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Effective board oversight of sustainability strategy



Our [Sustainability oversight: the corporate director's guide](#) addresses the broad sustainability landscape, the role of the board in overseeing sustainability, and how boards are organizing themselves. This installment of our sustainability oversight series highlights specific actions boards can take to respond to the current environment, with a focus on identifying which sustainability topics merit board focus because of their strategic significance and impact on long-term value.



Understanding the current landscape

Directors and executives continue to debate what ‘sustainability’ means in a corporate setting. Some use it to cover the full breadth of the UN’s *Sustainable Development Goals*; others focus on climate, human rights, and a shifting list of other priorities. The terminology varies too as some people use ‘ESG’ and ‘sustainability’ interchangeably while others define them distinctly, and other legacy acronyms, like CSR, persist. The board should keep the conversation anchored in outcomes, not labels.

Debates over terminology, however, shouldn’t slow execution. Markets reward results you can measure. Cutting through the noise requires focus. Define sustainability in practical terms: how the business performs over time and the factors that drive that performance. It’s a definition that aligns with the board’s duty to oversee the business so that it delivers long-term success. Effective oversight of sustainability can set up a long-term lens and help filter out short-term noise. Viewed this way, sustainability and business value move together.



Boards that integrate sustainability into strategy shift the discussion from intent to impact, yielding two tangible results. First, the drivers of performance expand to include a wider set of operational, legal, and stakeholder variables that interact over time. Second, the company gains the ability to engage with the issues that influence business outcomes in more detail. For example, supply chains and energy management have always been strategic concerns. Today, directors may assess climate risk, human rights, geopolitical instability, reputation risks tied to sourcing decisions, data privacy, responsible AI, and waste and recycling with greater precision because their links to outcomes are better understood. These factors can directly influence unit costs, revenue mix, market access, insurance and financing terms, and even the company's license to operate.

“We are not separating sustainability from financial metrics. The point of defining sustainability as we have is to help companies identify a broader class of events and processes that will affect long-term financial success. Understanding how these impact the long-term health of the business is a strategic obligation.”

— Ray Garcia, Partner, PwC Governance Insights Center Leader

Strong stakeholder relationships, and stewardship of the natural and social systems the company relies on, can support economic returns and help returns compound over time. Many companies have moved from pilots to programs big enough to move operating results. Many business leaders, not just a centralized sustainability team, now own specific priorities and actions. While this shift embeds accountability at the points of value creation, it also carries risk: without coordination, efforts can drift from strategy, duplicate spending, or prioritize optics over impact.

“Leaders are treating sustainability investments as strategic moves, not check-the-box compliance.”

When the company looks at the full picture, sustainability decisions can create more value than any single function can see on its own. Consider a procurement leader evaluating a switch to a ‘greener’ resin supplier to improve sustainability scores and reduce product-level scope 3 emissions. Rather than judging it in isolation, management brings procurement, operations, sales, logistics, and finance together to look at total cost, service levels, emissions, and working capital. That wider view can surface options that strengthen the business, not just the reported metrics, such as negotiating commercial terms, adjusting specifications, redesigning packaging, or changing logistics and inventory strategies. Done well, the company can reduce emissions while protecting margins, building resilience, and improving on-time delivery. The lesson: the biggest wins come from evaluating sustainability decisions end-to-end, with clear cross-functional decision rules and shared metrics. The board can reinforce this discipline by shifting the question from “Is it greener?” to “Is it worth our capital?” thus linking returns, resilience, and credibility.

Many companies keep investing in sustainability because it delivers real results. They tie initiatives to lower energy costs, more resilient supply chains, and new products that meet changing customer demand. In [PwC’s 2026 Global CEO Survey](#), public companies with the fewest stakeholder trust concerns, including on topics such as the impact of climate change on business performance, delivered total shareholder returns over 12 months that were, on average, nine percentage points higher than those with the most concerns.

Leaders are treating sustainability investments as strategic moves, not check-the-box compliance. The board can do the same. By tuning out the noise and focusing on the sustainability issues that materially affect performance, directors can keep sustainability oversight business-driven and long term.





Understanding the board's role

Embedding sustainability into core strategy can better position a company for long-term success. However, this does not require the board to treat every environmental or social topic equally. Instead, the board should determine which issues truly warrant attention and how to integrate those priorities into oversight and governance. Directors can start with a simple question: “Does our strategy capture the critical topics that matter to our long-term success?”

Understanding the board's role in sustainability oversight begins with recognizing that not all ESG topics are created equal. Some will be central to the business's survival and growth, while others will be more peripheral. The board's job is to see that management remains focused on those core, strategically critical issues. Defining the board's oversight scope and setting a process to refresh it can add value because these considerations are at the heart of the company's operations and strategy.

Which sustainability topics should the board focus on?

Boards face a dynamic prioritization challenge. ESG frameworks provide a broad menu of environmental, social, and governance issues to consider. Sustainability oversight is about prioritizing and managing those issues in a way that mitigates risks or capitalizes on long-term opportunities.

Use the following lenses to identify board-level topics:



- **Regulatory pressures:** Track new reporting requirements, environmental rules, labor standards, and trade-related sanctions. Expect complexity across jurisdictions, including instances when governments treat sustainability standards as non-tariff trade levers (e.g. a border tax on carbon that alters import prices). Regulatory risk can quickly become a strategic concern.



- **Physical and geopolitical risks:** Assess how extreme weather, demographic shifts, and geopolitical conflict could disrupt access to critical inputs, supply chains, workforce availability, logistics, insurance, and the cost of capital. These external forces directly influence company performance and resilience.



- **Reputation and culture:** Test the alignment between the company's stated sustainability values and its actual operations and culture. Misalignment can erode employee engagement, customer loyalty, and investor trust. And while reputation can be hard to quantify, it often proves critical to long-term success.

Resource: The sustainability reporting landscape continues to evolve globally. For the latest developments, visit [PwC's Sustainability News Brief](#).

The board should regularly scan the horizon for such topics and ask: "Are we focusing on the sustainability issues that could make or break our strategy?" This process isn't one-and-done; it should be revisited as conditions change. New regulatory proposals, emerging technologies, activist campaigns, or shifts in consumer sentiment can all alter what is 'material' to the business. By having a structured way to identify and prioritize sustainability topics, the board can focus on the issues that matter most.



What should the board do?

The board should guide and support management as it builds a strategy that integrates sustainability. To do so, the board can approach this work in two steps:

- 1. Sustainability scoping:** understand how management defines the sustainability topics most relevant to the company.
- 2. Sustainability action:** understand how those topics are incorporated into the company's overall business strategy and operations.

Quick tip: Start with your double materiality assessment (DMA) if your company reports in the EU (or to EU regulators). A DMA helps companies identify issues that matter both financially (to the company) and in terms of impact (on people and the environment). The EU's Corporate Sustainability Reporting Directive (CSRD) requires companies to apply this dual lens and to disclose results. Even as standards and applicability continue to evolve, you can use completed or in-progress DMA work to guide decisions now.



Sustainability scoping

In this step, directors can engage management to identify sustainability issues that could significantly affect long-term performance. To test the quality of this scoping, directors can ask:

- How does management scan the full universe of potential issues that could affect the company's long-term success?
- What do our investors, employees, customers, regulators, and communities say are their primary concerns, and how do we incorporate those views?
- How does management assess each issue's significance and materiality? Do we rank or quantify potential impacts?

- How do we compare sustainability risks and opportunities to other strategic risks so that the board has a consistent view of the overall risk landscape?
- Are we using the right time horizon for each issue (e.g. 2–3 years or 10+) based on when it will actually affect the business?
- What might the company look like after the current strategic plan horizon? Do we test scenarios beyond our formal planning window?

The specifics of how sustainability factors into strategy will differ for every company. However, the board's underlying oversight responsibility is largely the same: see that management has robust processes to identify any sustainability-related risks and opportunities, respond appropriately (with mitigating actions or growth initiatives), measure success (or failure), and inform leadership (both executives and the board) using the data and insights needed to integrate sustainability into strategy. In short, the board should gain comfort that management is systematically integrating relevant sustainability considerations into the company's strategic planning and risk management framework.

Quick tip: Sustainability topics may affect the company over a longer timeline than many traditional strategic or financial topics. One important duty of the board is to make sure management is analyzing the risks and rewards associated with strategic decisions over an appropriately long time horizon. In practice, that means pushing management to take a long-term view, beyond the next year and well into the future, when evaluating the impact of sustainability issues. In doing so, the board helps the company be prepared for matters that might seem peripheral today but could become critical tomorrow.



Sustainability action

Once the key sustainability topics are identified, the board's focus shifts to overseeing how management is addressing each of those priority areas. This is where strategy execution and accountability come to the forefront. Key questions for directors include:

- How does management define each issue in our business context? For example, what does 'human rights in the supply chain' mean for our footprint?
- What laws and regulations apply, and how do we comply as those rules evolve?
- How does each issue affect the business? Do we quantify the downside risks and upside opportunities whenever possible?
- Which stakeholders do the issues affect, and how do we address adverse impacts on them?
- What actions will management take, and how do those actions support our strategy and long-term value?
- What processes generate, validate, analyze, and escalate data, so that decision-makers can act on reliable information?
- Who owns outcomes, and do our structures and incentives reinforce that ownership?
- Which committee(s) should oversee the details, and have we clearly documented that allocation of responsibility?
- What public commitments have we made, and how do we track our performance in delivering on them?

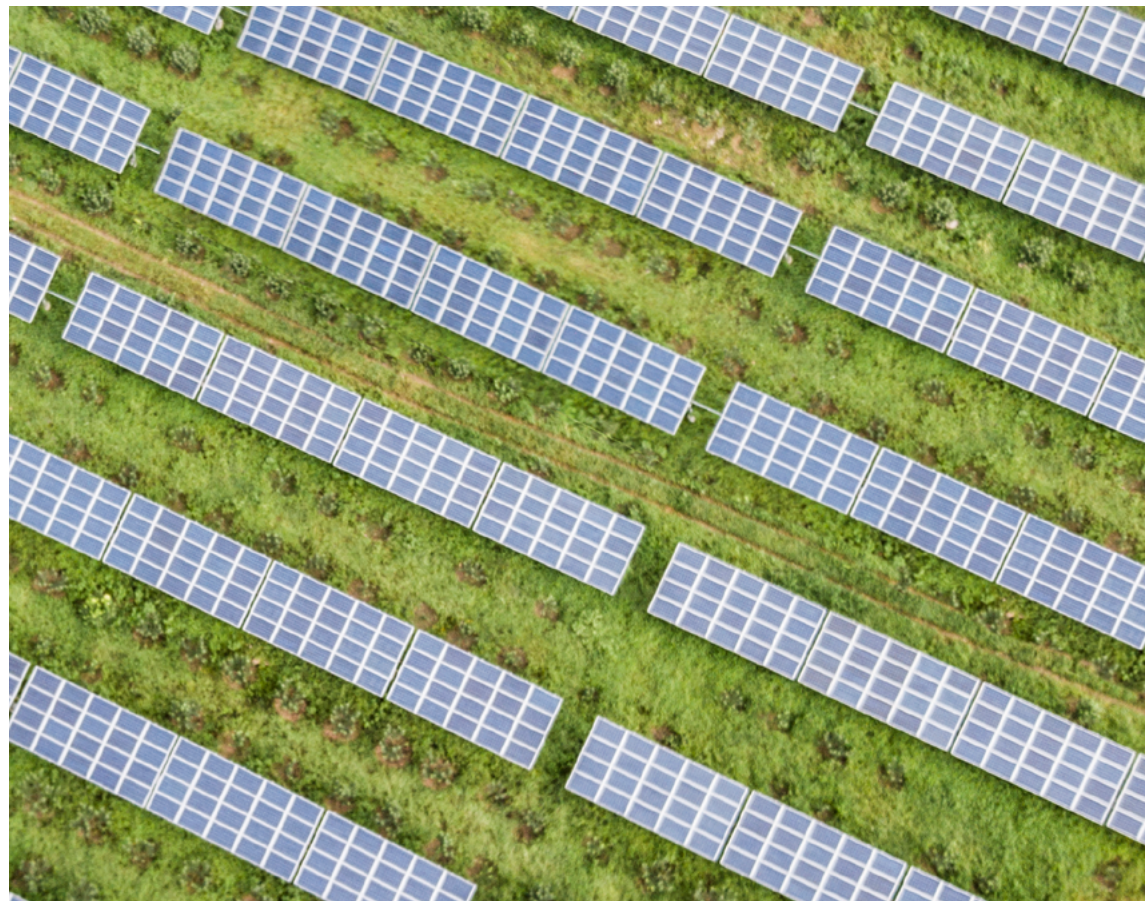
A final consideration in the action phase is regulatory reporting, which is a critical area of board oversight. If the company has specific sustainability reporting obligations (e.g. mandatory climate disclosures or workforce diversity reporting), directors should understand the process behind those reports. Key questions to ask include:

- **Who validates the data?** Identify the people and controls that determine what gets reported, who gathers the data, and how its accuracy is confirmed.
- **Who signs off?** Map the information flow from data owners to the person or entity with legal responsibility for the filing (whether at the parent or subsidiary level).
- **Who enforces and what are the consequences?** Identify the regulators or other parties who enforce or rely on the reports and understand the penalties or risks the company faces if it gets them wrong.

By asking these questions, the board can better evaluate whether management's actions are sufficient and well controlled. This oversight helps the company not only identify its sustainability priorities but also effectively execute them and meet its external obligations.

Conclusion

Sustainability can help focus the business on long-term success in a complex environment. The board does not need to rewrite the company's strategy; instead, strategy should encompass a broader set of economic, environmental, and social topics that shape future value. Embedding sustainability into strategic oversight and asking disciplined, decision-oriented questions have become essential parts of the board's mandate. Directors who concentrate on what matters most in sustainability oversight help their companies build resilience, spur innovation, and compete effectively over the long term.





How PwC can help

To discuss how these sustainability oversight concepts may affect your business, contact your engagement partner or one of the following PwC Governance Insights Center professionals:

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