

Board Stewardship and Human Capital Governance Survey: European findings



Board stewardship



Boards prioritise financial performance monitoring and reporting but topics such as innovation, AI and human capital need more attention

Top areas where boards spend most time currently	Areas where boards report more attention is needed
1 Financial performance monitoring and reporting	1 Purpose and strategy
2 Purpose and strategy	2 Innovation and transformation
3 Enterprise risk management	3 Human capital
4 Regulatory compliance	4 AI and cyber security

Directors are observing a shift in the topics considered to be material to the business and their fiduciary duties. They report a need to spend more time on topics such as **innovation and transformation, leadership succession and development and AI and cybersecurity and other topics that are key to long-term stewardship and resilience.**



Both immediate threats and longer-term risks are top board concerns

Top five aspects keeping boards awake at night

- 1 Geopolitics and changing trade patterns
- 2 Cyber-security, data governance
- 3 Economic downturn and business outlook
- 4 AI and business model disruptions
- 5 Climate risk and transition to net zero

Boards are currently most concerned with risks such as geopolitics, economic downturn and cyber security, somewhat reflecting current affairs; albeit key topics such as AI and climate that are driving business transformation are also top of mind.



ESG focus is driven primarily by intrinsic factors such as business strategy and value creation

Alignment with business strategy



Long-term organization value creation opportunities



Moral, ethical reasons (i.e., right thing to do)



■ Factors influencing ESG priorities to a great extent

Boards are most influenced by business strategy alignment, long-term value creation and ethical reasons when setting ESG priorities. This reflects a shift from a compliance mindset toward more strategically integrated and commercial ESG decision-making.

Of ESG factors:



67% Boards are most confident in their **governance (ethics and reporting)** knowledge and skills



28% Boards are least confident in the area of **nature and biodiversity**

77% Board directors **agree/strongly agree** it is part of their stewardship role and in their company's interest, to influence system-wide change on risks such as climate change, resource depletion and biodiversity loss.

Human Capital Governance



Despite being top boardroom priorities, around half of boards think more time should be allocated to leadership, talent retention and workforce planning

Top human capital priorities

- 1 Leadership succession and development
57%
- 2 Talent attraction and retention
43%
- 3 Workforce planning and skills for the future
52%

■ % not enough time for discussion in board meetings

There is a disconnect between board priorities and time allocation, with high-priority strategic issues like leadership succession, talent attraction and workforce planning requiring more attention.



Human capital governance is not limited to the responsibility of remuneration committee

57% of the respondents think **the full board** should have primary responsibility over human capital governance



Only 1/3 of Boards are confident in their human capital risk oversight and the effectiveness of board reporting and strategic discussions on workforce-related issues

% of Boards who are confident that	
They have a robust process in place to identify, assess and monitor human capital related risks	36%
The human capital reports from management provide enough context to support strategic discussion	41%
They have robust, holistic and strategic human capital discussions at board level	33%

Boards appear to lack confidence in the processes, reporting and strategic dialogue needed to oversee people issues effectively. There is room for development in both the inputs (reporting and risk management) and Board-level engagement and discussion on these issues.

However, the majority feel confident that the board have the sufficient expertise in human capital

■ Agree ■ Disagree or not sure

