

Terms of reference for the sustainability or ESG committee

September 2024

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If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the SGA:

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Reviewed: September 2024 Date of next review: September 2026

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Terms of reference for the sustainability or ESG committee

Codes of Governance

The Code for Sports Governance states that:

'The Board shall ensure it factors the impacts on stakeholders, wider society and the environment into the decisions it makes and the actions implemented by the organisation.'¹

The Code does not contain a specific requirement for sustainability or ESG committee, but does state that the Board shall 'establish any other Committees...as it sees fit' (Requirement 1.15 d).

Principle 7 of Sport Wales' Governance & Leadership Framework notes that an organisation which is 'building on success' will:

'Act in a socially responsible way. For example, work on participant education; with charities; interact with the local community; or initiatives that respect the environment.'²

For the first time in 2024, sustainability committees were referenced in the Financial Reporting Council's Guidance associated with the UK Corporate Governance Code.⁵ While most sports organisations will primarily look to comply with the relevant code or framework within their sector, the perspective from the corporate sector can also be instructive. The Guidance states that:

'Despite the fact that the Code does not state that [ESG/sustainability] committees are necessary, they may be required under other regulations and rules,' and that companies 'may find it helpful to form a sustainability committee to oversee these issues.'³

The Guidance suggests that:

'Sustainability committees may consider having responsibility for developing, reviewing and/or monitoring sustainability reporting, including but not limited to environmental, social and governance disclosures, targets, key performance indicators and future plans.'⁴

It highlights that:

'There is no one-size-fits-all strategy to these types of committees, and organisations will take different approaches given the increasing developments in this area. Companies ought to have clear lines of responsibility for each committee.'⁵

It is important to clearly define the remit of the sustainability or ESG committee and to detail which areas of responsibility it will have for environmental, social and governance issues. Its responsibilities and the authority delegated to it by the board should be set out in terms of

¹ A Code for Sports Governance, Requirement 5.2.

² Governance and Leadership Framework for Wales, Principle 7 (p. 31).

³ FRC Guidance 2024, paragraphs 8 and 141.

⁴ FRC Guidance 2024, paragraph 142.

⁵ FRC Guidance 2024, paragraph 148.

reference and published on the organisation’s website. As with all committees, the sustainability or ESG committee should report to the board on the nature and content of its discussion, on its recommendations, and on actions to be taken, and adequate time should be made available for discussion when necessary.⁶

Model terms of reference

Note: The topics set out below under ‘Remit’ (below) and ‘Duties’ (section 8) are those which all sustainability or ESG committees could consider.

Organisations may wish to modify this list to reflect the specific issues most closely associated with, or material to, their individual business. Organisations should avoid overlap if these topics are covered by an alternative committee.

Throughout, square brackets contain recommendations which are in line with good practice, but which may need to be removed or altered to suit the circumstances of the particular organisation.

Remit⁷

ESG: Environmental, Social and Governance	
Environmental	<i>The organisation’s impact on the natural environment and the environment’s impact on the organisation, including climate change impacts, direct impacts (the organisation’s own activities) and indirect impacts (throughout its value chain, including suppliers and customers or investments)</i>
	Greenhouse gas emissions
	Energy consumption
	Waste management and pollution
	Resource use and circularity ⁸
	Land and water management and use
	Biodiversity and nature loss
	Targets and disclosures
	Transition planning

⁶ UK Corporate Governance Code Provision 14, FRC Guidance 2024, paragraphs 144, 88, 95.

⁷ As ESG is a very broad area, organisations may choose to include here a list of specific topics which fall under the committee’s remit. This list is not exhaustive. It should be modified, added to and tailored according to which areas are most relevant to the organisation’s business and needs. It will also evolve over time as the business changes and as ESG regulation and expectations shift.

⁸ Circularity means that a product, service or resource is renewed, reused or regenerated, rather than wasted.

ESG: Environmental, Social and Governance	
Social	<i>Interactions with, responsibilities towards, and impact on stakeholders</i>
	Workforce: safety, physical and mental wellbeing, workplace policies such as whistleblowing, diversity and inclusion initiatives, fair pay (including gender / ethnic pay gap reporting), professional development, organisational culture
	Customers: fair competition, consumer duties
	Participants
	Suppliers: ethical procurement, modern slavery risk, human rights violations
	Communities: social or community projects and partnerships, charitable giving
Governance	<i>Compliant and ethical conduct of the organisation's business, in line with its purpose and enabled through effective decision-making</i>
	Corporate governance framework and relevant governance codes
	Effective integration of ESG into organisation's strategy and operations
	Compliance policies, codes of conduct
	Due diligence, onboarding policies and procedures
	Management of bribery, corruption and money laundering risk
	Data privacy and security
	Transparency and assurance of reporting
	Supply chain controls and management
	Application

1. Membership

- 1.1 The committee shall comprise at least [three] members, [all/the majority⁹ of whom shall be independent non-executive directors].¹⁰ [The designated non-executive director responsible for workforce engagement shall be a member.]¹¹ The chair of the board may also serve on the committee as an additional member.
- 1.2 Appointments to the committee are made by the board and shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members (other than the chair of the board, if they are a member of the committee) continue to qualify for membership under these terms of reference.
- 1.3 Members should have the appropriate knowledge, skills and expertise to understand ESG-related strategy, targets and implementation, and shall undertake appropriate development of their skills as necessary.
- 1.4 Only members of the committee have the right to attend committee meetings. However, other individuals including the chair of the board (where not a member of the committee), members of staff (for example, the chief executive, chief financial officer, chief sustainability officer, head of ESG or other ESG representatives – where the organisation has these in place – chief risk officer, senior managers or employees who can provide valuable input), contractors, external advisers and other stakeholders may be invited to attend for all or part of any meeting, as and when appropriate.
- 1.5 The board shall appoint the committee chair [who shall be an independent non-executive director]. Given the technical nature of committee, the chair shall have the appropriate knowledge, skills and expertise to provide effective leadership of the committee. The chair of the board shall not be chair of the committee. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board.

2. Secretary

The [company secretary/governance lead] or other nominated person shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the matters under discussion. The committee shall have access to the services of the secretariat on all committee matters, including: assisting the chair in planning the

⁹ Alternatively, organisations may here insert a proportion (e.g. one quarter, one third, etc.) or number (e.g. two, four, etc.) which is suitable for their circumstances. However, the specific proportion or number must be stated.

¹⁰ The number of members will differ according to the needs of the organisation. Generally, this requirement should be in line with the organisation's other board committees, although there may be exceptions. FRC Guidance 2024, paragraph 87, states that members of any board-level committee 'should' be independent non-executive directors. However, organisations can consider their own circumstances and may choose to include one or more executive directors or other senior/relevant member of staff as members of their sustainability or ESG committee.

¹¹ Where one exists. FRC Guidance 2024, paragraph 146.

committee's work, drawing up meeting agendas, maintenance of minutes, and provision of any necessary practical support.

3. Quorum

The quorum necessary for the transaction of business shall be [two], present in person or by electronic communication.

4. Frequency of meetings

The committee shall meet at least [four times] a year at appropriate intervals and otherwise as required.¹²

5. Notice of meetings

- 5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than [five] working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the company secretary/governance lead unless, exceptionally, it would be inappropriate to do so.

7. Engagement with members and stakeholders

The committee chair shall attend the annual general meeting to answer any member questions on the committee's activities and responsibilities. In addition, the committee chair should seek engagement with members, and other stakeholders where relevant, on significant matters related to the committee's areas of responsibility.

8. Duties

[The committee should carry out the duties below for the organisation, parent organisation, major subsidiary undertakings, and the group as a whole, as

¹² The frequency and timing of meetings will differ according to the needs of the organisation and external regulatory requirements. According to the UK 2023 Spencer Stuart Board Index, the average sustainability or ESG committee meets four times per year (available here: <https://www.spencerstuart.com/research-and-insight/uk-board-index/committees>). To effectively discharge its responsibilities, it is recommended that a sustainability or ESG committee should not meet fewer than three times per year. Meetings should be organised so that attendance is maximised.

appropriate.]

The committee shall

ESG strategy or framework

- 8.1 Oversee the development of, advise the board regarding, and recommend for approval by the board, the organisation's ESG strategy. Ensure that this strategy is effective, aligned with prevailing regulations and good practice, and integrated with the organisation's business plan, values and objectives, in order to support the organisation's long-term sustainable success.
- 8.2 Oversee the execution of the ESG strategy and approve implementation projects developed in response to the strategy. Review the effectiveness of the teams, governance and processes in place to ensure the outcomes of the ESG strategy are delivered. Advise on the risks and opportunities for the organisation's operations and reputation in relation to the execution of its ESG strategy.

Goals and metrics

- 8.3 Advise on, and recommend for approval by the board, appropriate ESG strategic goals, short- and long-term [science-based] targets, and key ESG metrics. Monitor annual and long-term progress against previously set ESG objectives, including compliance with public commitments on ESG issues. Oversee the ongoing measurement and reporting of performance against key ESG metrics.

Reporting

- 8.4 Review the content, integrity and completeness of external statements and disclosures about ESG activity, targets and progress. Review ESG-related reporting prior to board approval, including the annual sustainability report (where one exists), information to be included in the annual report, and mandatory or voluntary disclosures in line with recommended practice and regulatory and funding requirements.¹³ Evaluate the extent and effectiveness of external reporting on ESG performance and participation in external benchmarking indices.
- 8.5 [Review regularly the requirement for [internal and] external assurance of ESG-related matters, and as necessary, appoint external parties to provide assurance on relevant reporting.] [Review and approve the qualifications, independence, engagement, compensation and performance of the external party chosen to provide assurance on such reporting.]¹⁴

¹³ Some or all of the oversight of reporting may (also) fall to the audit committee. Roles should be clearly defined to avoid duplication of work.

¹⁴ FRC Guidance 2024, paragraph 147. Where assurance is necessary, a board may choose for the sustainability or ESG committee to oversee the assurance (internal and external) of ESG-related reporting, or it may choose for this to be the responsibility of the audit committee. Whichever option is chosen, the committees should collaborate to align their work and to ensure ESG-related reporting is adequately assured, as is detailed in 8.10.

Horizon scanning

- 8.6 Identify current and emerging ESG-related issues, standards, good practice, and regulatory or legislative developments, at the sectoral, national and international level. This includes sourcing or undertaking relevant training and development opportunities, both for the committee members and for employees/volunteers as appropriate. Evaluate which issues and developments are likely to impact the organisation's strategy, operations and reputation. Determine, therefore, whether and how these should be reflected in the organisation's ESG objectives, policies and reporting.

Policies and procedures

- 8.7 Monitor the establishment of appropriate ESG-related policies, procedures for incident reporting, codes of practice, and standards of business conduct. Where these exist, review their adequacy and ongoing relevance and effectiveness. Where necessary, ensure they are updated to remain in compliance with relevant national and international standards. [Review any serious incidents which breach the organisation's ESG-related policies, codes, standards and procedures.]

Social issues

- 8.8 Oversee the organisation's interactions with and responsibilities towards its stakeholders in relation to ESG-issues, most notably its employees, customers, suppliers, and the communities in which it operates. Support the board in monitoring the culture of the organisation, the safety and wellbeing of its workforce (employees and volunteers), and the adequacy of its supply chain controls in relation to modern slavery and human rights risk.¹⁵

Risk

- 8.9 [Advise the board on the organisation's appetite and tolerance with respect to environmental and social risk. Identify material ESG-related risks and ensure that these are appropriately captured in the organisation's risk profile and risk management framework.]¹⁶

Collaboration with other committees

- 8.10 Work and liaise as necessary with other board committees, ensuring the interaction between committees and with the board is reviewed regularly. This may include:

[8.10.1 Work in conjunction with the remuneration committee regarding appropriate ESG-related performance objectives and incentives for executive leaders, to ensure that ESG matters are appropriately considered when setting the overall remuneration

¹⁵ Certain organisations choose to reserve diversity, equality and inclusion as a matter for the full board. The full board has ultimate responsibility for organisational culture.

¹⁶ A board may choose for the sustainability or ESG committee to oversee risks related to ESG matters, or it may choose for this to be the responsibility of another committee, such as the audit or risk committee. Whichever option is chosen, the committees should collaborate to align their work and to ensure ESG-related risks are fully understood and appropriately managed, as is detailed in 8.10.

policy.]

[8.10.2 Work in conjunction with the audit committee to review regularly the requirement for [internal and] external assurance of ESG-related matters. Monitor the role and effectiveness of the internal audit function with regards to assurance on ESG-related disclosures. As necessary, appoint external parties to provide assurance on relevant reporting.]

[8.10.3 Work in conjunction with the [audit] [risk] committee to advise the board on the organisation's appetite and tolerance with respect to environmental and social risk, to identify material ESG-related risks and to ensure these are appropriately captured in the organisation's risk profile and risk management framework.]¹⁷

[8.10.4 Work in conjunction with the nomination committee to support the oversight of a diverse pipeline for appointments at board level.]

Resourcing ESG projects

- 8.11 [Make recommendations to the board in relation to the required resourcing and funding of ESG-related activities, and on behalf of the board, oversee the deployment and control of any resources and funds.]¹⁸

9. Reporting responsibilities

- 9.1 The committee shall report to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
- 9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for board discussion when necessary.
- 9.3 The committee shall oversee the production of an annual [sustainability report] [summary of the organisation's ESG strategy, policies and practices, which will form part of the annual report].
- 9.4 The committee shall compile a report of its activities to be included in the annual report, including identification of any external advisers.

10. Other matters

The committee shall

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the secretariat for advice and assistance as required.
- 10.2 Be provided with appropriate and timely training, both in the form of

¹⁷ Whether this is appropriate depends on the remit of the audit or risk committee.

¹⁸ Certain organisations choose to include such a clause in their terms of reference, whilst others do not. This largely depends on the extent of an organisation's ESG programmes and on the degree of delegation from the board.

an induction programme for new members and on an ongoing basis for all members.

- 10.3 Give due consideration to all relevant laws and regulations, the provisions of appropriate governance codes or frameworks and published guidelines or recommendations as appropriate.
- 10.4 Ensure that a periodic evaluation of the committee's own performance is carried out.
- 10.5 At least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

11. Authority

The committee is authorised by the board to

- 11.1 Seek any information, including reports, that it requires from any employee of the organisation in order to perform its duties.
- 11.2 Obtain, at the organisation's expense, outside legal or other professional advice on any matters within its terms of reference.
- 11.3 Establish and oversee any sub-committees or working groups which may be relevant to support the committee's work.

Date of approval

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Date of next review

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Notes