

Model Guidance for Board-Level Oversight of ISSB-aligned Reporting

A template for exchanges



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Preface: How exchanges can use this Model Guidance

The United Nations Sustainable Stock Exchanges (UN SSE) initiative's Model Guidance series is written in the voice of an exchange addressing market participants and is designed to help exchanges get started on specific topics. Exchanges are encouraged to replicate the text in this guidance following this preface, adapt it to their local market context, and publish it under their own branding. The guidance can also support education and capacity-building initiatives, helping exchanges work more closely with corporate boards on sustainability-related oversight.

This Model Guidance provides exchanges and regulatory authorities with a structured template to develop guidance for directors on overseeing sustainability disclosures that meet the requirements of the International Sustainability Standards Board (ISSB). It complements the [UN SSE's Model Guidance on Sustainability-Related Financial Disclosures: A template for stock exchanges](#), which focuses on the preparation of ISSB-aligned reports, by addressing the distinct governance and oversight role of boards.

Exchanges are encouraged to tailor the guidance to local requirements and definitions, and to incorporate jurisdiction- or sector-specific examples where relevant. In many markets, non-profit organizations and multi-stakeholder bodies already play a key role in developing corporate governance codes and best-practice guidance, often drawing on local expertise and addressing climate, nature, and broader sustainability issues. Exchanges and regulators may find it effective to build on and align with these existing initiatives when adapting this guidance.

This guidance may also support efforts to update or develop corporate governance codes with a focus on ISSB-aligned disclosure oversight. Corporate governance codes play a critical role in shaping how sustainability disclosures are governed within companies, and exchanges and regulators involved in these processes may wish to refer to the [SSE's ISSB toolkit](#) for further guidance.

Finally, updated codes, regulations and guidance are only effective if market participants have the capacity to implement them. This guidance is designed to provide practical, step-by-step framework for boards, and exchanges and regulators are encouraged to complement written guidance with education and training. The [UN SSE Academy](#) can support exchanges and regulators in delivering training on this topic and building market confidence in ISSB-aligned reporting.

MODEL GUIDANCE TEXT

From this point onward, the document is designed to be copied and adapted by exchanges for use in their own markets.

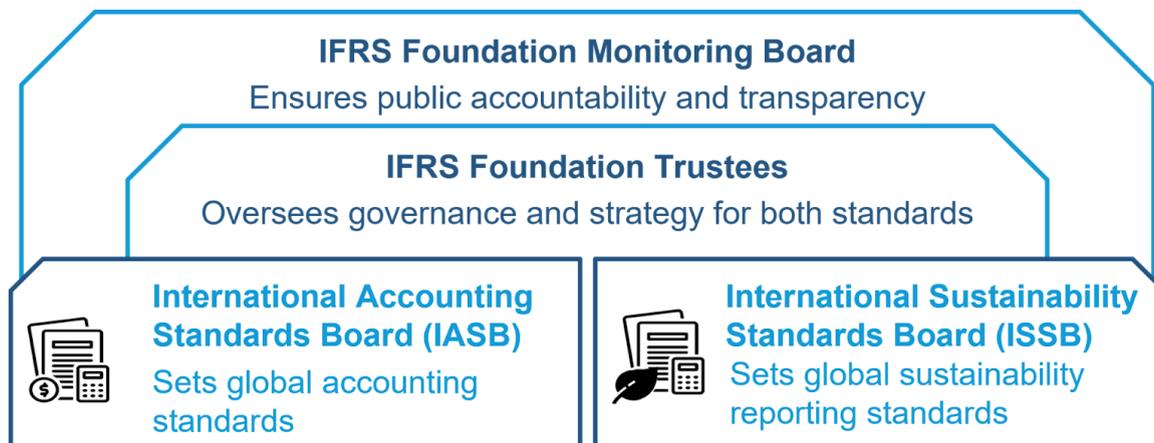
The text is written in the voice of an exchange addressing its market participants and may be copied verbatim or tailored as needed.

Introduction

The IFRS Foundation

The International Financial Reporting Standards (IFRS) Foundation is a not-for-profit, public interest organization established to develop high-quality, understandable, enforceable, and globally accepted accounting and sustainability disclosure standards. IFRS Accounting Standards developed by the International Accounting Standards Board (IASB) are required for use by more than 160 jurisdictions around the world. The IFRS Sustainability Disclosure Standards (herein referred to as the ISSB Standards) are developed by the International Sustainability Standards Board (ISSB). The Trustees of the IFRS Foundation, who are accountable to a monitoring board of public authorities, govern the IASB and the ISSB (Figure 1).

Figure 1. Governance structure of the ISSB



Source: UN SSE

The ISSB works closely with the IASB to ensure that the ISSB Standards complement the IFRS Accounting Standards in requiring a company to provide investors with transparent and reliable information that is decision-useful. The ISSB Standards were built on sustainability disclosure standards and frameworks that were already widely in use. The ISSB Standards were developed to require companies to provide decision-useful information for the primary users of general-purpose financial reports, defined by IFRS Foundation as ‘existing and potential investors, lenders and other creditors’.

ISSB Standards

IFRS S1 “*General Requirements for Disclosure of Sustainability-related Financial Information*” is the foundational Standard that sets the overarching requirements of the ISSB Standards. IFRS S1 sets out the content that must be provided in order to conform with the ISSB Standards, the concepts to be applied when making disclosures and the characteristics that make sustainability information useful, such as being relevant, comparable, verifiable, and understandable.

IFRS S2 “*Climate-related Disclosures*” builds on IFRS S1, but focuses specifically on climate-related risks and opportunities. It requires companies to disclose their climate-related strategy (including transition plans if the company has such a plan), resilience to climate risks using scenario analysis, and greenhouse gas (GHG) emissions. IFRS S2 aligns closely with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), making it familiar territory for many organizations already reporting on climate.¹

IFRS S2 must be applied in line with the overarching requirements outlined in IFRS S1. Therefore, directors reviewing a company’s climate disclosure should check that the information has been prepared according to the same standards of clarity and rigor as any other material financial information. Together, IFRS S1 and IFRS S2 provide a comprehensive and integrated view of sustainability-related risks and opportunities. In addition to the topic-specific guidance on climate in IFRS S2, other topics (like biodiversity², human capital, or supply chain resilience) are expected to follow in future guidance or adaptations to existing guidance. In the meantime, IFRS S1 should be used for all non-climate sustainability related risks and opportunities.

Important terms for boards

Before diving into the guidance of this report, it’s important that directors understand how certain terms are used by the ISSB, as they may be familiar with these terms in other circumstances and miss their relevance in this particular context. Box 1 provides an important clarification of terms that could be understood differently when used with other standards or in other circumstances. Table 1 provides an overview of some additional key terms that directors should become comfortable with and understand their relevance for ISSB-aligned disclosures.

Box 1. Important clarification on ‘materiality’

Source: UN SSE

One of the most common terms to cause confusion when it comes to sustainability-related financial disclosures is the term ‘**materiality**’. The application of the ISSB definition of materiality applies only to determine what **information** to provide about a sustainability-related risk or opportunity. This differs from the way materiality may be used by other standards. For example, the European Sustainability Reporting Standards (ESRS) uses the term materiality to both identify the ‘material’ matters and their related impacts, risks and opportunities to report on and to assess the ‘materiality of information’ disclosed on those matters. Materiality is often also used in the sustainability

¹ See the [IFRS comparison document of IFRS S2 to TCFD](#) for a detailed understanding of the alignment of IFRS S2 to TCFD.

² At the time of publication, the IFRS had announced that it would undertake standard-setting to introduce incremental disclosure requirements on nature-related risks and opportunities not already reflected in explicit requirements in IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

reporting space to refer to the process of undertaking a ‘materiality assessment’ which is used to identify which sustainability-related topics should be reported on. This materiality assessment is often completed using a chosen materiality lens.

Materiality lenses - single vs. double materiality

In sustainability reporting and the identification of sustainability-related risks and opportunities that are relevant to the company, management may refer to different materiality lenses. Single (or financial) materiality focuses on sustainability-related risks and opportunities that could reasonably be expected to affect the company’s prospects (see note below expanding on what prospects means). By contrast, double materiality, as used in frameworks such as the ESRS, considers both financial materiality and impact materiality - that is, the company’s significant impacts on the environment and society, regardless of whether these are expected to affect the company’s prospects within the time horizons evaluated.

Boards should be aware of this distinction because different reporting frameworks use the term materiality in different ways, and management may explain their process for determining material matters and material information, using these lenses.

IFRS Foundation use of ‘materiality’

Rather than referring to ‘material matters’ as the ESRS does, whenever the ISSB Standards refer to ‘**sustainability-related risks and opportunities**’ they are referring to those that the company determines could reasonably be expected to affect its prospects. **Prospects**, according to the ISSB, refers to the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term.

This publication uses the terms ‘material’ in the same way that ISSB does to ensure alignment with the standard, and therefore refers only to *material information*. When referring to matters that may be material to an organization in the way that ESRS refers to material matters, this guidance uses the ISSB terminology of ‘sustainability-related risks and opportunities.’ While directors may not require such a nuanced understanding of these terms and how different standards employ them, they should understand that the nuances exist to avoid misunderstanding requirements.

For a detailed explanation of these terms, see the IFRS Foundation’s educational material [“Sustainability-related risks and opportunities and the disclosure of material information”](#)

Table 1. Terminology that boards should be familiar with to oversee ISSB-aligned reporting

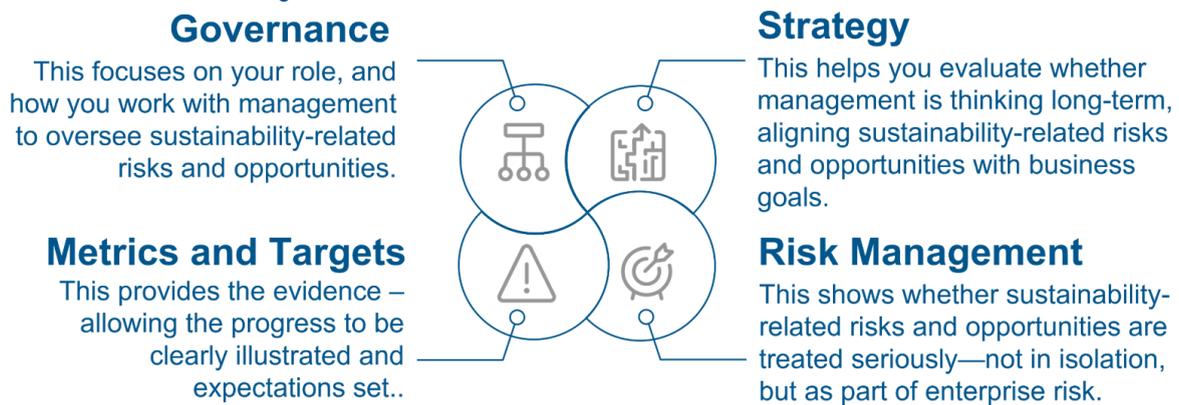
Source: UN SSE initiative

Term	Meaning for ISSB	Why It Matters for Boards
Governance	How sustainability-related risks and opportunities are overseen by both the board and management.	IFRS S1 requires information about board and management roles, competencies, skills, incentives, policy-setting, communication channels and frequency, for example.
Resilience	The ability of the company’s strategy and business model to withstand or adapt to sustainability-related risks and uncertainties (particularly climate). Often assessed using scenario analysis.	When assessing sustainability-related risks, the board must be able to understand how resilient the company is when facing these risks.
Scenario analysis	A method for evaluating the impact of different future events by considering alternative possible outcomes (required in climate disclosures).	Scenario analysis helps assess resilience under uncertainty. Boards must understand the assumptions and limitations of such analyses.
Transition plan	An aspect of climate-related strategy outlining how an entity plans to adapt its business model to a low-carbon economy.	Transition plans signal long-term climate strategy and investment. Boards should review whether such plans are realistic, funded, and measurable.

Disclosure requirements for ISSB-aligned reporting

The ISSB Standards are structured around four core content areas: Governance, Strategy, Risk Management, and Metrics & Targets (Figure 2). These four areas form the backbone of high-quality sustainability-related financial disclosures and are designed to help companies communicate how sustainability-related risks and opportunities affect their cash flows, access to finance or cost of capital over the short, medium and long term. For directors, understanding these content areas is essential to fulfilling a board’s oversight responsibilities and asking the right questions.

Figure 2. Core content areas of ISSB Standards for boards



Source: UN SSE

Boards should have, at a minimum, a high-level understanding of what the ISSB standards require companies to disclose publicly, and be able to identify whether certain information is missing from the report they review. Figure 4 provides a high-level overview of disclosure content, and boards can use the [SSE Gap Analysis Check-list for Sustainability-Related Financial Disclosures](#) for a more detailed summary of the standards. In addition to the four core content areas outlined above, the ISSB Standards require disclosures also pertaining to judgments, measurement uncertainty and errors.

The role of directors

This guide has been developed with independent directors³ in mind (herein “directors”), but the guidance can also be applicable for all board members including directors who serve on supervisory and management boards. The Board of Directors' responsibility in overseeing ISSB-aligned sustainability reporting sits within its broader corporate governance mandate (box 2). In fulfilling this role, the board provides strategic direction and oversight of senior management, ensuring accountability for the identification, management, and disclosure of sustainability-related risks and opportunities that could reasonably be expected to affect a company’s prospects. Directors are responsible for setting long-term objectives and monitoring executive actions to ensure that sustainability considerations are integrated into strategy, risk management, and capital allocation, in line with ethical and legal obligations.

³ An independent director is defined by IFC as a director who has no direct or indirect material relationship with the company other than membership on the board. See the full definition [here](#).

Through board meetings and delegated committees, directors oversee the processes, controls, and judgments underpinning sustainability-related disclosures. This includes reviewing management’s assessments of sustainability-related risks and opportunities, evaluating the robustness of internal controls and governance arrangements supporting ISSB-aligned reporting, and ensuring consistency between ISSB-aligned disclosures and the company’s financial statements and strategic narrative. Such oversight is essential to protect shareholder interests and maintain the integrity and credibility of corporate reporting.

Consistent with Principle VI.C of the G20/OECD Principles of Corporate Governance,⁴ the board has a duty to shareholders to adequately consider sustainability-related risks and opportunities when discharging its key functions. Many boards support this responsibility by establishing specialized committees or assigning specific oversight responsibilities to provide focused guidance on sustainability issues and to support informed board decision-making.

To oversee ISSB-aligned reporting effectively, directors must adopt a proactive and informed approach, regularly updating their knowledge of evolving governance practices, regulatory expectations, and stakeholder demands. As sustainability-related disclosure requirements become increasingly linked to directors’ fiduciary duties across jurisdictions, active board oversight is critical to ensuring that disclosures are decision-useful, compliant, and reflective of the company’s long-term value creation.

Box 2. Directors’ duties on climate change and nature

Source: Chapter Zero Alliance and Commonwealth Climate and Law Initiative (CCLI) Directors’ Duties Navigator*

Around the world, directors typically owe two core duties to the company: the duty of loyalty and the duty of care and diligence. Although the precise nature of these duties varies by jurisdiction, generally:

- The **duty of loyalty** requires directors to act honestly and in good faith in the best interests of the company. This is generally understood to mean maximizing value for shareholders. In some jurisdictions - including the UK, India, South Africa, Brazil, France and Italy - directors are also expected to consider the interests of wider stakeholders (such as communities and the environment) or align the company’s conduct with the public good or a defined “social” function in pursuit of this goal.
- The **duty of care** requires directors to exercise the care, skill, and diligence that would reasonably be expected of someone in their position, considering their knowledge and experience.

The Directors’ Duties Navigator, authored by the Commonwealth Climate and Law Initiative (CCLI) for Chapter Zero Alliance, shows that, to discharge their duties of loyalty and care, directors across jurisdictions must ensure that: climate- and nature-related risks and opportunities are appropriately identified, assessed and managed; governance, risk management and disclosure systems are fit for purpose; and decision-making is properly documented to demonstrate informed judgment.

The obligation to consider climate- and nature-related risks arises primarily from their foreseeability and financial materiality to the company, informed by the company’s own materiality assessment (including, where applicable, double materiality). While regulation may provide frameworks for risk assessment and disclosures, it does not create the underlying obligation to consider material risks and opportunities. That obligation stems from general company law and corporate governance

⁴ Principle VI.C of the [G20/OECD Principles of Corporate Governance](#) (2023) states: VI.C. The corporate governance framework should ensure that boards adequately consider material sustainability risks and opportunities when fulfilling their key functions in reviewing, monitoring and guiding governance practices, disclosure, strategy, risk management and internal control systems, including with respect to climate-related physical and transition risks.

principles and therefore persists even amid regulatory shifts or ESG backlash.

With this in mind, directors who fail to appropriately consider, assess, and address climate- and nature-related risks may face heightened financial and liability exposure, including personal liability for damages arising from a breach of duty, regulatory enforcement (such as fines, sanctions or disqualification from office), and other forms of civil or criminal liability.

*Directors can use the [Directors' Duties Navigator](#) to review the governance and regulatory approaches in 34 jurisdictions around the world.

How to use this guide

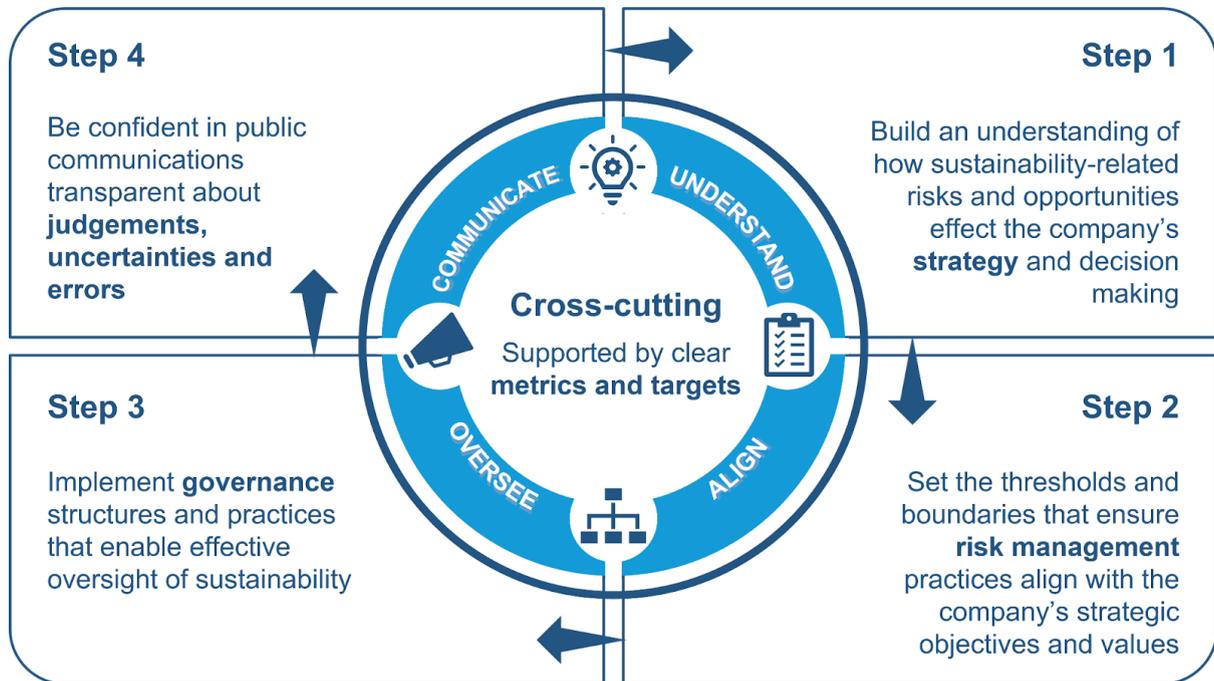
This guidance has been developed to help directors understand and oversee sustainability-related financial disclosures aligned with the ISSB Standards. As part of their fiduciary duties, boards are responsible for overseeing public reporting and must therefore maintain the knowledge and skills necessary to fulfill this role effectively. Given that ISSB-aligned disclosures are primarily designed to meet investor information needs, boards should ensure that sustainability-related reporting provides investors with clear insight into sustainability-related risks and opportunities that could reasonably be expected to affect a company's prospects, while remaining consistent with the company's broader governance responsibilities and long-term value creation for shareholders and other stakeholders.

This guidance document provides boards with a clear, step-by-step framework (Figure 3) organized around four steps to enhance board oversight of ISSB-aligned disclosures: Understand, Align, Oversee, Communicate. Collectively, these steps take boards through an framework that supports effective oversight of management and disclosure of sustainability-related risks and opportunities in a way that aligns with the ISSB Standards. Directors can start with the board oversight checklist as an overview of actions (at the start of the next chapter) then use the summary sheets for each step and more detailed overviews of each action in the subsequent pages.

For each step, this guide suggests three initial actions that a director can get started with. For each action, an initial question is provided that directors can consider asking their fellow board members or the company's management to start a discussion aimed at furthering that particular action point. This aims to help directors to be comfortable discussing key topics related to their oversight of sustainability-related risks and opportunities. In Annex 1, directors can find additional follow up questions and indicators of what best practice might look like when assessing the responses to these questions. Holistically, this guide provides a series of tools to help directors at varied levels of experience overseeing the management and disclosure of sustainability-related risks and opportunities. The 4 steps, 12 actions, questions and best practice presented in this guide have been designed to help directors oversee disclosures that are intended to meet the requirements of the ISSB Standards.

Directors are encouraged to use this guidance document not as a technical manual, but as a governance tool: a reference for board training, committee planning, management engagement, and disclosure review. The goal is not perfection, but progress: strong, transparent oversight that supports long-term value creation and investor trust.

Figure 3. Four steps for enhancing board oversight of ISSB-aligned disclosures



Source: UN SSE

This guidance has been developed to ensure that directors can use it together with other practical guidelines, principles and tools. To help directors identify the disclosure content that they should be overseeing for alignment with the ISSB Standards, this guide maps the steps proposed with the most relevant disclosure content. In addition, to provide further guidance and resources, the steps have each been mapped to the Guiding Principles for Climate and Nature Governance and the IFC Governance Parameters. This aims to help directors identify supporting guidance and tools for each step as they progress.

Mapping to the ISSB Standards

When overseeing ISSB-aligned disclosures it can be helpful to focus on one aspect of the information being reviewed at a time. To help focus board attention, the four steps in this guidance have been mapped to the disclosure requirements of the ISSB Standards. This includes the four core content areas as well as requirements pertaining to judgments, uncertainties and errors. Steps 1-4 propose a focus on disclosure content pertaining to strategy (step 1), risk management (step 2), governance (step 3), while step 4 suggests directors focus particularly on disclosures pertaining to judgments, uncertainties and errors. Furthermore, disclosures pertaining to metrics and targets have been recommended in this guidance as cross-cutting. This mapping helps directors to better understand what aspect of the ISSB Standards to focus on when taking the actions suggested.

As a cross-cutting area, directors are encouraged to review disclosure content related to **metrics and targets** throughout the four steps. The objective of ISSB-aligned disclosures on metrics and targets is to enable investors to understand an entity's performance in relation to its sustainability-related risks and opportunities, including progress towards any targets the entity has set, and any targets it is required to meet by law or regulation. The ISSB Standards require an entity to disclose, for each sustainability-related risk and opportunity,

the metrics required by the applicable ISSB Standard (i.e., IFRS S1 or IFRS S2), and its performance in relation to that sustainability-related risk or opportunity, including progress towards any targets the entity has set, and any targets it is required to meet by law or regulation. Directors can use this disclosure content area to view how performance is being measured and determine whether the metrics and targets set by management align with the long-term objectives of the company and shareholder expectations. In particular, directors can oversee the alignment of these measurements to the expectations set by the board in each of the four steps.

It's important, however, that directors recognize that areas of disclosure requirements should not be seen as operating separately from each other, and the board should always aim to have a holistic and high-level view of all disclosure content on sustainability-related risks and opportunities.

Alignment with the Guiding Principles for Climate and Nature Governance

The four sequential steps in this guidance have been shaped around the Guiding Principles for Climate and Nature Governance, developed by the World Economic Forum and Chapter Zero Alliance (CZA) in collaboration with Deloitte (“the Guiding Principles”).⁵ Each of the four steps in this guidance is intentionally designed to correspond to one of the Guiding Principles. Together, these steps reinforce the view that sustainability considerations should be embedded into governance systems, rather than treated as a separate or purely reporting exercise.

The four guiding principles are underpinned by three governance foundations: skills and knowledge, stakeholder collaboration, and culture. These three foundations shape the environment in which oversight, strategy, risk management and disclosure are exercised, and therefore are seen as cross cutting for all four steps in this guidance.

Skills and knowledge equip the board to understand sustainability-related risks and opportunities, challenge assumptions and exercise informed judgment across all decisions. This capability underpins effective oversight, strengthens strategic direction, sharpens risk assessment and supports credible disclosures.

Stakeholder collaboration brings external intelligence into the boardroom, enhancing foresight and testing resilience against real-world expectations. It informs strategy, broadens risk visibility, strengthens accountability and improves the relevance and credibility of disclosures.

Culture determines how governance is practiced in reality—whether directors encourage constructive challenge, long-term thinking and transparency. A strong board culture reinforces accountability, supports balanced risk-taking, fosters innovation and sustains integrity in reporting.

⁵ The World Economic Forum and Chapter Zero Alliance in collaboration with Deloitte published in January 2026 [the Guiding principles for Climate and Nature Governance](#)

Mapping to key governance parameters

Finally, to help directors easily access guidance on enhancing corporate governance practices, the four steps in this guidance have also been mapped to the IFC Corporate Governance Methodology.⁶ The main tool of the Corporate Governance Methodology is a Progression Matrix to assess how a company performs in six governance parameters (Commitment, Board Structure and Functioning, Control Environment, Disclosure and Transparency, Minority Shareholders Treatment, Governance of Stakeholder Engagement) organized by company and ownership type. This mapping allows directors to also make use of the IFC Governance Progression Matrix⁷ to assess current governance maturity and plan incremental improvements over time. This mapping does not imply that certain parameters are not relevant beyond the step they are mapped to, but rather that the identified parameter can be used as a starting point for examples of good practice as governance practices evolve. The Progression Matrix is organized by four levels of company maturity and complexity and emphasizes the importance placed on ongoing improvements in a company's governance practices from basic to good and leadership practices.⁸

As with the disclosure content and the Guiding Principles, there are certain parameters that, while not specific to one step, should be taken into consideration throughout the four steps in this guidance. IFC's Corporate Governance Methodology provides guidelines on **treatment of minority shareholders** and **governance of stakeholder engagement** as part of its six parameters, which help boards oversee important relationships that can support in all four of the steps suggested. Effective minority shareholder protection reinforces disciplined oversight, ensuring that strategic decisions, risk management approaches and major sustainability investments are evaluated through the lens of equitable value creation and transparency. Robust governance of stakeholder engagement strengthens the board's ability to understand external expectations, anticipate emerging risks and opportunities, and align strategy with long-term resilience. Together, these parameters influence how targets are set, how trade-offs are assessed, how performance is monitored and how disclosures are framed. As such, they are not confined to a single governance domain but underpin responsible decision-making, credible reporting and trust-building throughout the entire oversight process. The structure and functioning of the board of directors parameter ensures that the board is qualified and adequately structured to oversee the company's strategy, management, and performance.

Boards can use Figure 4 as a guide when making use of these tools and principles together.

⁶ IFC [Corporate Governance Methodology Tools](#)

⁷ The IFC's [Corporate Governance Progression Matrix](#) and [Climate Governance Progression Matrix](#) can help guide a progressive enhancement of governance practices.

⁸ Directors can also make use of the mapping of IFC disclosure requirements with the ISSB Standards in their publication "[Elevating Environmental, Social and Governance Reporting in Emerging Markets](#)"

Figure 4. Mapping of UN SSE Four Steps on Board Oversight to key guidance
 Mapped to the WEF / Chapter Zero Alliance Principles on Climate and Nature Governance and the IFC Governance Parameters

SSE Guidance	Guiding Principles on Nature and Climate	IFC governance parameters	ISSB-aligned disclosures
Cross cutting (Introduction)	<ul style="list-style-type: none"> Skills and Knowledge Stakeholder Collaboration Culture 	<ul style="list-style-type: none"> Minority Shareholder Treatment Governance of Stakeholder Engagement 	Core Content: Metrics & Targets
 Step 1 Understand	<ul style="list-style-type: none"> Strategy 	<ul style="list-style-type: none"> Commitment Board Structure & Function 	Core Content: Strategy
 Step 2 Align	<ul style="list-style-type: none"> Risk and Opportunity 	<ul style="list-style-type: none"> Control Environment 	Core Content: Risk Management
 Step 3 Oversee	<ul style="list-style-type: none"> Oversight & Responsibility 	<ul style="list-style-type: none"> Board Structure & Function 	Core Content: Governance
 Step 4 Communicate	<ul style="list-style-type: none"> Disclosure & Transparency 	<ul style="list-style-type: none"> Disclosure & Transparency 	Judgements, Uncertainties and Errors

Source: UN SSE

Four step framework for board oversight of ISSB-aligned reporting

The checklist below provides an overview of the four steps to board oversight of ISSB-aligned reporting covered in this chapter. This checklist can be used as a quick reference for how directors can start taking initial actions to enhance their oversight of sustainability-related risks and opportunities through their role of reviewing and signing off on ISSB-aligned disclosures. This chapter provides more details outlining each action for the four steps, alongside the corresponding board questions in Annex 1.

Checklist for board oversight of ISSB-aligned reporting

Step 1. Understand: How sustainability affects strategic decisions

- Enhance understanding of **sustainability-related risk and opportunity** categories
- Understand the **effects** of sustainability-related risks and opportunities
- Understand the company's **readiness to adapt** to uncertainties

Step 2. Align: How parameters for risk and opportunity management are set

- Take a stance on **materiality** determinations
- Set a forward-looking **tone from the top**
- Set a **policy framework** for integrating sustainability into internal controls and processes

Step 3. Oversee: How strong governance structures are built

- Identify board and management **roles and communication channels** for oversight of sustainability information
- Strengthen board **skills and competencies**
- Link **executive compensation** to sustainability metrics

Step 4. Communicate: How credibility and quality are assessed

- Assess the **sustainability narrative** for ISSB-alignment
- Assess **credibility** of sustainability-related financial information
- Oversee sustainability **data validation and assurance**

Source: UN SSE

Step 1. Understand: How sustainability affects strategic decisions

As the first step, directors can enhance their understanding⁹ of sustainability-related risks and opportunities and how they affect the company’s strategy. This enhances the directors’ ability to not only review ISSB-aligned disclosures but also ensure that sustainability-related risks and opportunities are being appropriately integrated into strategic decision-making at the highest level.



To help focus the actions in this step, directors may wish to specifically review disclosure content pertaining to **strategy**. The objective of ISSB-aligned, sustainability-related financial disclosures on strategy is to enable investors to understand an entity’s strategy for managing sustainability-related risks and opportunities.

Getting started on understanding sustainability-related risks and opportunities

I. Enhance understanding of sustainability-related risk and opportunity categories.

Ask management: “What are the top sustainability-related risks and opportunities facing the company, industry and supply chain?”

II. Understand the effects of sustainability-related risks and opportunities.

Ask management: “How has the effect of sustainability-related risks and opportunities on the company’s prospects been determined?”

III. Understand the company’s readiness to adapt to uncertainties.

Ask yourselves: “Is the company at risk of overstating its ability to overcome sustainability-related uncertainties?”

Guiding Principle for this step

Strategy: The board oversees systemic integration of risks and opportunities into organizational strategy and policy development. It steers the inclusion of climate- and nature-related considerations into decision-making to drive long-term value creation.

⁹ Directors can make use of the Chapter Zero Alliance [Global Knowledge Hub](#) to hear from peers and stay up to date on key updates in climate and nature governance. For financial sector boards, Chapter Zero Alliance provides bespoke guidance for financial sector non-executive directors or trustees on the [Financial Sector Hub](#).

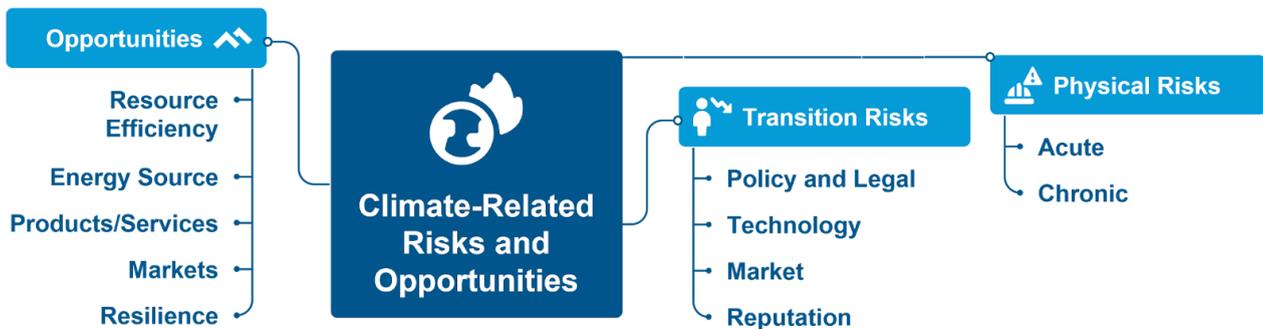
Enhance understanding of sustainability-related risk and opportunity categories

Start with the question to management:
“What are the top sustainability-related risks and opportunities facing the company, industry and supply chain?”

The ISSB Standards expect companies to identify and disclose sustainability-related risks and opportunities that could reasonably be expected to affect the company’s prospects (see box 1). While the board is not responsible for identifying all of these risks and opportunities, it is responsible for determining if the risks and opportunities identified by management are credible and accurate. Directors can strengthen their sustainability expertise by understanding the main risk and opportunity categories.

For climate-related matters, directors can draw on the well-established TCFD risk and opportunity categories, now reflected in IFRS S2 definitions (figure 1.1), to frame discussions about how climate factors may affect the company’s assets, operations, supply chains, and markets over different time horizons. For other sustainability topics, industry-based reference points, such as the SASB Standards,¹⁰ identify issues that are most likely to be financially material in their sector and how they typically manifest as risks or opportunities.

Figure 1.1 Climate risk and opportunity categories



Source: UN SSE (adapted from TCFD and IFRS S2)

By engaging management in structured discussions about the sustainability-related risks and opportunities identified, directors should understand how they are identified and how they may evolve under different scenarios. Stakeholder perspectives can also be used to help identify and assess the potential effects of these risks and opportunities, and directors should understand how such perspectives are incorporated and what communication channels exist with key stakeholders. This insight enables directors to provide effective high-level oversight and ensure that sustainability-related risks and opportunities are not overlooked to the detriment of the company.

¹⁰ The SASB Standards, which now sit within the IFRS Foundation, are a source of guidance for applying the ISSB standards. These can be used to identify the sustainability-related risks and opportunities most relevant to industry decision-making in 77 industries. Find out more here: <https://www.ifrs.org/issued-standards/sasb-standards/>

Understand the effects of sustainability-related risks and opportunities

Start with the question to management:
“How has the effect of sustainability-related risks and opportunities on the company’s prospects been determined?”

In addition to identifying sustainability-related risks and opportunities, the ISSB Standards require companies to explain how these affect the business model, supply chain, strategy, and financial performance and cash flows over the short, medium, and long term (box 3), as well as how the company is responding to those effects. This means understanding where and how sustainability-related risks and opportunities may already be affecting margins, working capital, insurance costs, financing terms, or asset valuations, even if those impacts are still emerging, and how these effects are being addressed by management.

Box 3. Examples of climate-risk effects on financial statements

Source: Climate Governance Initiative Australia, [A director’s guide to mandatory climate reporting](#)

Many inputs and assumptions, such as estimates of future cash flow, discount rates and long-term growth rates that impact amounts recognized in Financial Statements, may be significantly impacted by physical and transition climate-related risks. Some examples may include:

- **Revenue impacts:** A tourism company’s stranded assets due to sea level rise; an agricultural business’s yields falling in areas with extreme weather events; or businesses producing single-use plastics experiencing reduced demand due to changing customer preferences or regulation.
- **Cost line implications:** This might include a carbon tax or similar levy on exports into some countries, i.e. a Carbon Border Adjustment Mechanism, or on GHG emissions impacting forecast cash outflows, government regulation creating caps on supply, changing use of natural resources or increased costs to achieve higher standards of energy efficiency for commercial property.
- **Changing estimated useful lives or residual values:** This may include markets for less energy-efficient machinery decreasing or being replaced earlier than expected as more efficient technology enters the market.

Directors’ familiarity with existing regulatory reporting requirements and practices related to sustainability-related risks and opportunities will help them to review these effects. Directors should already be familiar with how these regulatory requirements are reflected in financial planning and reporting. Understanding the extent to which these factors are embedded in financial processes - and where gaps or inconsistencies may exist - enables directors to better assess alignment between sustainability-related disclosures, financial statements, and internal planning.

Directors can strengthen their understanding of these effects by inquiring how management identifies and assesses these effects. Management should be able to show how identified risks and opportunities feed into strategic planning, capital allocation and risk management, and how their financial implications are documented. By understanding these processes, directors can better understand the direct impact that sustainability-related risks and opportunities have on the company’s bottom line - and therefore provide more practical guidance on high-level strategic decisions.

Understand the company's readiness to adapt to uncertainties

**Start with the question to fellow directors:
“Is the company at risk of overstating its ability to overcome sustainability-related uncertainties?”**

Not all sustainability-related risks and opportunities can be predicted or fully controlled. By definition, they involve uncertainty - developments that may or may not materialize, or that may unfold differently than expected. It is the role of directors to evaluate whether risks are being adequately managed and whether the company is ready to adapt as circumstances change.

Across leading corporate governance frameworks, boards are increasingly viewed as explicitly responsible for overseeing a company's resilience to climate and broader sustainability-related risks.¹¹ Sustainability is no longer an add-on to traditional oversight; it is a core lens through which strategy, risk, and performance must be evaluated. Boards should therefore build resilience considerations into decision-making, rather than treating resilience assessments or scenario planning as separate from core strategy development and decision-making processes.

Assessing readiness means asking whether the business model can withstand shocks and transitions, whether contingency plans and scenarios exist, and whether management can adjust strategy, investments, and operations as conditions evolve. This includes understanding the flexibility of key supply chains, the reliability of data and control systems, and the company's capacity to learn from disruption and adapt. In practice, boards can strengthen oversight by reviewing scenario analysis results, tracking management responses to stress events, and ensuring that resilience considerations are factored into capital allocation and strategic planning.

Ultimately, resilience is not about eliminating all risk; it is about ensuring the company can continue to create value across a range of plausible futures. This involves a company's ability to manage risks and benefit from opportunities. Boards that understand how resilience is assessed are better positioned to guide the company through uncertainty while maintaining long-term value creation.

¹¹ For example, the revised [G20/OECD Principles of Corporate Governance](#) introduce a dedicated chapter on *Sustainability and Resilience* and state that boards should consider material sustainability-related risks and opportunities when setting strategy and overseeing risk management, so that companies can adapt to fast-changing environmental and social conditions. The [ICGN Global Governance Principles](#) similarly emphasize that protecting *sustainable corporate value* requires boards to oversee how environmental and social factors are managed alongside financial performance. The [WEF Principles for Effective Climate Governance](#) go further and say the board should take responsibility for the company's long-term resilience to climate risks, integrate climate considerations into board structures and processes, and steer climate-related risks and opportunities as part of strategy. [IFC's Corporate Governance Methodology](#) and its climate governance tools echo this: a “well-functioning corporate governance framework” is seen as essential for managing environmental and social risks and for boards to effectively oversee climate-related risks and opportunities.

Step 2. Align: How parameters for risk and opportunity management are set

Building on a solid high-level understanding of sustainability-related risks and opportunities, in step 2, boards can align expectations for risk management practices and the inclusion of sustainability-related topics. This helps directors to be confident in the risk management practices in place within the company.



To help focus the actions in this step, directors may wish to specifically review disclosure content pertaining to **risk management**. The objective of ISSB-aligned sustainability-related financial disclosures on risk management is to enable investors to:

- a) To understand an entity's process to identify, assess, prioritize and monitor sustainability-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management processes; and
- b) To assess the entity's overall risk profile and its overall risk management process.

Getting started on aligning parameters for management of sustainability-related risks and opportunities

I. Take a stance on materiality determinations.

Ask management: "Do the materiality determinations for sustainability-related financial information match the risk appetite that shareholders have?"

II. Set a forward-looking tone from the top.

Ask yourselves: "How are values, expectations and accountabilities for sustainability communicated and reinforced across the company?"

III. Set a policy framework for integrating sustainability into internal controls and processes.

Ask management: "How and when are policies updated to reflect emerging sustainability issues?"

Guiding Principle for this step



Risk and Opportunity: The board oversees risks, opportunities and dependencies to protect and enhance stakeholder value. It considers how climate and nature both shape and are shaped by the organization's activities.

Take a stance on materiality determinations

Start with the question to management:
“Do the materiality determinations for sustainability-related financial information match the risk appetite that shareholders have?”

Directors play a critical role in overseeing how materiality judgments are made (box 4), challenging the results of those determinations, and ensuring that regulatory requirements are met. Boards oversee whether materiality determinations for sustainability-related financial information are aligned with the company’s broader risk management framework and overall risk appetite. Directors should keep in mind that information pertaining to sustainability-related risks and opportunities can have different considerations due to the unique way that these risks and opportunities evolve. For example, the TCFD in 2020 recommended that risk management on climate-related risks include considerations on vulnerability and speed of onset when prioritizing risks.

Box 4. Who is responsible for materiality determinations?

Source: UN SSE

Management is responsible for applying the relevant standards, developing the methodology and implementing practices for identifying, assessing and documenting sustainability-related risks and opportunities and determining what information is material for public disclosure. **The board**, however, is ultimately accountable for overseeing the robustness, integrity and appropriateness of those materiality judgments and the underlying methodology. As such, the directors are expected to take a stance as to whether or not they agree with these judgments. Its role is not to replicate management’s technical assessment, but to challenge assumptions, scrutinize methodologies, test alignment with strategy, and ensure that internal controls and governance processes support reliable outcomes (see Annex 4 for more detail).

Oversight of materiality determinations is part of the board’s fiduciary duty because materiality judgments directly shape what investors are told about the company’s risks, opportunities and long-term prospects. If the board fails in this role, sustainability-related risks may be omitted, emerging opportunities may be understated, disclosures may become inconsistent with strategy or financial reporting, and stakeholder trust can be eroded. Inadequate oversight can also expose the company to regulatory, legal and reputational consequences. Effective boards treat materiality not as a technical compliance exercise, but as a core governance judgment central to long-term value creation and resilience.

Materiality is defined differently across sustainability frameworks (see box 1), which can influence how management makes materiality determinations. Principle 7 of the ICGN Corporate Governance Principles on Corporate Reporting¹² highlights that “sustainability disclosures should focus on materially relevant factors” and that directors should recognize that “materiality evolves over time alongside factors including emerging technology, product innovation and regulatory developments.” Boards should therefore challenge management to take a forward-looking view, ensuring materiality determinations are robust, strategically aligned and consistent with the company’s long-term resilience. By challenging the processes, directors should agree with how management determined what information it deems to be material for disclosure purposes and should sign off on this determination.

¹² ICGN (2021) [ICGN Global Governance Principles](#)

Set a forward-looking tone from the top

**Start with the question to fellow directors:
“How are values, expectations and accountabilities for sustainability communicated
and reinforced across the company?”**

Boards play a critical role in shaping how sustainability is understood, discussed, and acted upon across the organization. Setting the tone from the top is about more than approving frameworks or guidelines; it is about establishing cultural expectations¹³ that sustainability-related risks and opportunities are integral to strategy, decision-making, and long-term value creation. Through the questions they ask, the assumptions they challenge, and the time horizons they prioritize, directors signal whether sustainability is treated as a core strategic consideration or as a compliance exercise.

To get started, boards should ensure that forward-looking discussions such as scenario analysis and transition planning (box 5) are regularly embedded in the board agenda and clearly anchored in the company’s long-term strategic direction. The board’s role is not to develop scenarios or transition plans, but to ensure that management’s future-oriented analysis supports the trajectory, ambition and risk appetite that shareholders and the board have set for the company. Directors should provide high-level guidance on how identified sustainability-related risks and opportunities translate into action plans that are consistent with capital allocation priorities, performance expectations and resilience objectives.

In exercising oversight, boards should test whether management’s assumptions, time horizons and trade-offs are aligned with the company’s stated strategy and long-term value creation goals. By challenging inconsistencies and requiring clarity around uncertainty, boards reinforce that forward-looking analysis is not an academic exercise, but a tool to advance the company in the direction shareholders expect. This alignment-focused oversight strengthens accountability, strategic coherence and confidence in the company’s preparedness for future change.

Box 5. Transition plans, the TPT, and why this matters for boards

Source: UN SSE

The Transition Plan Taskforce (TPT) has developed a widely recognized framework to help companies plan for, and disclose, how they will transition to a low-carbon economy. In June 2024, the IFRS Foundation announced it would take over responsibility for transition plan disclosure resources developed by the TPT. For boards, this integration matters because transition plans are increasingly seen by investors and regulators as a test of strategic resilience and credibility. Oversight of transition planning goes beyond approving targets; it requires boards to review the assumptions, time horizons, and governance arrangements that underpin the plan, and to understand how it is reflected in strategy, capital allocation, and risk management. Familiarity with the TPT framework can help boards ask better questions, assess whether transition disclosures under ISSB are realistic and internally consistent, and oversee how the company is managing climate-related risks and opportunities over time.

¹³ Directors can learn more about culture through the third foundation to [The Guiding Principles](#).

Set a policy framework for integrating sustainability into internal controls and processes

**Start with the question to management:
“How and when are policies updated to reflect emerging sustainability issues?”**

Directors play a central role in setting the policy framework that guides how sustainability-related risks and opportunities are appropriately and holistically integrated into the strategic direction of the company. Clear, board-approved policies signal commitment to high-quality corporate governance, set the tone from the top, and establish expectations for how environmental and social considerations are embedded into decision-making and everyday behaviors across the company.

These policies do not prescribe operational detail; rather, they articulate the company’s objectives, risk appetite, and governance approach, reinforcing the behaviors and decision norms the board expects management to apply in practice. By approving and periodically reviewing sustainability-related policies - such as those covering climate, nature dependencies, supply chains, or capital allocation - boards help ensure consistency between stated commitments, strategic priorities, and risk management practices. IFC’s Climate Governance Matrix provides guidance on enhancing policies for climate governance, which can be used to help structure policies on other sustainability topics as well (table 2).

Table 2: Example policy progression for climate governance

Source: UN SSE, adapted from [IFC Climate Governance Matrix](#)

Basic Practices	Intermediate ESG Practices	Good Intermediate Practices	Leadership
<ul style="list-style-type: none"> ■ Written policies that address climate change ■ Climate-related risks and opportunities incorporated into internal control policies (e.g., procurement policy revised to ensure E&S and climate-related risks and opportunities across a company’s operations and value chain are captured adequately). ■ Internal audit includes periodic audit of the implementation of climate-related policies 	<ul style="list-style-type: none"> ■ Policies that address governance of climate matters and commitment to action on climate-related adaptation and mitigation. ■ Company policy precludes lobbying activities and membership in organizations that deny climate change ■ Compliance function monitors compliance with climate policies 	<ul style="list-style-type: none"> ■ Company policy includes provisions that leverage a company’s buying power to influence shifts toward low-carbon supply chains that consider reducing greenhouse gas (GHG) emissions in the product lifecycle. 	<ul style="list-style-type: none"> ■ Company policy explicitly includes considerations of fiduciary duty, duty of care, and due diligence pertaining to climate-related adaptation and mitigation ■ Board and executive incentives are aligned to promote the purpose, strategy, and long-term prosperity of the company and include climate-related targets and indicators in remuneration policies

Step 3. Oversee: How strong governance structures are built

With the parameters in place to enhance risk management practices, in step 3, the board can adapt or build governance structures¹⁴ that allow for effective oversight of sustainability-related topics. These governance structures ensure that even beyond the tenure of one board, directors have the information and skillsets needed for oversight of sustainability topics and related disclosures.



To help focus the actions in this step, directors may wish to specifically review disclosure content pertaining to **governance**. The objective of ISSB-aligned sustainability-related financial disclosures on governance is to enable investors to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.

Getting started on creating or enhancing the governance structures for long-term oversight of sustainability-related topics

I. Identify board and management roles and communication channels for oversight of sustainability information.

Ask management: “How and how often will the board receive information from management on sustainability?”

II. Strengthen board skills and competencies.

Ask yourselves: “To what extent is the board as a collective body equipped to understand and robustly challenge sustainability-related risks and opportunities across different time horizons?”

III. Link executive compensation to sustainability metrics.

Ask yourselves: “What sustainability performance metrics and targets are executives measured against and how is this linked to remuneration?”

Guiding Principle for this step

Oversight and Responsibility: The board is accountable for promoting long-term resilience and value creation. It oversees systems and processes that formalize responsibility for the impact of changes to climate and natural resources on organizations.

¹⁴ For an introduction to governance structures for climate and nature, directors may wish to do Chapter Zero Alliance’s [short course on Climate and Nature in the Boardroom](#), available freely online.

Identify board and management roles and communication channels for oversight of sustainability information

**Start with the question to management:
“How and how often will the board receive information from management on sustainability?”**

For ISSB-aligned reporting, it is essential that the board decides where sustainability oversight sits within its structure and makes those responsibilities explicit. As a starting point, boards can use the disclosure requirements for governance to identify key considerations such as skills and expertise required, communication channels, incentive structures and cadence for sharing sustainability-related financial information (box 6).

Box 6. Disclosure requirements for governance of sustainability-related financial information

Source: IFRS S1

When reporting on oversight, the company is required to identify the body(s) or individual(s) responsible for oversight of sustainability-related risks and opportunities and disclose information about:

- how responsibilities for sustainability-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);
- how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to sustainability-related risks and opportunities;
- how and how often the body(s) or individual(s) is informed about sustainability-related risks and opportunities;
- how the body(s) or individual(s) takes into account sustainability-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;
- how the body(s) or individual(s) oversees the setting of targets related to sustainability-related risks and opportunities, and monitors progress towards those targets, including whether and how related performance metrics are included in remuneration policies.

In addition, the company is required to disclose the management's role in the governance process, controls and procedures used to monitor, manage and oversee sustainability-related risks and opportunities, including information about:

- whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and
- whether management uses controls and procedures to support the oversight of sustainability-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.

Approaches to oversight differ across markets and boards, and may involve a dedicated committee, integration across existing committees, or clearly defined focal points within the board. Whatever the structure, it is essential that responsibilities for oversight of ISSB-aligned disclosures are clearly defined, understood, and supported by effective communication across the board. As a starting point, directors should set clear and frequent communication channels for how sustainability-related information is communicated between management and the responsible directors, committees, and the board as a whole.

Strengthen board skills and competencies¹⁵

Start with the question to fellow directors:
“To what extent is the board as a collective body equipped to understand and robustly challenge sustainability-related risks and opportunities across different time horizons?”

Sustainability topics are increasingly shaping business performance and resilience, requiring boards to enhance their combined knowledge of these topics. Directors need sufficient literacy to exercise effective oversight, challenge management, and make informed strategic judgments (box 7). Upskilling is not about becoming technical experts, but about understanding how sustainability-related issues intersect with strategy, risk management, capital allocation, and disclosure obligations, including those under the ISSB Standards. Without this foundation, boards risk over-reliance on management or external advisers, limiting their ability to assess assumptions, test resilience, and approve credible sustainability disclosures.

Box 7. Expertise checklist for ISSB-ready boards

Source: UN SSE

Boards can survey their directors to identify whether the following expertise are already present or if new skills and expertise are needed to effectively oversee ISSB-aligned reporting:

- ISSB fundamentals:** Understanding the purpose, structure, and investor focus of IFRS S1 and IFRS S2, and conceptual foundations that underpin them.
- Sustainability materiality judgments:** An understanding of how information on sustainability-related risks and opportunities is determined to be financially material, and how this information may differ from information provided on traditional financial risks and opportunities.
- Resilience and forward-looking analysis:** Familiarity with the basics of scenario analysis and transition planning.
- Sustainability-related risks and opportunities:** Familiarity with the sustainability-related risks, opportunities, and dependencies relevant to the company’s business model, sector, and value chain (for example, climate, nature, supply chains, human capital).
- Sustainability metrics:** Understanding of key sustainability metrics, including greenhouse gas emissions, climate-related metrics, and other decision-useful sustainability indicators.

Boards can build this capability through targeted, ongoing education proportionate to their oversight role, such as focused briefings on emerging risks, regulatory and investor expectations, company-specific deep dives, and exposure to ISSB Standards and related frameworks. The information boards need is high-level, decision-oriented, and forward-looking, focused on material risks, trade-offs, and uncertainty rather than operational detail. This differs from the training required for management and the workforce, which centers on execution and technical implementation. As a starting point, boards can assess existing skills and determine how best to build expertise through training, external support, or board composition over time.

¹⁵ Directors can learn more about skills and knowledge through the first foundation to [The Guiding Principles](#).

Link executive compensation to sustainability metrics

**Start with the question to fellow directors:
“What sustainability performance metrics and targets are executives measured against and how is this linked to remuneration?”**

Boards play a critical oversight role in setting incentive structures that encourage sustainable, forward-looking decision-making by executives. While management is responsible for delivering results, the board approves the design of incentive frameworks to ensure they support the company’s strategy, risk appetite, and long-term value creation objectives. This includes determining whether and how sustainability-related goals are reflected in executive incentives, ensuring that such goals are aligned with material risks and opportunities and do not promote short-term outcomes at the expense of resilience.

Directors should oversee whether incentive structures reinforce accountability for managing sustainability-related risks and opportunities that may affect the company’s future performance. This means reviewing the choice of metrics, time horizons, and weighting of sustainability goals, and assessing whether incentives encourage thoughtful risk-taking, credible transition planning, and integration of sustainability into core business decisions (box 8). Through this oversight, boards help ensure that executive incentives support responsible leadership and sustained value creation, without compromising the board’s independence or blurring the distinction between governance and management.

Box 8. Eight steps to embedding climate in executive compensation

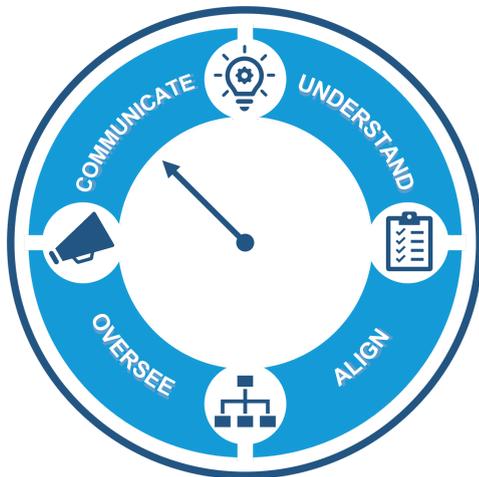
Source: Chapter Zero Alliance, Climate action and remuneration, a pocket guide for remuneration committees

The Chapter Zero Alliance’s pocket guide for remuneration committees proposes a step-by-step guide to embedding climate in executive compensation. Through these eight steps, the board’s governance role is to maintain oversight and challenge management each step of the way, and ensure engagement of all key stakeholder groups.

1. **Integrate climate priorities into strategy:** Integrate climate ambition and priorities into the company strategy and enterprise risk and opportunities framework.
2. **Interim climate goals tied to the ambition and transition plan:** Break down the climate ambition into short- and medium-term milestones as part of the overall climate transition plan, with clear roles and responsibilities outlined.
3. **Involve the right stakeholders:** Ensure knowledge exchange and decision making across Reward, Sustainability, Finance, and Risk on the right incentive metrics and design.
4. **Select the right metrics:** Considering impact on global decarbonisation and current incentive structures, select the right climate metric.
5. **Fit-for-purpose incentives design:** Reference company climate KPIs and market practice to determine an appropriate and effective incentive design mechanism and formula.
6. **Bring the compensation committee on a journey:** Given the relative nascency and challenge of the topic, engage and seek approval of the committee (and board) over multiple meetings and be prepared for an iterative process.
7. **Tell the story with disclosures:** Design and metrics selection should be disclosed clearly, showing alignment with strategy and other climate and ESG disclosures.
8. **Evolve and learn over time:** Review effectiveness and strategic alignment and adjust design, metric(s) and goal(s) over time.

Step 4. Communicate: How credibility and quality are assessed

Finally, in step 4 directors can equip themselves to assess the quality and credibility by also reviewing the judgments, uncertainties and errors disclosed. By building expertise on what credible and high-quality ISSB-aligned disclosures look like, directors can better guide management on meeting investor's disclosure needs.



To help focus the actions in this step, directors may wish to specifically review disclosure content pertaining to **judgments, uncertainties and errors**. The objective of these sustainability-related financial disclosures is to enable investors to understand the judgments made that have the most significant effect on the information included, the most significant uncertainties affecting the amounts reported and errors corrected from previous periods in sustainability-related financial disclosures.

Getting started

I. Assess the sustainability narrative for ISSB-alignment

Ask management: “Do the key messages of the sustainability narrative meet the ISSB’s qualitative characteristics of useful sustainability-related financial information?”

II. Assess credibility of sustainability-related financial information

Ask yourselves: “Are there aspects of the sustainability-related financial disclosures that are at risk of accusations of misleading investors?”

III. Oversee sustainability data validation and assurance

Ask management: “What internal controls, data governance, and verification processes support the sustainability-related financial information included in the company’s public disclosures?”

Guiding Principle for this step

Disclosure and Transparency: The board promotes transparency, integrity and accountability through disclosures that fairly inform investors and stakeholders. It oversees systems that enable true and fair reporting of how changes in climate and nature affect financial performance and long-term prospects.

Assess the sustainability narrative for ISSB-alignment

Start with the question to management:
“Do the key messages of the sustainability narrative meet the ISSB’s qualitative characteristics of useful sustainability-related financial information?”

When reviewing ISSB-aligned disclosures, boards play a critical role in overseeing the overall sustainability narrative presented to investors. Directors should assess whether the narrative clearly explains how sustainability-related risks and opportunities affect the company’s strategy, business model, and financial prospects, and whether it is coherent, balanced, and decision-useful. This includes overseeing how management combines qualitative explanations with quantitative information to convey impacts, uncertainties, and assumptions in a way that faithfully represents the company’s circumstances. A well-constructed narrative helps investors understand not only what the risks and opportunities are, but how the company is responding to them and how they may influence future performance (box 9).

Box 9. Balancing qualitative and quantitative disclosures to meet ISSB requirements

Source: SSE and IFRS training workshop

When reporting the effects of sustainability-related risks and opportunities on a company’s current and anticipated financial performance, financial position and cash flows, a company is required to disclose both quantitative (a single amount or a range) and qualitative information

A company can provide qualitative rather than quantitative information when:

- The financial effects of the risk or opportunity are not separately identifiable
- There is a high level of measurement uncertainty
- For anticipated effects, providing quantitative information would not be commensurate with the company’s skills, expertise and resources

IFRS S1 sets out seven qualitative characteristics of useful sustainability-related financial information, aligned with those used in financial reporting (see Annex 3), reinforcing that sustainability disclosures should meet the same standards of credibility and decision-usefulness as financial data. While all seven are important, boards are most directly involved in exercising judgment over relevance, materiality, faithful representation, and understandability, ensuring disclosures focus on what matters for investor decisions, fairly reflect the company’s risks and opportunities, and are clear and coherent. The remaining characteristics - comparability, verifiability, and timeliness - are primarily supported through board oversight of systems and processes, including metric selection, internal controls and assurance, and alignment with financial reporting cycles.

Assess credibility of sustainability-related financial information

**Start with the question to fellow directors:
“Are there aspects of the sustainability-related financial disclosures that are at risk
of accusations of misleading investors?”**

Credible sustainability-related financial information should be specific, verifiable, and clearly linked to the company’s strategy, risk management, and performance. These expectations build on - but are distinct from - the seven *qualitative characteristics of useful information* described in IFRS S1. While those characteristics define what constitutes “quality,” credibility focuses on *how well the information demonstrates substance, consistency, and reliability in practice*. Boards should apply a critical lens when reading disclosures. Even where the content appears complete, certain weaknesses or “red flags” can be identified that suggest further scrutiny may be required.

Examples of red flags to look for:

- **Vague language**, such as terms like “we care about” or “we commit to” without any concrete details allowing for assessment or following progress.
- **Mismatched claims and data**, such as stating that the company is “decarbonizing” while emissions continue to rise without explanation.
- **Incomplete risk references**, where the sustainability-related risks and opportunities identified do not correspond with the metrics and targets set and the sustainability-related financial information disclosed related to governance and strategy.
- **Unmet or unmeasurable future commitments** that lack clear progression. For example, when previously announced or new targets or actions are not followed up or do not have plans to track progress or explanation of changes.
- **No accountability**, where board and management oversight is claimed but no detail is provided on frequency, structure, or decisions, suggests symbolic rather than substantive engagement.

Directors should also recognize that sustainability disclosures are not only a communication tool, but a window into the quality of the company’s governance and management practices. Clear, consistent, and well-supported disclosures often reflect strong internal coordination, effective controls, and informed oversight, while vague or inconsistent disclosures may signal weaknesses in decision-making, accountability, or risk management. Assessing credibility, therefore, helps boards evaluate not just the report itself, but whether governance and management processes are functioning as intended.

Overseeing sustainability data validation and assurance

**Start with the question to management:
“What internal controls, data governance, and verification processes support the sustainability-related financial information included in the company’s public disclosures?”**

The ISSB Standards do not require external assurance of sustainability-related financial disclosures, but they are deliberately developed so that information is *capable of being assured* and prepared with a level of rigor consistent with financial reporting. The ISSB has noted that the quality and reliability of sustainability disclosures are likely to be higher if verified or assured by independent parties, while the development of assurance regimes is being considered by jurisdictions and market regulators as sustainability reporting matures.

Boards play a critical oversight role in ensuring the credibility and reliability of ISSB-aligned disclosures, even though management is responsible for preparing the information. This includes overseeing how sustainability-related data is generated, reviewed, and approved, and understanding whether appropriate internal controls and governance processes are in place. Boards should be confident that the systems supporting sustainability reporting - such as data collection, estimation methodologies, documentation, and sign-off procedures - are proportionate to the importance of the information being disclosed and comparable in rigor to those used for financial reporting. Effective oversight helps reduce the risk of errors, inconsistencies, or overly optimistic narratives that could undermine investor confidence.

Boards should also oversee decisions related to the verification and assurance of sustainability disclosures. While ISSB Standards do not mandate external assurance, boards should consider whether independent assurance is appropriate given the company’s risk profile, regulatory environment, and investor expectations. This includes reviewing the scope, timing, and level of assurance, understanding any limitations or findings raised by assurance providers, and ensuring that these are transparently reflected in disclosures. Through this oversight, boards help strengthen the credibility of ISSB-aligned reporting, support market trust, and reinforce accountability for sustainability-related risks and opportunities without encroaching on management’s execution role.

Annex 1. Board questions to enhance ISSB-aligned reporting

This annex provides a set of overarching questions aligned with the actions in the checklist that can aid in board oversight of ISSB-aligned reporting. Each action begins with a starting question, followed by additional questions that directors can use to deepen discussion, depending on the maturity of the company's practices. The list is not exhaustive, but is intended to help boards frame challenges constructively and identify opportunities to strengthen ISSB-aligned disclosures.

The questions and best practices draw on a range of established resources for board oversight, including the supplementary guidance with the Guiding Principles on Climate and Nature,¹⁶ as well as guidance from the Task Force on Nature-related Financial Disclosures (TNFD) on board questions.¹⁷

Step 1. Understand

Enhance understanding of sustainability-related risk and opportunity categories

Initial question **Ask management:** "What are the top sustainability-related risks and opportunities facing the company, industry and supply chain?"

Follow-up questions

- What are the key assumptions, uncertainties or judgments made in identifying sustainability-related risks and opportunities and how does the company document these?
- What processes does the company use to identify sustainability-related risks and opportunities in the supply chain, and what risk threshold is used for the supply chain assessment?
- How is the company ensuring that its risk management team has sufficient understanding and expertise on sustainability-related issues?
- Which stakeholders have the greatest influence on the business in relation to sustainability, and how does management prioritize engaging with them?

Best practice

- Clear articulation of risks and opportunities.
- Time-bound analysis (short, medium, long term).
- Value chain mapping and hotspot identification.
- Supplier/customer engagement strategies.
- Consideration of Scope 3 emissions and dependencies.
- Identification of key vulnerabilities and adaptation needs.
- Review of product, market and asset exposure.
- Reviews of policy and carbon-pricing trends.

Understand the effects of sustainability-related risks and opportunities

Initial question **Ask management:** "How has the effect of sustainability-related risks and opportunities on the company's prospects been determined?"

Follow-up questions

- How are sustainability-related risks assessed?
- How frequently are sustainability inputs reviewed and updated as part of the strategic planning cycle?
- How are risk owners assigned, and how are mitigation plans monitored?
- How does management ensure alignment between the sustainability strategy and the financial strategy?

¹⁶ Chapter Zero Alliance in collaboration with Deloitte and the World Economic Forum (2026) [Board reflection on management and oversight questions. Supplementary Document](#)

¹⁷ Task Force on Nature-related Financial Disclosures (2025) [Asking better questions on nature - for directors](#)

- How do sustainability risk trends compare with operational, financial, or compliance risks?
- How are supply chain risks monitored and documented?

Best practice

- Defined risk owners and management plans for key issues.
- Transparent criteria for prioritization (e.g. impact, urgency, likelihood).
- Risk and opportunity heatmaps or scoring.
- Forecast of financial impacts and investment needs.
- Resource plans for delivery (people, systems, funding).
- Integration into capital planning and budgeting cycles, including the use of tools such as shadow carbon pricing to guide capex and opex decisions.
- Insurance assessments and premium history and projections.
- Link to growth, innovation or efficiency goals.
- Investment or capability plans to capture value.

Understand the company's readiness to adapt to uncertainties

Initial question

Ask yourselves: “Is the company at risk of overstating its ability to overcome sustainability-related uncertainties?”

Initial Objective

Understand how the company tests resilience vis-a-vis sustainability-related risks/opportunities and uncertainties.

Follow-up questions

- How do identified sustainability-related risks and opportunities influence the company's strategic priorities, capital allocation, and business model choices?
- How does the company assess whether sustainability considerations may create new markets, products, or revenue streams?
- What scenarios (e.g., climate, regulatory, market) does the company assess, and what assumptions underpin them?
- How do these scenarios affect financial performance, capital planning, or operational resilience?
- What vulnerabilities or dependencies (e.g., physical assets, key markets) are most affected under stress conditions?
- How does the company assess supplier resilience, including geopolitical, climate, and human rights risks?
- How does the company monitor suppliers, and what actions follow non-compliance?
- What changes might be needed to ensure the business model or operations stay competitive as sustainability issues evolve?
- How does the company balance protection from sustainability-related risks while investing in the opportunities they create for growth and resilience?

Best practice

- Board discussion of long-term business model viability.
- Sustainability inputs embedded in strategic plans.
- Risk and opportunity analysis linked to business planning cycles.
- Cross-functional engagement during planning processes.
- Plans to manage downstream and upstream risks.
- Action plans linked to top-priority issues.
- Alignment with strategic, financial and stakeholder goals.
- Scenario analysis or stress-testing for major risks and against future transition pathways.
- Integration into business development or research and development.
- Regularly scheduled board review of progress against strategy and transition plans.

Step 2. Align

Take a stance on materiality determinations

Initial question **Ask management:** “Do the materiality determinations for sustainability-related financial information match the risk appetite that shareholders have?”

Follow-up questions

- Is a single or double materiality assessment being used?
- What scoring methodology was implemented?
- What threshold was determined and why? (And what impact would changing that threshold have?)
- How does management determine which sustainability-related risks and opportunities are being monitored and managed?
- What risks have our competitors identified that we have not, and is it on our watch list?
- What information is very close to the materiality threshold used and could be moved?
- Is there alignment between the sustainability risk register and the company’s overall risk register?
- How are unmanageable risks being addressed? (Is there an emergent risk register, a watch list, or something similar?)

Best practice

- Well-defined methodology for material determinations or judgments of sustainability information relevant to the company’s size, complexity and sector.
- Regular review and refresh of materiality determinations of sustainability information.
- Processes to enable board input into materiality determinations and alignment with organizational strategy.
- Alignment with international standards.

Set a forward-looking tone from the top

Initial question **Ask yourselves:** “How are values, expectations and accountabilities for sustainability communicated and reinforced across the company?”

Follow-up questions

- How effectively does the board integrate sustainability considerations into its strategic oversight and decision-making processes?
- How does the board elevate the importance of sustainability in the company through the board’s questioning, decision-making and resource allocation?
- How does the organizational culture enable management to identify and capitalize on sustainability opportunities while managing risks effectively?
- How does the board know whether organizational culture is driving innovation and competitive advantage in response to sustainability challenges?

Best practice

- Leadership messaging linking purpose and values to sustainability.
- Incentives and recognition for innovation.
- Forums for feedback and idea sharing.
- Employee and stakeholder engagement channels.
- Sustainability metrics and targets are linked to performance reviews.

Set a policy framework for integrating sustainability into internal controls and processes

Initial question **Ask management:** “How and when are policies updated to reflect emerging sustainability issues?”

Follow-up questions

- How does the board ensure that governance processes and policies adapt to capitalize on emerging sustainability market opportunities?
- How do sustainability-related policies align with the board-approved strategy, risk appetite, and time horizons used for ISSB-aligned disclosures?
- How does management identify when policies need to be updated in response to changes in regulation, markets, or sustainability-related risks and opportunities?
- Are there gaps or inconsistencies between sustainability policies and other core policies (e.g. risk management, capital allocation, remuneration, supplier standards)?
- How does the board verify that policies are being applied consistently across the organization and, where relevant, the value chain?
- Where have existing policies materially influenced recent strategic, investment, or procurement decisions—and where have they not?

Best practice

- Company policy explicitly includes considerations of fiduciary duty, duty of care, and due diligence pertaining to sustainability-related adaptation and mitigation.
- Company policy includes provisions that leverage its buying power to influence shifts toward a more sustainable future, in line with the company's values and objectives.
- Cross-functional engagement during policy development or planning process.
- Explicit linkage between sustainability policies and strategic planning, capital allocation, and risk management frameworks.
- Clear ownership and accountability for policy implementation and monitoring at the executive level.
- Regularly scheduled board review of policies.
- Review of risk management, procurement and stakeholder engagement policies to align with sustainability-related risks and opportunities.

Step 3. Oversee

Identify board and management roles and communication channels for oversight of sustainability information

Initial question **Ask management:** “How and how often will the board receive information from management on sustainability?”

Follow-up questions

- When will the board first receive information to review and at what increments will additional information be shared?
- What is the standard review time for the final report?
- What is the buffer time in place between board's comments and the final report publication to allow the management team time to respond and implement any changes recommended?
- Do any of the existing board committees' mandates incorporate consideration of climate-related matters? Should they be updated to include this?
- Which other existing board committees are most appropriate for supporting board oversight of climate-related issues?
- Who (if anyone) is advising the board on sustainability-related topics, and what is their expertise and experience in this area?
- How should sustainability-related issues be addressed at board and board committee meetings – should there be recurring items on the board/ board committee agenda, or should it be left to ad-hoc discussion based on developments?
- How are responsibilities for identifying and overseeing sustainability-related risks and opportunities assigned across senior management?

- Best practice**
- Cross-functional coordination mechanisms between board committees
 - Integration of sustainability oversight responsibilities into existing board committees
 - Cross-functional alignment between strategy, risk and operations
 - Named accountabilities at executive level, embedded in job descriptions and KPIs and regular reporting to CEO/board

Strengthen board skills and competencies

Initial question **Ask yourselves:** “To what extent is the board as a collective body equipped to understand and robustly challenge sustainability-related risks and opportunities across different time horizons?”

- Follow-up questions**
- What is the plan to upskill, where necessary, and enhance director’s competence on sustainability?
 - What formal process (e.g. board skills matrix, board evaluation) does the company use to identify knowledge gaps, benchmark our capacity against peers and address blind spots through training, recruitment of directors with specific expertise or external advisory support?
 - How does the company confidently evaluate whether the business has effective systems to integrate climate and nature issues into strategy, capital allocation and operational decisions?
 - How is the company building and maintaining the skills, expertise and awareness needed to manage climate and nature-related risks and opportunities across management and teams?

- Best practice**
- Targeted training and capacity building programs.
 - Regular review of board and management skills and capability.
 - Ensure access to internal and external experts.
 - Recruitment of new directors or through succession planning to strengthen expertise.
 - Regular updates on emerging issues from management.
 - Advisory panels or expert working groups to provide independent reviews of key assumptions.
 - Access to academia and research organizations.

Link executive compensation to sustainability metrics

Initial question **Ask yourselves:** “What sustainability performance metrics and targets are executives measured against and how is this linked to remuneration?”

- Follow-up questions**
- How do the sustainability metrics used in remuneration align with the company’s sustainability-related risks and opportunities identified?
 - Are the sustainability key performance indicators (KPIs) quantifiable and evidence-based?
 - What proportion of short-term and long-term incentives are linked to sustainability-related objectives?
 - Is the company prepared to adjust remuneration structures to align with sustainability-related targets?
 - Are incentives designed to encourage cross-functional collaboration on sustainability-related objectives rather than siloed performance?
 - Do incentive structures support innovation and long-term value creation?

- Best practice**
- Incentives and recognition for innovation.
 - Sustainability targets embedded in KPIs.
 - Clear linkage between sustainability-linked incentives and board-approved

- strategy, risk appetite, and time horizons.
- Limited number of material sustainability metrics to maintain focus and avoid dilution.
- Transparent disclosure of how sustainability-linked remuneration are designed, weighted, and assessed, consistent with ISSB governance disclosures.
- Periodic external benchmarking of sustainability-linked remuneration practices against peers and market expectations.

Step 4. Communicate

Assess the sustainability narrative for ISSB-alignment

Initial question **Ask management:** “Do the key messages of the sustainability narrative meet the ISSB’s qualitative characteristics of useful sustainability-related financial information?”

Follow-up questions

- How effectively do disclosure processes reflect the company’s actual performance, position and progress on sustainability-related topics, including areas where progress is limited?
- How confident is the board in its ability to explain and stand behind information disclosed on sustainability to regulators, investors or other stakeholders?
- How does the company remain aligned with evolving reporting requirements while staying mindful of differing or competing stakeholder expectations?
- How is consistency maintained between different forms of communication, including regulatory filings, investor briefings, annual reports and internal messaging?
- What role does investor feedback, peer benchmarking, or regulatory expectations play?

Best practice

- Reporting that reflects forward-looking value creation and aligned with recognized good international standards.
- Central coordination of messaging across reporting channels
- Alignment checks between public disclosures and internal narratives
- Sign-off processes across functions
- Evidence of messaging discipline on sustainability-related risks and opportunities identified.

Assess credibility of sustainability-related financial information

Initial question **Ask yourselves:** “Are there aspects of the sustainability-related financial disclosures that are at risk of accusations of misleading investors?”

Follow-up questions

- What other stakeholders will be using this information?
- Which stakeholder groups are most affected by, or influential over, sustainability-related risks and opportunities (e.g., employees, regulators, communities, customers, suppliers)?
- How does the board gain confidence that sustainability disclosures are accurate, complete and consistent across all public communications, including filings, investor briefings, websites and financial statements?
- Has the company set quantifiable, investor-grade metrics for all sustainability-related risks and opportunities identified?
- How are industry-specific and cross-industry metrics evaluated for relevance?
- Are sustainability metrics assurance ready?
- What baseline data, time horizons, and assumptions were used to set sustainability-related targets?
- How do the targets align with long-term strategy and investor expectations?

- How does the company measure and report progress, and how frequently are targets reviewed?
- Are the targets science-based or externally validated where applicable?

Best practice

- Clear targets and metrics with baselines.
- Data tracking systems or dashboards.
- Taxonomy of key messages agreed on for management to use externally in relation to sustainability, climate and nature, including targets.
- Defined response and communication plans for underperformance.
- Transparent reporting and escalation policies.
- Metrics used should be associated with industry-specific business models and benchmarks and be consistent over time.
- Clear language connecting qualitative metrics with qualitative objectives or narrative.
- Transparent methodology disclosed for all metrics and targets.

Oversee sustainability data validation and assurance

Initial question

Ask management: “What internal controls, data governance, and verification processes support the sustainability-related financial information included in the company’s public disclosures?”

Follow-up questions

- How is management ensuring that the individuals responsible for preparing, reviewing and signing off on the external disclosures have the appropriate skills and competencies for overseeing sustainability-related risks and opportunities?
- How is it determined that external controls should be put in place to review or assure data?
- What steps are taken to verify the integrity, consistency and credibility of information used to inform board decisions on sustainability, and what mechanisms are in place to enable stakeholders to raise concerns?
- What systems and internal controls are in place to verify the quality, consistency and reliability of sustainability-related data used in external disclosures, and how do these differ from financial controls?

Best practice

- Documented data governance and control processes.
- Defined roles for data owners and reviewers.
- Use of standardized methodologies and metrics.
- Internal audit or quality checks before disclosure.
- Scope of internal and external assurance clearly defined.
- Use of credible third-party assurance providers, including specialists in climate- and nature-related risks and opportunities, where relevant.
- Summary of findings shared with the board.
- Management and board sign-off supported by internal validation processes.
- Explanation of reasonable grounds for judgments made and why they are considered appropriate.

Annex 2. Alignment of ISSB Standards with other sustainability disclosure standards

The sustainability disclosure landscape has evolved rapidly, moving from fragmented voluntary initiatives toward greater global convergence. Today, the **International Sustainability Standards Board (ISSB)** provides a global baseline for investor-focused sustainability disclosures, consolidating much of the work of earlier initiatives such as the TCFD, SASB Standards, and Integrated Reporting. At the same time, other frameworks, such as the GRI Standards and the European Sustainability Reporting Standards (ESRS), provide broader, stakeholder-focused requirements. Increasingly, companies are using these frameworks together to meet the expectations of both investors and wider stakeholders. The following table provides guidance on alignment between IFRS S1 and S2 with other frameworks and standards.

Framework / Standard	Core Alignment with ISSB Standards	Key Distinctions	Interoperability / Practical Implications for Boards
<p>European Sustainability Reporting Standards (ESRS)</p>	<p>ESRS shares important conceptual alignment with IFRS S1 and S2—such as governance, strategy and risk management coverage and the use of metrics and targets—but is structured around cross-cutting standards (ESRS 1 and 2) and topical standards rather than the four-pillar architecture used in IFRS S1 and IFRS S2.</p> <p>For more detailed mapping see the ESRS-ISSB Standards Interoperability Guidance</p>	<p>ESRS applies double materiality (financial and impact), while IFRS S1/S2 focus on financial materiality.</p>	<p>Designed for interoperability. Boards overseeing dual reporting (ISSB + CSRD) should ensure consistent data, aligned timelines, and clear explanation of differences in materiality focus.</p>

Global Reporting Initiative (GRI) Standards

GRI and ISSB share a common goal of improving global transparency. Their **2022 MoU** commits to aligning standards where possible, especially on terminology and climate disclosures.

GRI applies **impact materiality**—focusing on an organization’s outward impacts on the economy, environment, and people—while ISSB applies **financial materiality**.

The two standards are **complementary**. Boards can use ISSB for investor-focused reporting and GRI for broader stakeholder disclosures, ensuring alignment of metrics and narrative where material overlaps exist (e.g., climate, human capital, supply chain).

Integrated Reporting Framework <IR>

IFRS S1 embeds principles such as **connectivity of information, strategic focus, and long-term value creation**. <IR> has been integrated into the ISSB.

<IR> provides guiding principles rather than prescriptive disclosure requirements. IFRS S1 translates these into specific, investor-focused disclosures.

Boards can use <IR> to help link sustainability and financial reporting narratives. IFRS S1 operationalizes those linkages for disclosure consistency and decision-usefulness.

SASB Standards

Fully incorporated into IFRS S1 and IFRS S2 as industry-specific implementation guidance. Provides metrics for identifying sustainability-related risks, opportunities, and performance indicators.

SASB Standards focus on **industry specificity**, while IFRS S1 provides cross-industry requirements and IFRS S2 provides climate-specific cross-industry and industry-specific requirements.

Boards should reference relevant SASB metrics when reviewing disclosures to ensure sector comparability and decision-useful information for investors.

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

IFRS S1 and IFRS S2 **build directly on the recommendations of the TCFD**; the four pillars and core recommendations are fully adopted.

IFRS S2 is more detailed—introduces prescriptive requirements for GHG Scopes 1–3, transition plans, and scenario analysis.

TCFD adopters already meet much of IFRS S2’s structure. Boards should ensure disclosures meet the expanded IFRS S2 requirements. Find more in the [IFRS-TCFD Comparison document](#).

Annex 3. IFRS qualitative characteristics of useful sustainability-related information for boards

Characteristic	Meaning under IFRS S1	Why It Matters for Boards
Relevance	Relevant sustainability-related financial information is capable of making a difference in the decisions made by investors.	Boards ensure disclosures focus on decision-useful information for investors.
Materiality	Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.	Boards oversee the quality of the materiality assessment and ensure that they have sufficient confidence that it reflects shareholders' risk appetite.
Faithful representation	Complete, neutral, and accurate depiction of sustainability-related risks and opportunities.	Boards review whether the disclosures fairly represent their understanding of the company's sustainability-related risks and opportunities.
Comparability	Enables investors to identify and understand similarities in, and differences among, compared items such as for comparisons with previous time periods or comparable to information provided by other entities within the same industry.	Boards can take a high-level view and compare, as investors would, with peers and competitors to identify gaps in the sustainability narrative.
Verifiability	Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it.	Boards oversee assurance and control processes to ensure data integrity.
Timeliness	Timeliness means having information available to decision-makers in time to be capable of influencing their decisions.	Boards oversee alignment of sustainability and financial reporting cycles.
Understandability	Information is clear, concise, and presented in a way that is comprehensible.	Boards ensure that disclosures are accessible, avoiding technical jargon or duplication.

Annex 4. Board and management role in materiality determinations

Area	Board of Directors – Oversight	Management – Preparation & Execution
Overall accountability	Responsible for reviewing and signing off on final sustainability-related financial disclosures. Ultimately accountable for the integrity and appropriateness of materiality determinations in sustainability-related financial disclosures.	Responsible for collecting and preparing sustainability-related financial disclosures, including preparing a methodology for materiality determinations and identifying material information. Management is accountable for alignment of public disclosures with the requirements of the ISSB Standards.
Identification and assessment process and methodology	Oversees the robustness of the processes used to identify sustainability-related risks and opportunities, and how the resulting information is assessed for materiality. Effective oversight can help spot gaps in management’s assessments or identify areas that management may have overlooked. The board is ultimately accountable for ensuring the integrity and appropriateness of the processes management uses to identify and assess sustainability-related risks and opportunities and signs off on the company’s public disclosures.	Identifies sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects and what information is material in accordance with the ISSB Standards. Management is accountable for ensuring these meet the requirements of the ISSB Standards and align with investor and stakeholder expectations.
Assumptions used to make judgments	Challenges key assumptions, scenarios and thresholds used in determining whether sustainability-related financial information is material, based on skills, competences and data. The board is accountable for the integrity and appropriateness of these assumptions and the scenarios used to make materiality judgments.	Develops and applies appropriate assumptions, estimation techniques and thresholds; documents assumptions, estimation uncertainty and significant judgments. Management is accountable for thoroughly documenting their decision making process for all materiality judgments.
Strategic alignment	Oversees the alignment of materiality judgments with strategy and financial reporting. The board is accountable for ensuring that the disclosures reviewed are coherent with strategic objectives and underpinned by robust assessment.	Analyses potential effects on cash flows, access to finance and cost of capital, and aligns disclosures with strategy and risk processes. Management is accountable for conducting an analysis of impacts and documenting alignment with strategic objectives.
Controls, consistency & disclosure integrity	Oversees internal controls and governance structures supporting sustainability-related financial reporting. The board is accountable for creating the appropriate oversight structures to fulfill all the aforementioned responsibilities.	Designs and operates reporting systems and controls; communicates to the board methodologies, assumptions and findings. Management is accountable for communicating upwards and setting internal controls to periodically update methods and assumptions.

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Chapter Zero Alliance equips board directors worldwide with the expertise, tools and confidence to lead on climate and nature. Working with Chapters across 70 countries, the Alliance supports board directors in embedding forward-looking governance practices that strengthen their organisations' long-term resilience and competitive advantage, moving us closer to a climate-resilient, nature-positive economy.

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