

Environmental, Social and Governance (ESG) Advisory Committee

Terms of Reference

Purpose

1. The Financial Conduct Authority ESG Advisory Committee ('the Committee') is established by the Financial Conduct Authority (FCA) to provide guidance to the FCA Board ('the Board').
2. The Committee is responsible for:
 - a. Supporting the Board to execute oversight of ESG-related issues relevant to the FCA as a corporate entity and as a regulator (including by providing advice on its oversight of ESG-related issues).
 - b. Providing guidance to the Board on relevant emerging ESG topics or issues and views on how the FCA should develop its ESG strategy, in keeping with the organisation's statutory objectives and regulatory principles.
3. The Committee will not make any decisions on behalf of the Board or the FCA.

Duties

4. The Committee shall:
 - a. Advise and make recommendations to the Board on ESG issues.
 - b. Proactively bring emerging ESG-related issues to the Board's attention, offering an external perspective on their potential significance to FCA policies and practices.
 - c. Deliberate on strategic and thematic issues within the ESG domain, in conjunction with discussions on specific projects and interventions, and request that ESG division escalate risks via the FCA risk management framework when deemed appropriate.
 - d. Prioritise areas where the FCA can exert regulatory influence most effectively, ensuring focused and targeted discussions.
 - e. Promote a more well-balanced approach to discussions on ESG matters by ensuring that the agenda reflects a comprehensive consideration of environmental, social, and governance issues.
 - f. Ensure that ESG initiatives and decisions align with the FCA's remit and objectives and uphold the Committee's commitment to offering a robust challenge in this regard.
 - g. Assist the Board in adopting high-quality, best practice corporate governance when addressing ESG issues across its responsibilities, including its work with the Audit Committee, Risk Committee, and People Committee.
 - h. Support the ESG Director and ESG Division in staying abreast of and well-informed on matters related to ESG.
5. Where the Committee identifies ESG related risks, it will be the duty of the ESG Division to ensure that such risks are escalated in accordance with the FCA Risk Management Framework.

Membership

6. The Board appoints Committee members, with guidance from the Chief Executive and Director of ESG. The Board will also select a Chair of the ESG Advisory Committee.
7. Membership will consist of at least one of the FCA's Non-Executive Directors, the FCA's Director of ESG and at least three external ESG experts drawn from civil society.
8. Alternates are not permitted. In the absence of the Committee Chair at a meeting, the remaining members present shall elect one of the members present to chair the meeting.
9. External members must abide by the conflict-of-interest policy that applies to the FCA's non-executive directors.
10. External members are appointed to provide their individual perspective and will be appointed for a three-year term. However, this is subject to amendment by the Board. Members may serve a maximum of two three-year terms. Membership should provide expertise across a wide range of ESG issues.
11. External members will not be remunerated for their role on the Committee.
12. Only the Board and members of the Committee have the right to attend committee meetings. However, other individuals, including members of the Executive Committee, may be invited by the Committee Chair to attend all or part of any meeting.

Secretary

13. A representative from the Corporate Governance Division or ESG Division, shall act as the Secretary of the Committee.

Quorum

14. The quorum necessary for the transaction of Committee business shall be four members.

Frequency of meetings

15. The Committee shall meet approximately 4 times a year at appropriate intervals. These meetings will be scheduled as far in advance as possible, to co-ordinate with meetings of the Board as required. Additionally, the Committee shall meet on an ad hoc basis, as required.

Notice and proceedings of meetings

16. Meetings of the Committee shall be convened by the Secretary, or their nominee, per the frequency set out above. Meetings may also be convened by the Secretary or their nominee at the request of a member of the Board if they consider it necessary.
17. 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, the FCA Chair, any other FCA Board member attending the meeting and any other person required to attend no later than 5 working days before the date of the meeting.

Supporting papers shall be sent to Committee members and, as appropriate, to other attendees at the same time.

18. The notice, agendas and supporting papers shall normally be distributed in electronic form.
19. Meetings may be conducted in person or remotely.

Minutes of meetings

20. The Secretary, or their nominee, shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
21. Minutes from the previous meeting shall be presented for approval during subsequent committee meetings by the Committee Chair. Upon approval, the minutes will be sent to the Board secretariat for inclusion in the next Board meeting pack. Additionally, they will be distributed to Advisory Committee members and other individuals at the discretion of the Committee Chair, unless deemed inappropriate.

Authority

22. The Committee can request the attendance of any employee of the organisation at a meeting of the Committee as and when required.

Other matters

23. The Committee shall:
 - a. Have access to sufficient resources to carry out its duties, including access to a Secretariat for help and governance as required.
 - b. Receive suitable and timely training, including an induction program for new members and ongoing training for all members.
 - c. Be consulted, when needed, by the Board to provide advice on urgent, ad hoc issues that arise between its scheduled meetings.