

# Boards see improvement opportunities in climate and governance areas



**75%** of board members agree a **coherent environmental, social and governance (ESG) strategy** with clear priorities helps create **sustainable organizational value and stronger financial outcomes**

Business strategy is a more commonly cited influence on **ESG priorities** than regulatory compliance

## Most commonly cited factors influencing ESG priorities\*



\*4/5 – To a very great extent on a 5-point scale

**Yet, they acknowledge opportunities to enhance education on how to address environmental concerns**



Respondents report lacking skills and expertise for addressing climate issues

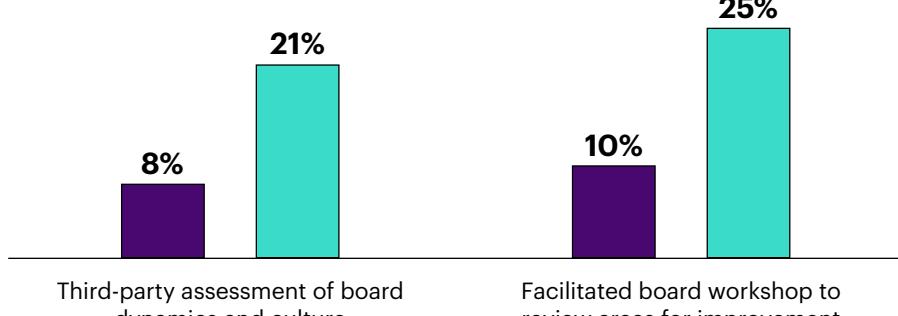
Today: **48%** In three years: **18%**

## Board members embrace new approaches to board assessment



Most commonly cited criteria for evaluating board effectiveness: **the assessment of board composition, skills and diversity**

The number of respondents citing **third-party assessments** and **facilitated workshops** as a top 3 method for assessing board effectiveness is **expected to double in three years**

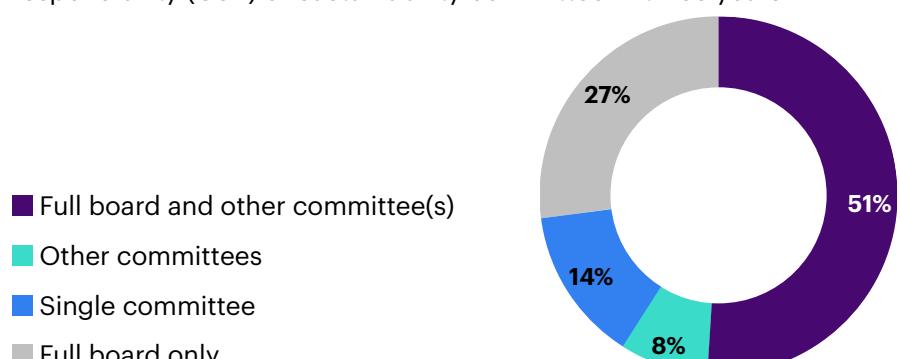


■ Top 3 technique or tool used today to assess board effectiveness

■ Top 3 technique or tool used over the next three years to assess board effectiveness

## Oversight will continue to be an issue for the full board

But **3 in 5** organizations that use a combination of full board and committees expect to have a stand-alone ESG, corporate social responsibility (CSR) or sustainability committee in three years

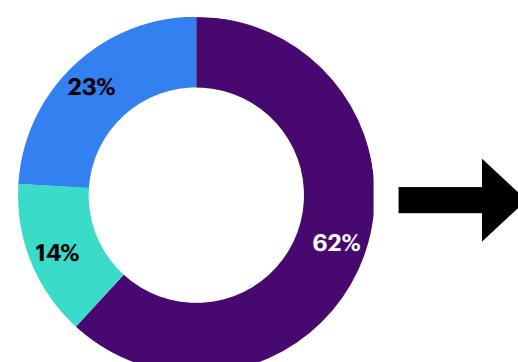


Note: Based on those with overlapping responsibilities



**Increasingly complex ESG-related governance risks require a stronger focus**

Only **3 in 5** board members think their board has dedicated sufficient time and resources to governance in the context of their ESG priorities and agenda



The most commonly cited governance risks are:

- Cybersecurity and data privacy and management
- Succession planning
- Board effectiveness
- Board compensation and diversity
- Regulatory compliance and quality of disclosures

## Actions to take now!

- 1 Address skill and knowledge gaps in face of emerging risks and climate transition
- 2 Determine if your board is dedicating sufficient time and resources to governance risks
- 3 Evaluate whether ESG oversight responsibilities are appropriately divided between the full board and committees
- 4 Ensure management has a succession plan for all executive leaders, especially in emerging areas such as risk
- 5 Enhance board effectiveness with new evaluation techniques, potentially leveraging external expertise

**About the survey:** A total of 349 board members from 44 countries across six continents participated in the Fostering Corporate Governance and Enhancing Board Effectiveness Survey, which was conducted between February 15 and April 7, 2023.