On the Sustainability Committee Agenda

KPMG Board Leadership Centre

KPMG. Make the Difference

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Sustainability is at an inflection point. While expectations remain high, boards are operating in an increasingly constrained environment – navigating cost pressures, geopolitical uncertainty and competing strategic priorities.

In this context, sustainability is no longer positioned primarily as a moral or compliance-driven agenda. It is increasingly understood as a driver of resilience, risk management and long-term value.

However, a gap is emerging between sustainability functions and the board. In many organisations, Chief Sustainability Officers are finding it harder to secure board time and resources as boards focus on AI, cyber, geopolitics and short-term performance pressures. But competing priorities are only part of the story. Where sustainability is not framed in the language of the board –particularly value, resilience, financial impact and return on investment – it can quickly lose relevance, even when the underlying issues remain material.

This has broader implications for governance. Some organisations are beginning to question whether a standalone sustainability committee remains the most effective model, or whether sustainability oversight should be more fully integrated into the core board and committee structure.

Against this backdrop, sustainability committees need to demonstrate clear relevance – supporting the board in understanding and navigating the most material sustainability-related risks and opportunities facing the business.

This requires:

- A clear focus on the issues that matter most to long-term value.
- Rigorous challenge of assumptions and trade-offs.
- Close alignment with the broader board agenda.

Committees should focus their agendas on nine priority areas:

01 Moving from commitments to execution.

02 Integration into strategy and risk.

03 Reporting, controls and assurance.

04 Governance and accountability.

05 Stakeholder expectations and engagement.

06 Supply chain risk.

07 Talent, culture and capability.

08 Technology, data and AI.

09 Regulatory and market developments.

01 Moving from commitments to execution

Many organisations are reassessing how sustainability commitments are framed and delivered. This reflects increasing scrutiny on the credibility of targets, challenges in data availability and measurement, changing market dynamics and heightened legal and reputational risk where commitments are not met.

In this context, sustainability committees should focus not only on delivery, but on the credibility and appropriateness of commitments. Where ambitions are maintained, this includes testing the robustness of transition plans, the assumptions they rely on, the scale of capital required and the extent to which outcomes are within management's control.

Committees should also ensure that reporting reflects this more nuanced position and is articulated in terms of financial impact, resilience and return on investment. Progress updates should go beyond high level KPIs to include leading indicators, operational milestones and clear accountability, providing boards with a realistic view of momentum, constraints and trade-offs.

02 Integration into strategy and risk

Leading organisations are moving beyond treating sustainability as a standalone topic. Climate, nature and social factors are increasingly shaping core operational and strategic decisions, including asset allocation, adaptation and mitigation of existing assets, and the design of more resilient supply chains.

For boards, this means testing whether these factors are materially influencing strategic choices – for example how transition and physical risks affect asset viability, or how geopolitical disruption, including the impact of war, is reshaping sourcing, supply chains and market priorities.

Sustainability-related risks should be fully integrated into enterprise risk management, with clear articulation of risk appetite. Scenario analysis should support this by informing strategic and asset-level decisions, rather than being treated as a compliance exercise.

03 Reporting, controls and assurance

The sustainability reporting landscape is maturing, with greater standardisation and regulatory oversight. In the UK, companies are preparing for the UK Sustainability Reporting Standards (UK SRS), building on frameworks such as the International Sustainability Standards Board's (ISSB) and raising expectations around consistency, comparability and auditability. At the same time, the focus is shifting from disclosure to decision-useful information, with investors increasingly expecting a clear link between sustainability risks and financial performance.

This shift places greater emphasis on data quality and governance. Many organisations continue to rely on fragmented systems, estimates and incomplete data – particularly for Scope 3 emissions. Strengthening end-to-end processes and internal controls over non-financial data is therefore critical, alongside ensuring greater alignment between sustainability and financial reporting.

Public reporting remains the primary source of sustainability information for investors. Where disclosures do not provide the information investors need, they are left either to make their own estimates or to rely on third-party data providers – neither of which is a satisfactory substitute for robust company reporting. This makes trust in reported information fundamental. As sustainability data is increasingly used in valuation, risk assessment and capital allocation decisions, investors are placing growing emphasis on assurance, with an expectation that overtime sustainability disclosures evolve towards the same level of rigour as financial reporting.

04 Governance and accountability

As sustainability becomes more embedded across organisations, governance structures must evolve. Committees should periodically review whether responsibilities are clearly defined between the board, sustainability committee, audit committee and other forums, as overlap or gaps can undermine effective oversight. Clear management accountability for delivery and escalation is essential.

Incentivisation remains a sensitive and evolving area. While sustainability-linked metrics in executive remuneration became widespread in recent years, many organisations are now reassessing their ambition, calibration and durability. Committees should challenge whether incentives are genuinely driving long-term value and behavioural change, or whether they risk being diluted, short-term or symbolic as external pressure fluctuates.

Finally, boards should reflect on their own composition and capability. As the sustainability agenda becomes more technical, ongoing education and, where necessary, targeted recruitment may be required.

05 Stakeholder expectations and engagement

Stakeholder expectations on sustainability continue to evolve rapidly – and are not always aligned. Investors are increasingly focused on financially material sustainability risks and opportunities, while regulators are emphasising transparency and comparability. At the same time, customers and employees may have broader expectations around purpose, ethics and impact.

Committees should ensure the organisation has a structured approach to understanding and prioritising these expectations. This includes regular engagement with key investor groups, as well as mechanisms for capturing insights from customers, employees and society more generally.

While regulatory momentum may fluctuate and some organisations are reducing or refining disclosures, the risk of challenge – including litigation – remains significant. Greenwashing therefore continues to be a material risk, particularly in relation to climate claims and marketing language such as 'net-zero', 'carbon neutral' or the use of offsets. Boards should ensure that external sustainability communications are evidence-based, internally consistent and clearly aligned with actual performance and strategy.

06 | Supply chain risk

For many organisations, the most material sustainability risks sit within the value chain – making this a critical area for understanding both operational resilience and longer-term value. These risks include human rights, increasingly underpinned by legislation, and Scope 3 emissions, which remain complex to measure and manage. At the same time, growing physical pressures such as extreme weather, water stress and resource scarcity are increasing vulnerability across supply chains, with direct implications for business continuity and performance.

These risks are often difficult to manage in practice. Data is frequently incomplete or based on proxies, and organisations have limited direct control over suppliers and customers. Committees should therefore focus on the direction of travel, ensuring there is a clear and credible approach to identifying, prioritising and managing value chain risks over time – supported by practical plans to strengthen visibility and oversight where it matters most.

Supplier engagement is critical. This includes setting clear expectations, providing support where needed, embedding sustainability criteria into procurement processes, and, where necessary, making difficult decisions about supplier relationships. Beyond emissions, there is also increasing scrutiny on broader issues such as biodiversity and resource use, which should be considered as part of a holistic approach to value chain risk management.

07 | Talent, culture and capability

Delivering sustainability ambitions requires organisational alignment, not just policies and targets. Committees should consider whether sustainability is embedded in day-to-day decision-making, including how trade-offs are managed and accountability is applied.

Capability remains a key constraint, spanning technical, operational and leadership skills. Boards should ensure there is a clear plan to build these capabilities through recruitment, training or partnerships, and that sustainability is integrated into culture, values and performance management rather than treated as a standalone initiative.

08 | Technology, data and AI

Technology is now a critical enabler of sustainability delivery, oversight and decision-making, while also introducing new and more complex risks.

Advanced data platforms can improve the accuracy and timeliness of sustainability reporting, while digital tools can support scenario analysis, supply chain transparency and operational efficiency.

Artificial intelligence is beginning to play a role in areas such as emissions estimation, risk identification and regulatory monitoring. However, its use raises questions around data quality, explainability and governance.

Committees should ensure that investments in technology are aligned with strategic priorities, and that there is appropriate oversight of associated risks – including cyber security, data privacy and model risk.

09 | Regulatory and market developments

The external landscape for sustainability remains highly dynamic.

In addition to UK developments (such as the UK SRS), companies must navigate a complex web of international regulations, particularly if they operate across multiple jurisdictions. Divergence between regimes can create operational and reporting challenges. This also creates friction for global investors, who often have to navigate local reporting regimes while comparing companies and allocating capital across markets.

Market expectations are also evolving, with investors, lenders and rating agencies refining their approaches to sustainability assessment.

Committees should ensure there is a structured process for horizon scanning, with clear ownership within management. This should be complemented by periodic deep dives on key developments. Importantly, boards should maintain a degree of flexibility. Given the pace of change, overly rigid approaches may quickly become outdated.

Looking ahead

As expectations evolve, the role of the sustainability committee is not to broaden the agenda indefinitely, but to sharpen its relevance.

The most effective committees will be those that ensure sustainability is clearly articulated in terms of resilience, performance and long-term value – supporting the board in understanding the implications for the business and challenging management where this connection is not well made.

In doing so, they can help ensure sustainability remains embedded in core decision-making, rather than being sidelined as a compliance or reporting exercise.

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