

SUSTAINABILITY DISCLOSURE AND ECONOMIC GOVERNANCE: ISSB STANDARDS IN PRACTICE AND THE EBRD EXPERIENCE



“The ISSB standards represent an important step in global efforts to improve corporate transparency, but their real value lies in how they are used to strengthen governance, strategy and investment decisions.”



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Sustainability disclosure is rapidly shifting from a compliance matter to a core function of economic governance. This article looks at how ISSB standards (IFRS S1 and S2) – alongside emerging regional frameworks such as the EU’s ESRS – are reshaping the ways in which companies assess risk, strategy and value creation. Drawing on the EBRD’s experience, it shows how the Bank actively applies ISSB-aligned approaches across its investments and advisory work to strengthen governance, support decision-making and unlock access to capital. Examples from Türkiye, central Asia and Africa show how phased, practical implementation can turn disclosure into a driver of resilience, competitiveness and low-carbon transition.



INTRODUCTION

Increasingly, investors expect companies to explain not only their environmental impacts but also how sustainability-related risks and opportunities are identified, governed and reflected in their strategies and financial decision-making. Sustainability- and climate-related disclosure have therefore become central economic governance issues.

At the international level, the International Sustainability Standards Board (ISSB) introduced a common, investor-focused baseline in 2023 in the form of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (hereinafter, “the ISSB standards”).¹ Meanwhile, at the European level, the European Union (EU) Corporate Sustainability Reporting Directive (CSRD) and the corresponding European Sustainability Reporting Standards (ESRS) have

established a regional framework looking at both inward financial effects and outward environmental and social impacts. Together, these frameworks are reshaping expectations of corporate transparency and governance.

Over time, fragmented and often voluntary approaches to sustainability reporting have made it difficult for investors to assess how sustainability-related risks and opportunities affect long-term enterprise value. The ISSB standards respond to this gap by establishing an investor-focused baseline for sustainability-related financial disclosures,² centred on governance, strategy, risk management, and metrics and targets, with a particular emphasis on climate-related risks and resilience.

In parallel, a range of national and local standards are being developed or applied in EBRD economies of operation, often drawing on one of these two major frameworks. The IFRS Sustainability Disclosure Standards become operative and enforceable only through adoption at the local or jurisdictional level.

The EBRD supports the transition towards sustainable market economies by combining investment with policy engagement, reform and capacity building. In its Strategic and Capital Framework (SCF) 2026-30,³ the Bank places particular emphasis on accelerating the green transition by, among other things, strengthening economic governance.

¹ See <https://www.ifrs.org/sustainability/knowledge-hub/introduction-to-issb-and-ifrs-sustainability-disclosure-standards>.

² In the context of the IFRS Sustainability Disclosure Standards, “sustainability” refers to environmental, social and governance-related risks and opportunities that could reasonably be expected to affect a company’s long-term value (for example, exposure to climate risks, natural resource dependence or labour practices). “Materiality” refers to information that could reasonably be expected to influence the decisions of investors and other providers of capital, such as how a drought affecting a key supplier might impact revenues, or how new carbon regulations could alter operating costs.

³ See EBRD (2025).

The Bank recognises that strong sustainability-related financial disclosures are essential in order to guide green investment, so it has worked closely with the ISSB in developing and applying a global baseline for such disclosures.⁴ Through its Corporate Climate Governance Facility (CCGF; see Box 1), the EBRD uses the ISSB standards not as a reporting endpoint but as a structured framework for strengthening governance, identifying financially relevant risks and supporting access to capital in transition economies.

THE GOVERNANCE CORE OF THE ISSB STANDARDS AND THE EBRD'S APPROACH

Although they are framed as disclosure requirements, the ISSB standards are fundamentally about how companies organise themselves in order to identify, assess and manage sustainability-related risks and opportunities. They require companies to explain not only what information is disclosed but how sustainability issues are discussed and acted upon within the organisation.

This emphasis mirrors the EBRD's work through the CCGF, which focuses on the same core aspects as the ISSB framework⁵ – governance, strategy, risk management, and metrics and targets – when assessing client practices. In emerging market and transition economies, this approach is applied proportionately, recognising the varying levels of corporate maturity and the need for sequenced, capacity-appropriate measures.

Within CCGF engagements, the EBRD helps corporates and financial institutions to embed sustainability considerations in board oversight, strategic planning, enterprise risk management and financial decision-making. Sustainability-related risks may include, for example, exposure to extreme weather, regulatory change, carbon-intensive inputs or supply-chain disruptions, while opportunities may arise from energy-efficiency investments, new low-carbon products or improved access to sustainable finance. Importantly, these risks and opportunities are assessed not in isolation but alongside financial impacts on metrics



Box 1.

The EBRD's Corporate Climate Governance Facility

The Bank's CCGF supports companies in embedding climate considerations in board oversight, strategy, risk management and disclosure, treating sustainability as an integral part of business decision-making rather than a standalone reporting exercise. Delivered alongside investment, the CCGF provides targeted expert support to help companies identify and manage financially material climate-related risks and opportunities, strengthening governance, improving access to green and sustainability-linked finance, and enhancing resilience and competitiveness.

The facility operates across regions and sectors, including agribusiness, energy, real estate and infrastructure, reflecting its broad application in the EBRD's economies of operation. It is run by the Sustainable Finance Governance and Regulation Unit – part of the EBRD's Legal Transition Programme – within the Bank's Office of the General Counsel, in close cooperation with the Climate Strategy and Delivery team.



Disclosure is how a company in our regions becomes legible to global capital. For the EBRD, supporting ISSB-aligned reporting is about building better-governed, investment-ready businesses – because a company that can measure and explain its climate transition is a company that can attract the capital to deliver it.”

Felicity Spors

Director, Sustainable Business and Infrastructure, Climate Strategy and Delivery, EBRD

⁴ See EBRD (2026).

⁵ The ISSB framework builds on the recommendations of the Task Force on Climate-related Financial Disclosures, which was established in 2015 by the Financial Stability Board at the request of the G20 in order to develop a consistent, investor-focused approach to disclosing climate-related financial risks and opportunities, with the aim of improving market transparency and capital allocation.

such as asset values, planned capital expenditure, operating costs, insurance coverage and financing options.

By adopting an integrated approach, the EBRD treats ISSB (and EU) standards as practical tools for strengthening green governance and transition planning. While board oversight and governance are central, the standards also place strong emphasis on strategy, performance metrics and target-setting, which are critical to driving corporate sustainability transformation in practice. This includes setting clear and credible transition targets for reducing emissions over time, covering both a company's own operations (Scope 1 and Scope 2) and, where relevant, its wider value chain (Scope 3). Effective implementation also requires close coordination across functions within companies – bringing boards together with finance, risk, operations and sustainability teams – to ensure that sustainability considerations are consistently reflected in management processes and investment decisions.

WHY ISSB STANDARDS MATTER FOR TRANSITION ECONOMIES

For transition and emerging market economies, the relevance of ISSB standards extends beyond reporting. Increasingly, access to international capital is dependent on the availability of credible, comparable information on how companies manage sustainability-related risks and opportunities. Where disclosure is inconsistent or unreliable, investors tend to price in uncertainty, resulting in higher financing costs or reduced investment. This is reflected in regulatory and empirical evidence showing that internationally consistent sustainability disclosures respond directly to investor demand for decision-useful data and are associated with stronger engagement by institutional investors and increased capital allocation.^{6,7}

⁶ See IOSCO (2023).

⁷ See Ilhan et al. (2023).



Preparing the EBRD's first ISSB-aligned sustainability disclosures was a demanding but valuable exercise. It helped to strengthen internal processes linking sustainability risks to financial reporting, improved data quality through external assurance and reinforced the credibility of our disclosures for investors and other stakeholders."

Gad Loew

Associate Director, Sustainability Reporting, Financial Control, EBRD

A globally recognised disclosure baseline helps to reduce these information gaps by aligning sustainability reporting with financial decision-making and investor needs. In this way, ISSB-aligned disclosure supports more informed risk assessment and capital allocation.

The EBRD has sought to lead by example. In September 2025, it published sustainability disclosures for 2024 in full compliance with ISSB standards, subject to external assurance – that is to say, independent verification by a third party to provide confidence in the accuracy and reliability of the disclosed information – becoming the first multilateral development bank to do so. These disclosures explicitly link sustainability-related risks and opportunities to governance, strategy, risk

management and performance metrics, demonstrating the broader value of a governance-led approach.

However, effective implementation hinges on institutional capacity. Many countries face data gaps, limited climate expertise and scarce assurance resources, so immediate full adoption is unrealistic. The EBRD's experience through the CCGF shows that sequenced, proportionate adoption – focusing first on the most material issues (often climate-related), while strengthening board oversight, internal processes and data quality – yields better results. Starting with financially significant climate risks and expanding coverage as capacity grows ensures sustainability reporting does not become a box-ticking exercise and instead bolsters real economic decision-making.

FROM DISCLOSURE TO DECISION-MAKING: APPLICATION OF THE ISSB STANDARDS IN PRACTICE

While the ISSB standards are often discussed at the level of regulatory architecture, their most tangible impact comes where they influence corporate behaviour and strategic choices. Insights from practical usage (see Figure 1) point to the potential for ISSB-aligned frameworks to support earlier consideration of sustainability risks and more coherent internal responses.

Türkiye: national ISSB implementation and partnership with the EBRD

Türkiye offers one of the most advanced examples of early ISSB implementation. In 2023 the country introduced the Türkiye Sustainability Reporting Standards (TSRS), which are closely aligned with IFRS Sustainability Disclosure Standards S1 and S2 and were enacted through amendments to existing laws. By establishing a single economy-wide baseline for sustainability disclosure, anchored in legislation and phased in over time, Turkish authorities have provided regulatory clarity, while managing capacity

Figure 1. Current state of affairs in certain EBRD economies of operation (as at June 2026)

Country law and practice: Most countries that introduce national sustainability standards (including economies where the EBRD invests) emulate either ISSB or EU standards, contributing to the harmonisation of global sustainability practices.

 KAZAKHSTAN There is no full ISSB adoption mandate at present. The EBRD is supporting the development of an ISSB roadmap.	 JORDAN All Amman Stock Exchange-listed companies are permitted to use IFRS S1 and S2 from 2025, mostly only climate-related requirements.	 EGYPT ESG disclosure requirements are in place for listed companies (stock exchange driven).	 TÜRKİYE The ISSB standards are mandatory, having been fully incorporated in the Turkish Sustainability Reporting Standards. The TSRS are mandatory for fiscal periods starting on or after 1 January 2024 and apply to all listed entities and financial institutions, as well as various other entities that meet relevant thresholds.	 NIGERIA All entities are permitted to apply the ISSB standards for annual financial reporting periods starting on or after 1 January 2024. Public-interest entities are required to apply the ISSB standards for annual financial reporting periods starting on or after 1 January 2028.	 KENYA All entities are permitted to apply the ISSB standards for annual financial reporting periods starting on or after 1 January 2024. Public-interest entities are required to apply the ISSB standards for annual financial reporting periods starting on or after 1 January 2027. Large non-public-interest entities are required to apply the ISSB standards for annual financial reporting periods starting on or after 1 January 2028.
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Source: EBRD.

constraints. The initial stage focuses on climate-related disclosures and large companies, ensuring that the most urgent risks are addressed first and giving smaller firms time to prepare.

For Turkish businesses, this new ISSB-aligned framework has rapidly elevated the importance of sustainability in core decision-making. Increasingly, disclosure is seen not as a mere formality but as a means of securing market access and capital. This is especially true for firms that are integrated into European value chains, where partners and investors now demand ISSB-consistent information on climate risks and governance from their Turkish counterparts. Recognising these dynamics, the EBRD has actively supported companies in Türkiye from the very start of TSRS adoption. The Bank worked with national stakeholders to share global best practices and raise awareness of the new requirements. For instance, it convened local banks, corporates and regulators at a 2025 climate governance event in Istanbul, showcasing practical tools, such as a climate governance toolkit (developed in partnership with Chapter Zero Türkiye), that help company boards to assess their readiness for TSRS disclosures.⁸

The EBRD's dual approach – combining investment with advisory support – is helping Turkish companies to not only comply with TSRS but leverage that compliance for strategic advantage. Many of the Bank's clients and partners in Türkiye are using the CCGF-supported four-pillar framework to strengthen board oversight, improve risk management and identify new business opportunities. This mirrors the EBRD's wider approach of combining finance, governance reform and institutional capacity building to accelerate green investment.



Box 2. Case study:

From ISSB-aligned disclosure to strategy (Türkiye)

Yayla Agro, a leading Turkish agrifood company, shows how ISSB-aligned disclosure can support strategic change. In preparing for its first TSRS report, the company undertook a structured assessment of climate-related risks, identifying that the vast majority of its emissions arose in the agricultural value chain and that key inputs were exposed to water stress.

Using the ISSB pillars of governance, strategy, risk management and metrics, Yayla strengthened board oversight and embedded climate considerations in enterprise risk management and planning. This led to concrete actions, including energy-efficiency investments, the adoption of emission-reduction targets and improved Scope 3 data systems. More robust disclosures also supported engagement with international customers and financiers, underpinning EBRD financing signed in 2026.

Similar ISSB-aligned approaches have been applied for other Turkish companies in sectors such as energy and healthcare, supporting the development of transition plans, enhanced board oversight and sustainability-linked financing.



⁸ See https://www.linkedin.com/posts/elisabetta-falcetti_this-week-i-had-the-pleasure-of-opening-activity-7406953941315330049-ozKz.



Türkiye's adoption of the Turkish Sustainability Reporting Standards, which are aligned with IFRS S1 and S2, demonstrates how a globally consistent framework for sustainability disclosure can be implemented in a phased and proportionate manner, taking into account national conditions and the market's readiness. By establishing a clear reporting framework focused on sustainability-related risks and opportunities, the TSRS contribute to stronger corporate governance, greater transparency and more useful information for decision-making by investors and other stakeholders.

The effective implementation of sustainability reporting requirements depends not only on regulatory frameworks but also on the development of corporate capacity, governance structures and reporting capabilities within companies. In this context, cooperation between regulatory agencies, reporting entities, audit service providers and international organisations is of critical importance. The EBRD has made a valuable contribution by supporting companies in strengthening their governance, risk management and disclosure practices, thereby helping to translate reporting requirements into meaningful business processes and long-term value creation."

Dr İbrahim Ömer Gönül

Chairman of Türkiye's Public Oversight, Accounting and Auditing Standards Authority (KGK)

Central Asia: phased adoption built on governance foundations

Several central Asian countries are exploring how ISSB standards can be used to strengthen corporate governance and support investment. **Kazakhstan**, for example, has developed a national roadmap⁹ to align domestic disclosure requirements with ISSB standards, informed by early diagnostics of market readiness. The approach under discussion emphasises phased implementation, starting with climate-focused reporting aligned with IFRS S2 for larger companies and broadening the scope over time as corporate and supervisory capacity develops.

The EBRD is engaging in this work on a targeted and ongoing basis, alongside other international partners. At the policy level, the Bank is providing selective technical input to discussions with Kazakh authorities on the sequencing of adoption and framework design. In parallel, the EBRD is working with selected companies and financial institutions through advisory support to help them prepare for future disclosure requirements, with a practical focus on board oversight, internal data systems and risk management.

Through this balanced engagement, including participation in an ISSB working group, the EBRD is highlighting the importance of building core governance and implementation capabilities first, so that ISSB adoption strengthens decision-making and market confidence, without overburdening companies or supervisors in the early stages.

Elsewhere in central Asia, countries such as **Uzbekistan** and the **Kyrgyz Republic** are taking steps to align sustainability disclosure with ISSB-based approaches within their broader green economy and climate policy landscapes. In Uzbekistan, a presidential decree has already introduced disclosure requirements that draw on key ISSB-type elements, signalling a move towards more structured and comparable sustainability reporting. In both countries, EBRD

⁹ Order No. П/Р-130 dated 13 February 2026.

engagement focuses primarily on the private sector, working with corporates and financial institutions to help align core governance, risk management and data systems with the ISSB approach in advance of a wider regulatory rollout. This practical company-level work is complemented by capacity building and pilot disclosures, allowing firms to gradually become familiar with the standards. The emphasis on governance readiness – including board oversight, internal coordination and reliable data systems – supports an iterative approach which helps to ensure that sustainability reporting leads to meaningful improvements in business practices.

Africa: strengthening climate governance through ISSB alignment and board-level engagement

In Africa, engagement with ISSB standards is uneven but gaining momentum as countries explore their use as tools supporting stronger governance and investment readiness. A leading example is **Nigeria**, where regulators have adopted IFRS S1 and S2 as a national baseline for listed companies and other public-interest entities, supported by a regulatory roadmap setting out sequencing, governance expectations and a gradual

approach to assurance. This shift aims to replace fragmented environmental, social and governance (ESG) disclosures with a more coherent, investor-focused framework and improve confidence in sustainability reporting.

EBRD engagement in Africa is primarily anchored at the board and company level, drawing on its Chapter Zero experience in other countries, including Türkiye. Through Chapter Zero partnerships, the Bank works with directors and senior executives to strengthen climate oversight, embed sustainability in strategy and risk management, and promote alignment with ISSB-based disclosure expectations. In the southern and eastern Mediterranean region, this approach has been applied in **Egypt** through board-level engagement and is complemented elsewhere in the region by more advanced regulatory developments, such as **Jordan's** stock exchange-led climate disclosure framework. By starting with boards and corporates and gradually extending dialogue to regulators and market institutions, the EBRD aims to support a pragmatic transition in which ISSB alignment strengthens the quality of governance and market confidence, rather than becoming a purely formal compliance requirement.



CONCLUSION

The ISSB standards represent an important step in global efforts to improve corporate transparency, but their real value lies in how they are used to strengthen governance, strategy and investment decisions. For the EBRD and its partners, ISSB standards act as enablers of climate action and economic development, helping companies in transition economies to build more resilient low-carbon business models and attract long-term capital. Experience from Türkiye, central Asia and Africa shows that progress depends not only on reporting but also on leadership, cross-functional integration and sustained capacity building.

When implemented in a staged and governance-focused way, sustainability disclosure standards can become effective tools of economic governance. With EBRD support – particularly through the Sustainable Finance Governance and Regulation Unit, the Climate Strategy and Delivery team and Banking teams – ISSB alignment is used to embed climate considerations in financing decisions, board oversight and strategic planning as a tool for long-term value creation.



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E. Ilhan, P. Krueger, Z. Sautner and L.T. Starks (2023), "Climate risk disclosure and institutional investors", *The Review of Financial Studies*, Vol. 36, No. 7, pp. 2617-2650. Available at: <https://doi.org/10.1093/rfs/hhad002> (last accessed 18 May 2026).

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