>32 An entity shall disclose information that enables users of general purpose financial reporting to understand the impact of significant sustainability-related risks and opportunities on the entity's current financial position, performance and cash flow at the reporting period end, and anticipated over the short, medium and long term. Specifically, the entity shall disclose qualitatively, and quantitatively when feasible:</p> <ul style="list-style-type: none">how significant sustainability-related risks and opportunities have affected the entity's most recently reported financial performance, position and cash flows;how management expects the entity's financial position to change over time in line with its strategy to address significant sustainability-related risks and opportunities, reflecting:<ul style="list-style-type: none">the entity's current and committed investment plans and their anticipated impact on the financial position, (for example, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements);the entity's planned sources of funding to implement the strategies.how management expects the entity's financial performance to change over time in line with its strategy to address significant sustainability-related risks and opportunities; andhow the entity's assessment of significant sustainability-related risks and opportunities has affected judgements made or present sources of estimation uncertainty in the financial statements. <p>33 An entity shall disclose qualitatively, and quantitatively when feasible, an analysis of the resilience of the entity's strategy, and cash flows to significant sustainability-related risks, where applicable, including how the analysis was undertaken, the boundary and time horizon of the analysis, and the results of the analysis.</p>
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BC12. Based on the above, considering the fact that GRI standard is the most elaborated on strategy and business model in terms of context as the other ones are more generic, the following disclosure requirements emerge as most relevant:

Disclosure requirements (DR#)	Required specifically by CSRD	Required by NFRD / Non-binding guidelines	Other international framework references / compatibility
DR1	Yes - Art 19/29a 2 (a)	4.1 a.	TRWG IISB 28
DR2	-	-	GRI 2-6 a / SASB
DR3	Yes - Art 19/29a 2 (e)	4.1 a.	GRI 2-6 b i
DR4	-	4.1 a	GRI 2-6 b ii
DR5	Yes - Art 19/29a 2 (e)	4.1 a	GRI 2-6 / GRI 2-22 / SASB / IIRC
DR6	Yes - Art 19/29a 2 IV	-	-
DR7	Yes - Art 19/29a 2(f)	-	TCFD/ ISSB 28/30
DR8	Yes - Art 19/29a 2(a), (f)	-	TCFD /ISSB 31/32/33

BC13. A first set of 5 disclosure requirements (DR1 to DR5) has been set-up in order to provide **contextual general information** relating to the strategy and business model(s) implemented by the undertaking. This will help any stakeholder to better understand in which environment the undertaking operates.

BC14. A second group of 3 disclosure requirements (DR6 to DR8) allows for a description of how sustainability topics interact with the business operations of the undertaking.

BC15. **Disclosure requirement 1 - Overview of strategy and business model.** This is a high-level disclosure requirement asking for a general description of the strategy and business model, including the mission, vision and purpose of the undertaking activities. Strategy and Business model have been kept 'bundled' (as per the CSRD), but in the sub requirements there is a translation into various aspects that can be attributed to business model on the one hand and to strategy on the other. In academic literature and company best practices the boundaries between the two are not always clear. Keeping them bundled avoids confusion about the attribution of specific aspects to the strategy and business model respectively, and allows for flexibility for the undertaking to link disclosures to its specificities.

BC16. While keeping the elements of business model and strategy bundled, it is assumed that business model is focusing on what is the basic economic system of the undertaking, the way it operates and how it creates value for its stakeholders. Business strategy is less granular than the business model, outlining the (high-level) plan of action to achieve the vision and set objectives of an organization, which guides the decision-making processes within a company to help achieve its goals. The business model is fundamental to understand the business strategy.

BC17. This general disclosure requirement should be detailed and complemented by the next four more specific disclosure requirements (DR2 to DR5).

BC18. **Disclosure requirement 2 - Sectors of activity:** This disclosure requirement allows undertaking to describe the sector(s) in which it is active in. In this context, alignment with GRI 2-6 and its specific guidance has been considered relevant:

“1519 Sectors can be identified according to categories, such as the public or private sector; or industry-

1520 specific categories, such as the education sector or the financial sector.

1521 Depending on the organization's activities, sectors can be identified using the GRI Sector Standards

1522 or classification systems such as the Global Industry Classification Standard (GICS®), the Industry

1523 Classification Benchmark (ICB), the International Standard Industrial Classification of All Economic

1524 Activities (ISIC), and the Sustainable Industry Classification System (SICS®)".

BC19. The disclosure requirement is accordingly largely inspired from GRI standard.

BC20. The sector classification to be followed is mandated by ESRS SEC 1 in order to have comparable data.

BC21. **Disclosure requirement 3 - Products and services, Markets.** The purpose of this disclosure requirement is to provide an understanding of the undertaking's footprint in terms of products and services, customers and geographies.

BC22. This disclosure requirement is indirectly required by the draft CSRD (19 a) e)ii) which requires a description of the impacts on undertaking's "products and services". This disclosure requirement was inspired by Shift Business Model Red Flags and guidance of GRI 2-6-b and i on the description of products and services and markets served which address specifically this topic. GRI guidance is detailed as below:

I. Guidance to 2-6-b

The organization's value chain includes the range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization's products or services from their conception to their end use. Entities upstream from the organization are those that provide products or services that are used in the development of the organization's own products or services. Entities downstream from the organization are those that receive products or services from the organization. Entities in the value chain include entities beyond the first tier, both upstream and downstream.

The information reported under 2-6-b provides a context for understanding the organization's impacts across its value chain, including through use of its products and services. Describing the markets served provides further information on the groups of customers targeted by the organization's products and services.

The organization is not required to provide a detailed description of each activity in its value chain. Instead, it can provide a high-level overview of its value chain.

II. Guidance to 2-6-i

When describing its activities, the organization should report its total number of operations and explain how it defines 'operation'.

When describing its products and services, the organization should report:

- the quantity of products or services provided during the reporting period (e.g., number of products or services provided, net sales of products or services provided);
- whether it sells products or services that are banned in certain markets or are the subject of stakeholder concerns or public debate, including the reason for the ban or concerns, and how the organization has responded to these concerns.

When describing the markets served, the organization can report:

- the geographic locations where products and services are offered;
- the demographic or other characteristics of the markets;
- information on the size and relative importance of the markets (e.g., net sales, net revenues).

- BC23. **Disclosure requirement 4 - Key features of the value chain.** The purpose of this disclosure requirement is to provide an understanding of the value chain in which the undertaking operates and of the undertaking's positioning in the process of delivering products and services to end-users.
- BC24. The description of the undertaking's value chain is indirectly required by the draft CSRD (19 a) e)ii) which requires a description of impacts connected with undertaking's value chain as this implies as a pre-requisite to have a clear view on the value chain itself. GRI 2-6 has the same approach and is the main source for this disclosure requirement.
- BC25. Information on the main ways the undertaking is working with its suppliers, sub-contractors and customers is considered important to be shared with stakeholders.
- BC26. **Disclosure requirement 5 - Key drivers of value creation.** The purpose of this disclosure requirement is to provide an understanding of the key value creation drivers the undertaking is leveraging to contribute to the overall performance of the value chain it operates in with regard to the respective interests of all stakeholders.
- BC27. The reference to all stakeholders includes investors who are the primary target of the IISB. The key drivers for investors are mainly linked to risks and opportunities for the undertaking, but they are also related to the undertaking's impacts where and when these impacts may be triggering risks and opportunities under a determined time horizon.
- BC28. GRI 2-22 Statement on sustainable development strategy covers this disclosure requirement by stating that: the organization shall report a statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development to the organization and its strategy for contributing to sustainable development.
- BC29. In addition, in its Guidance to GRI 2-22, it is stated that the organization should describe:
- its short, medium, and long-term vision and strategy to manage its impacts on the economy, environment, and people, including impacts on their human rights, across the organization's activities and business relationships;
 - how its purpose, business strategy, and business model aim to prevent negative impacts and achieve positive impacts on the economy, environment, and people;
 - its short and medium-term strategic priorities for contributing to sustainable development, including how the priorities are aligned with authoritative intergovernmental instruments;
 - the broader trends (e.g., macroeconomic, social, political) affecting the organization and its strategy for contributing to sustainable development;
 - the key events, achievements, and failures associated with the organization's contribution to sustainable development during the reporting period;
- BC30. **Disclosure requirement 6 - Interests of stakeholders.** The purpose of this disclosure requirement is to provide an understanding of how stakeholders' views and interests are taken into account for the undertaking's determination of its strategy and business model(s) and their evolution. Interactions between stakeholders and the undertaking impact deeply on how sustainability topics are taken into account by the undertaking.
- BC31. Guidelines on double materiality (ESRG 1) illustrate how to identify affected stakeholders: "Affected stakeholders: The materiality of impacts on affected stakeholders should be assessed based on the actual or potential harm or benefits to the potentially impacted people and their rights, damage or benefits to the environment and related public interests outlined in EU policies. The material information in this regard includes information on adverse actual or potential impacts, the involvement of the reporting entity with the impact, the entity's policy and objectives, actions, and the effectiveness of those actions in terms of preventing or mitigating the impacts and maximising positive outcomes for people or the environment."
- BC32. This disclosure requirement intends to illustrate how the affected stakeholders may impact the undertaking's business model and strategy, which implies information on:
- (a) Stakeholders themselves, how their interests have been taken into account.

- (b) The process put in place by the undertaking in order to follow and update the potential impacts on affected stakeholders (in liaison with CCS GO)

BC33. **Disclosure requirement 7 - Impacts related to sustainability matters.** The purpose of this disclosure requirement is to describe:

- (c) how actual and potential material impacts related to sustainability matters originate from the undertaking's strategy and business model(s), and
- (d) how actual and potential material impacts related sustainability matters inform the undertaking's strategy and business model(s).

BC34. This disclosure requirement results directly from draft CSRD article 19/29 a) as this element is required as a sub-element of the "brief description of the undertaking's business model and strategy (e).

BC35. **Disclosure requirement 8 - Risks and opportunities related to sustainability matters.** The purpose of this disclosure requirement is to describe:

- (a) how actual and potential material risks and opportunities related to sustainability matters affect the undertaking's strategy and business model(s),
- (b) how actual and potential material risks and opportunities related sustainability matters inform the undertaking's strategy and business model(s), and
- (c) the overall resilience of the undertaking's strategy and business model(s) regarding its material risks and opportunities.

BC36. This disclosure requirement results directly from draft CSRD article 19/29 a) as this element is required as a sub-element of the "brief description of the undertaking's business model and strategy) (a-iii): "the plans of the undertaking to ensure that its business model is compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris agreement and (f): "brief description of principal risks to the undertaking related to sustainability matters, including the undertaking's principal dependencies on such matters, and how the undertaking manages those risks".

BC37. Where required by topical standards, requirements regarding compatibility with other objectives may be added and this disclosure requirement is considered as an umbrella disclosure requirement.

BC38. All topical requirements should be disclosed under this disclosure requirement.