



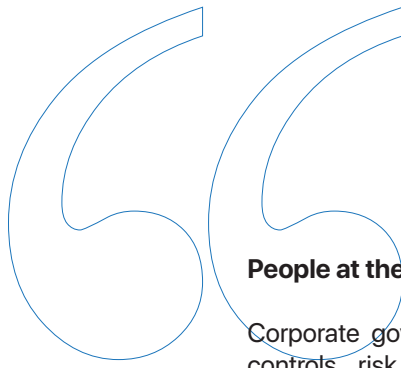
People
Our Strength

Purpose
Our Compass

Performance
Our Commitment
Our Result

People, Purpose and Performance

STRONG GOVERNANCE.
MEANINGFUL IMPACT.
SUSTAINABLE VALUE.



People at the Core of Corporate Governance

Corporate governance is often discussed through the language of boards, controls, risk and accountability. These structures matter. But ultimately, governance works – or fails – through people: the judgment they exercise, the behaviors organizations encourage, the questions directors are willing to ask, and the choices made when the right answer is not obvious.

That human dimension is becoming even more important. Organizations are navigating technological disruption, geopolitical uncertainty, changing workforce expectations and increasingly complex stakeholder demands. Boards are being asked to oversee issues that evolve quickly and rarely fit neatly within established governance frameworks. In that environment, good governance depends not only on having the right structures in place, but also on whether people have the capabilities, incentives and judgment to make those structures work.

This edition of the CGDF Newsletter explores that intersection through five different lenses. We look at culture and what it tells us about how organizations actually behave; human capital as a strategic capability; whether corporate purpose genuinely influences decisions; how boards can align their composition and dynamics with the organizations they are becoming; and how incentives can reinforce—or undermine—the behaviors an organization expects.

Taken together, the stories point to a simple idea: people, purpose and performance are deeply interconnected. Culture influences decisions. Purpose can provide direction when choices involve trade-offs. Capabilities determine whether strategy can be executed. Incentives shape behavior. And boards themselves depend on people with the judgment and willingness to challenge when it matters.

For governance practitioners, the challenge is therefore not simply to design better frameworks. It is to understand how those frameworks operate through people in practice—and whether they ultimately support the behaviors, decisions and performance they were intended to produce.

I hope this edition offers some useful perspectives and, above all, prompts further discussion across the CGDF community.



Bruno Sbardellini Cossi

Chair, CGDF Working Group

People at the Core:

Why Culture Is Now a Board-Level Issue

From values on paper to behaviors in practice

For decades, organizational culture was viewed largely as a management or HR responsibility. That distinction is no longer defensible. Culture determines how people behave when policies do not provide an obvious answer. It shapes whether employees raise concerns, whether leaders are challenged, whether ethical behavior is rewarded and whether long-term considerations outweigh short-term pressures.

This makes culture a governance issue. The Financial Reporting Council emphasizes the board's responsibility to understand and monitor organizational culture – not simply the values an organization declares, but the attitudes and behaviors demonstrated in practice.



The governance question is therefore not simply:
Do we have the right values?

It is:

Do our leadership behaviors, systems and incentives cause people to act consistently with those values?

Case Study: Boeing

The FAA's independent review of Boeing's safety culture involved interviews with hundreds of employees, managers, executives, suppliers and regulators. Among its findings were concerns about employees' understanding of the organization's enterprisewide safety culture and how it applied to their work. The FAA subsequently emphasized the importance of employee engagement, communication and channels that allow employees to raise safety concerns without fear of retaliation.

The lesson extends beyond aviation. Formal policies and board-level indicators can tell directors what an organization's culture is intended to be. They may reveal much less about how that culture is actually experienced.

Boards therefore need ways to understand what happens beneath the dashboard: whether concerns travel upward, whether employees feel able to challenge decisions, and whether the behaviors rewarded in practice match the values endorsed at the top.



Questions for Boards

- What behaviors are rewarded?
- What behaviors are tolerated?
- Where might employees hesitate to speak up or challenge decisions?
- Does the board have credible channels for understanding employee experience?
- How do we know our stated values are reflected in actual behavior?

Governance takeaway:

Boards cannot govern culture through policies and slogans alone. Effective oversight requires insight into the behaviors, pressures and incentives that shape how people actually make decisions.

People as a Governance Asset

From Human Capital to Strategic Capability

Organizations often describe people as their greatest asset, yet boards routinely receive far more detailed information on financial performance, capital investment and risk than on whether the organization has the leadership, skills and workforce capabilities required to execute its strategy.

That creates a governance blind spot. An organization may have a strong strategy and sound financial position but still struggle if it lacks the people and capabilities required to deliver. Human capital therefore needs to be considered not only as a management responsibility, but as a governance issue directly linked to strategy execution.

The G20/OECD Principles recognize the workforce as a key contributor to longterm value creation and resilience.

Questions for Boards

- What capabilities will our strategy require over the next three to five years?
- Where are the most significant gaps between those needs and our capabilities today?
- Do succession and leadership-development plans address the roles most critical to strategy execution?
- Does the board receive sufficient information to assess human-capital risks and capabilities alongside financial and operational ones?

Case Study: IFC and SABIS

Making Human Capital Strategic

As SABIS expanded its international school network, its organizational complexity increased. With IFC support, SABIS strengthened governance arrangements and elevated humanresource capability. A Group HR Director was appointed, HR policies were formalized and HR function evolved into a more strategic partner to senior management and the board.

This transformation extended to board composition, governance structures, leadership development and succession planning.

The experience illustrates an important connection: as organizations grow and strategies become more ambitious, governance structures and organizational capabilities need to evolve together. Strengthening one without the other can leave a gap between strategy and execution.

Governance takeaway:

Human capital is a strategic capability. Boards should understand whether the organization has – and is developing – the people, leadership and skills required to turn strategy into execution.



From Corporate Purpose to Corporate Practice

Does purpose actually influence decisions?

Purpose has become a prominent feature of corporate communications. But the governance question is deeper: Does purpose meaningfully influence how the organization makes decisions?

This matters most when choices involve trade-offs. Strategy, investment, risk appetite and stakeholder interests do not always point in the same direction. A meaningful purpose can provide a common reference point for management and boards when deciding what the organization prioritizes, where it allocates resources, and how it defines long-term success.

Case Study: African Development Bank Connecting Mandate to Delivery

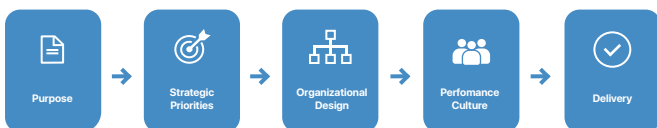
The AfDB's Development and Business Delivery Model (DBDM) was designed around five institutional pillars.

The DBDM Five Institutional Pillars:

- 1 Bias & Inclusion Risk
- 2 Reconfigure headquarters to support regional delivery.
- 3 Strengthen the performance culture.
- 4 Streamline business processes.
- 5 Improve financial performance while increasing development impact.

Rather than leaving the development mandate at the level of aspiration, the model sought to connect it to how the institution was organized, how it operated, and how performance was understood.

The broader governance lesson is the alignment it illustrates:

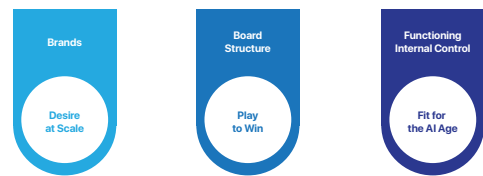


The same principle applies in the corporate context: purpose becomes meaningful when it can be traced into the priorities, trade-offs and oversight decisions that reach the boardroom.

Case Study: Unilever Bringing Purpose into the Boardroom

Unilever offers a complementary corporate example of how purpose can be reflected in governance and strategic oversight. Its Board has ultimate responsibility for the company's direction, performance, culture and long-term success, including strategy, major investments and divestments, capital expenditure and performance measurement. In exercising those responsibilities, the Board also considers the interests of employees, consumers, customers, suppliers and shareholders, as well as broader societal and environmental considerations.

Its 2025 transformation was organized around three fundamental shifts:



These priorities connected brand investment, workforce capability, organizational transformation and technology with the company's broader value-creation strategy. Board oversight encompassed strategy, innovation, financial and non-financial performance, sustainability, risk and workforce engagement.

The relevance for governance is not the language of purpose itself, but whether that purpose is visible in the information reaching the board, the priorities being debated and the choices being made.

Questions for Boards

- Which important decisions are materially influenced by our stated purpose?
- Is purpose reflected in how resources and management attention are allocated?
- How do we manage situations in which purpose, short-term performance and stakeholder interests pull in different directions?
- Do our incentives and performance measures reinforce the priorities we say matter?

Governance takeaway:

Purpose becomes a governance tool when it helps people make choices. If it cannot be traced from stated ambition to priorities, incentives and actual decisions, it remains positioning rather than practice.

Beyond the Skills Matrix:

What Makes a Board Fit for the Future

Skills, judgment and the courage to challenge

One of the most fundamental governance questions is also one of the simplest: Does the board have the people it needs to govern the organization it is becoming, not just the organization it has been?

As business models and operating environments change, board capabilities must evolve with them. Technology and AI, cybersecurity, sustainability, human capital and geopolitical risk are increasingly shaping strategy and oversight, often requiring capabilities that may not have featured prominently in traditional director profiles.

This makes board composition only part of the equation. A well-designed skills matrix can identify gaps in experience and expertise. But effective governance also depends on attributes that are harder to capture in a matrix: independence of mind, curiosity, diversity of perspective, sound judgment and the willingness to challenge consensus.

A board can therefore have the right skills on paper and still struggle to govern effectively if directors do not use those capabilities in the boardroom.

Case Study: Western Digital Refreshing the Board for a New Strategy

In February 2025, Western Digital completed the separation of its flash-memory business, Sandisk, leaving Western Digital as a more focused data-storage company. In anticipation of the separation, the Board reassessed the mix of skills, experience and perspectives it would need to oversee the company's new strategic direction and evolving priorities.

The result was a significant refreshment: approximately 40% of Western Digital's Board changed in 2025. Two new independent directors were added alongside the company's new CEO, bringing complementary expertise in areas including innovation, finance and the industry. Three directors transitioned from Western Digital to the Sandisk board.

Importantly, the company describes this not simply as a one-time response to the separation, but as part of an ongoing succession and refreshment process. The Governance Committee annually assesses whether Board composition remains aligned with evolving business and strategic needs, while its long-range succession planning seeks to balance fresh perspectives with continuity and institutional knowledge.

The case illustrates a broader principle: board refreshment should not begin with a vacancy; it should begin with strategy.



As the organization changes, boards should reassess the capabilities and perspectives they will need, using succession and renewal deliberately to close the gaps.

Board renewal should therefore consider two related questions: What does the board need to know? And how do directors need to behave?

The first points to capabilities and experience. The second points to board dynamics—whether directors listen, challenge, reconsider assumptions and create space for different perspectives.

Expertise without challenge can produce passive oversight. Challenge without sufficient understanding can produce noise rather than better judgment.

Questions for Boards

- What capabilities will our strategy and risk profile require over the next three to five years?
- Which of those capabilities should reside on the board, and where can external expertise supplement them?
- Does our succession process address future capability gaps rather than simply replace departing directors?
- Do board dynamics allow different perspectives to influence decisions?
- Are directors willing and able to challenge management and each other when it matters?

Governance takeaway:

A future-ready board is not simply a collection of relevant skills. Effective boards continually align their capabilities with strategy while combining expertise with independent judgment, diversity of perspective and the willingness to challenge.

Purpose Plus Performance:

When Incentives Drive the Wrong Behavior

The Governance Consequences of Getting Performance Wrong

Every organization says it values ethics, integrity and longterm performance. But employees also pay close attention to what the organization measures, rewards, promotes and tolerates.

That makes incentives a powerful governance mechanism. And incentives extend beyond compensation. Performance targets, promotion criteria, recognition, management pressure and the consequences attached to success or failure all send signals about what the organization really values.

When those signals reinforce strategy, culture and long-term value, they can help translate purpose into behavior. When they conflict, employees may receive a very different message from the one contained in corporate values statements or codes of conduct.

Case Study: African Development Bank Connecting Mandate to Delivery

An investigation commissioned by Wells Fargo's board concluded that aggressive sales management and a decentralized operating model contributed to significant pressure on employees to meet sales goals. That environment contributed to employees selling unwanted products and opening unauthorized accounts.

The failure cannot be understood simply as individual employee misconduct or as the result of one poorly designed incentive. Leadership expectations, sales targets, performance management, organizational culture and oversight interacted in ways that allowed problematic behavior to persist.

For boards, the case raises a broader issue. Oversight of incentives should not stop at approving executive remuneration or reviewing performance targets. Boards need to understand what signals the organization's performance system sends throughout the business – and pay attention to evidence that those signals may be producing unintended behavior.

Complaints, employee turnover, misconduct trends, customer outcomes and other warning indicators can help reveal whether the pursuit of performance is undermining the behaviors and values the organization expects.

Governance takeaway:

Incentives are governance mechanisms because they shape human behavior. Effective boards look beyond what performance systems are intended to reward and ask what behaviors they are actually producing.



Questions for Boards

- What behaviors do our performance systems actually reward?
- Could employees feel pressure to achieve targets in ways that conflict with our values or risk appetite?
- What indicators would tell us that incentives are producing unintended consequences?
- Does the board receive information that connects performance outcomes with employee conduct, customer outcomes and culture?
- When misconduct occurs, do we examine the system that shaped the behavior as well as the individuals involved?

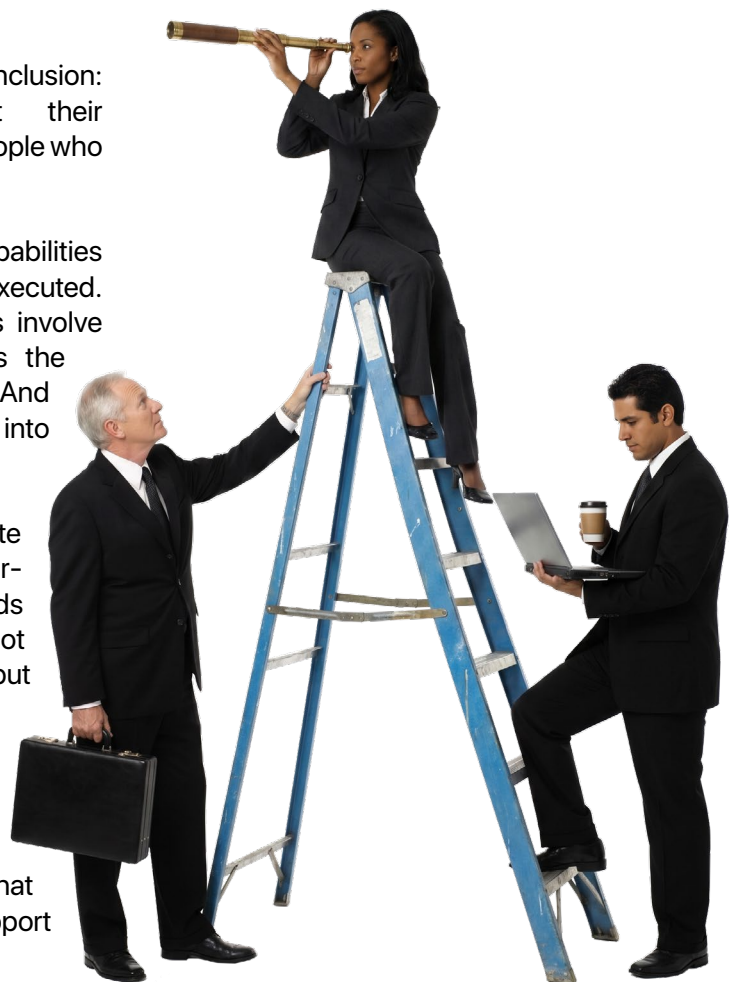
The Human Dimension of Corporate Governance

The five stories point to a common conclusion: governance structures matter, but their effectiveness ultimately depends on the people who operate within them.

Culture shapes behavior. Human capabilities determine whether strategy can be executed. Purpose provides direction when choices involve trade-offs. Board composition influences the quality of judgment and challenge. And incentives translate organizational priorities into everyday decisions and behaviors.

These elements do not operate independently. They reinforce—or undermine—one another. The challenge for boards and governance professionals is therefore not simply to put the right structures in place, but to understand how people actually respond to them.

The human dimension of governance lies in that interaction: aligning people, purpose, culture and incentives so that performance is achieved in ways that support long-term value rather than undermine it.



RECOMMENDED READINGS

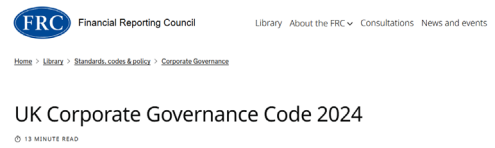
G20/OECD Principles of Corporate Governance 2023

The foundational global governance framework for this edition, particularly its treatment of boards, stakeholders, sustainability, resilience and long-term value creation.



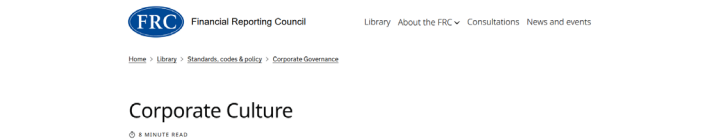
UK Corporate Governance Code 2024

Essential reading on board leadership, purpose, values, culture, succession, internal controls and remuneration.



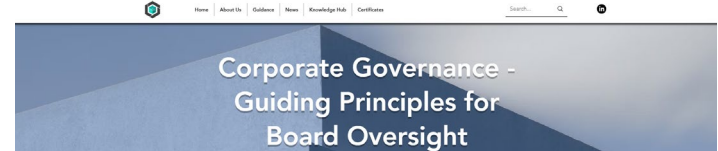
Corporate Culture and the Role of Boards

A useful framework for understanding culture as a governance responsibility rather than simply a management issue.



Corporate Governance: Guiding Principles for Board Oversight

A timely resource for boards navigating complex risk, accountability and long-term value creation.



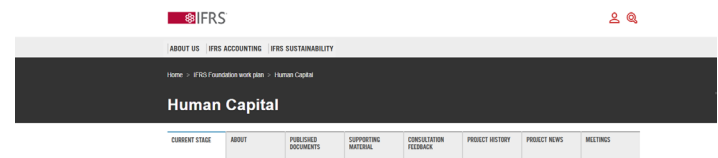
The Future of Jobs Report 2025

WEF provides important context on changing workforce capabilities, skills gaps, technology and the future of work.



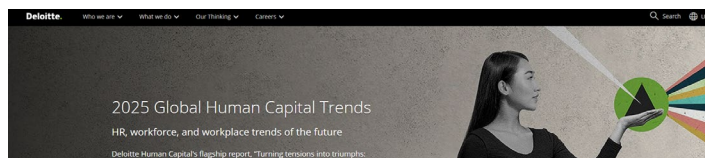
Human Capital - International Sustainability Standards Board / IFRS Foundation

Particularly relevant to the emerging question of how human capital should be measured and disclosed as a source of organizational value.



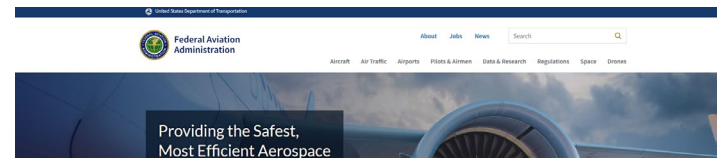
Global Human Capital Trends

Deloitte Explores the changing relationship between people, technology, organizational performance and human outcomes.



Boeing Safety Culture Review

FAA - A powerful case study on safety culture, employee voice, leadership and governance accountability.



Independent Directors' Investigation of Wells Fargo

SEC - An important case study on how leadership pressure, incentives and culture can interact to produce serious governance failures.



Board Oversight of Human Capital

A practical resource for boards considering how workforce capability, leadership, culture and human-capital risks should be incorporated into governance.





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