

# CSRD – DISCLOSURES AROUND STRATEGY & BUSINESS MODEL

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# Disclosures Around Strategy & Business Model

First of all, strategy & business model disclosures will be fairly extensive and require sufficient time to prepare and review prior to reporting.

It is a mandatory disclosure in ESRS 2. All companies will therefore disclose information on strategy & business model in their reports.

I think the areas highlighted in RED will either

- 1) require appropriate co-ordination within a business to properly disclose or
- 2) be problematic for some companies as to how to report.

# A very quick summary of what is included...

The objective is to set Disclosure Requirements for reporting on:

- (a) the elements of its strategy that relate to or affect sustainability matters, its business model(s) and its value chain;
- (b) how the interests and views of its stakeholders are taken into account by the undertaking's strategy and business model(s); and
- (c) the outcome of its assessment of material impacts, risks and opportunities, including how they inform its strategy and business model(s)

a) The elements of its strategy that relate to or affect sustainability matters, its business model(s) and its value chain

Key disclosures include:

1. Products, services, markets, geographies, employee headcount, **any products and services under bans in certain markets – marketing comms issue**
2. Total revenue breakdown by significant sector **(reconciled to IFRS 8 Operating Segments if possible – bringing in the Finance department)**
3. Total revenues for certain industries – fossil fuels, chemicals production, controversial weapons, tobacco
4. Sustainability goals for products and services, customer segments, geographical markets and relationships with stakeholders and current assessment against those goals
5. **Intended direction re: sustainability matters, challenges ahead and projects to be put in place (issue – competitive information)**
6. Description of business model and value chain – **reporting can be quite extensive to cover one or more value chains**

b) How the interests and views of its stakeholders are taken into account by the undertaking's strategy and business model(s)

Key disclosures include:

1. Who are stakeholders for the business?
2. The extent to which stakeholders have been engaged and how is that engagement organized – **will need documented processes and reporting as will be audited...**
3. The company's understanding of the interests and views of different stakeholder groups
4. If applicable, how the company intends to / has amended its strategy and business model to take into account the views of stakeholder groups – **this will be an interesting one to prepare /read....**
5. The company's processes for informing management and the supervisory board of the views and interests of stakeholders

c) The outcome of its assessment of material impacts, risks and opportunities, including how they inform its strategy and business model(s)

Key disclosures include:

1. Disclosure of material risks, impacts and opportunities across the value chain with time horizons and whether such impacts originated from or are connected to the strategy and business model
2. Which material risks and opportunities could have financial impacts and when – **will need co-ordination with Finance due to financial disclosures**
3. The effects of material risks and opportunities on decision-making and company strategy
4. Amongst lots of other things – current year impact of material risks and opportunities on financial performance, financial position and cashflows, AND anticipated impacts including investment plans and funding requirements – **will require a lot of co-ordination across a business**
5. Information on the resilience of the strategy and business model in terms of addressing material risks and opportunities, including a qualitative and where appropriate quantitative assessment – **I am not sure there is a market standard resilience framework for this.....**

# What next?

We now know – it applies to your business, you have a timetable for reporting, and we know a little about what needs to be reported.... And we understand that it will likely impact your governance arrangements... And there appears to be a lot of reporting needed around strategy and business model (with a clear emphasis on financial data)....

**Now we need to understand a bit more about the materiality assessment process that feeds these disclosures....**

You can also look at some of my past posts – they also deal with governance topics!

Thanks for reading. See you next time!

This document provides general information on the CSRD regulation and does not purport to provide advice or legal advice in any form. For how it might impact your group or company specifically, please obtain specialist advice.

Thanks!  
**Any questions?**

**You can find me at:** [Mike.Jennings@green-reg.com](mailto:Mike.Jennings@green-reg.com)

[www.green-reg.com](http://www.green-reg.com)