The Boardroom in 2025

5 trends driving board agendas this year

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Introduction

We are living in a time of great change and unpredictability. Political elections herald a change in power in some of the world's most powerful and influential nations, and war in Ukraine and conflict in the Middle East were rarely out of the headlines in 2024.

In the year ahead, this continued uncertainty highlights the risks to business planning, and we see crisis management becoming the norm for global businesses and the board directors who oversee them.

Geopolitical events may dominate the headlines, but boards must also focus on matters impacting their operations on a more granular level.

As AI innovations make their mark on business operations and productivity, new risks emerge, demanding non-traditional governance and oversight capabilities. Sustainability is in sharp focus this year, too - with expanding reporting requirements, boards must stay abreast of evolving regulations and increasing consumer demands.

In the year ahead, pressure will continue to be placed on the time and input of board directors. In our annual review, we explore the trends shaping board governance in 2025.

It outlines the challenges and opportunities ahead, offering questions board teams can use to identify requirements and shape progress while evaluating board performance and effectiveness.

1 Scenario planning: Instability as the new normal

2024 was a year of volatility. From a polarising election in the US to globally fluctuating inflation, catastrophic flooding in Europe, and ongoing conflicts in Ukraine and the Middle East, world events highlight the necessity for treating scenario and crisis planning as the new normal.

The threat landscape continues to grow in complexity, posing evolving and new risks to organisations worldwide. As 2025 dawns, global risk analytics and advisory firm Verisk Maplecroft highlights the 'political faultlines' to watch in the coming months.

The world has become less predictable.

Traditional alliances and geopolitical battlegrounds are evolving as a wave of strategic competition drives uncertainty for global business. From geopolitics and conflict to elections and trade, our data shows that the international system is heating up and creating a new risk baseline for multinational organisations across the world.[1]

With Vladimir Putin re-elected in March 2024 amid widespread international criticism of the election's legitimacy, and Donald Trump inaugurated for his second term as U.S. President in January 2025, the world is observing the geopolitical implications of these developments. Trump has expressed a desire to end the war in Ukraine swiftly, stating he could achieve peace within a day, which is yet to be seen. With commentators debating whether this is a negotiating tactic or an endangerment to the rest of Europe,[2] it is clear that volatility in the world order will not dissipate in the year ahead.

This complexity of the geopolitical landscape also highlights the increasing threat of cyberattacks from actors seeking to disrupt global forces at a social, political and economic level.

According to Politico, cybercriminals repeatedly targeted EU and UK systems, governments and institutions during 2024. With state actors, including Russia and China, cited as responsible for several attacks across the region, Politico highlights the increase in activity as world elections take place.[3]

For board directors, the geopolitical events of 2024 create a ripple effect for scenario planning in 2025 and beyond. Board planning must create a foundation of resilience in the face of unexpected events and unknown political outcomes for business as usual to continue and for new opportunities to be maximised, too.

> Gartner highlights the importance of linking scenario planning to board strategy and developing future scenarios focusing on the driving forces and uncertainties.[4]

Modelling potential outcomes with a focus on assumptions and what-ifs can help build a robust strategy for success with the ability to pivot and adapt as new or emerging situations arise. As Gartner points out, currently, most organisations do not adapt strategic plans quickly enough to minimise disruption.

Only 29% of strategists agree their organizations change plans fast enough to respond to disruption.
Gartner

While the implications of political, social and environmental change remain complex for 2025, businesses and their boards can't afford to plan only for the most predictable events. Recent history shows us to expect the unexpected, and the boards that embed robust plans based on a scale of probability versus level of impact will be able to flex and respond most efficiently and effectively.

Questions for boards to consider:

- Is scenario planning embedded into every aspect of our business - at a functional and strategic level? How can we embed scenario planning into our strategy for 2025?
- Do we have the skills, insights and resources to identify potential scenarios we may need to respond to at board and leadership level?
- Who are the key stakeholders in the business who should be involved in scenario planning, and what are our expectations for their roles and responsibilities?
- How do we consider the influence and needs of external stakeholders in our scenario planning? Do we have the insights and information to mitigate external risks that are not fully under our control?

2 The challenge of GenAI: Productivity gains versus increased risk

Artificial intelligence (AI) technology is rapidly transforming our lives. In particular, the adoption of generative AI (GenAI) has built momentum with its ability to create text, images, code, and even human-like conversation. As its capabilities extend to predictive analytics, customer personalisation and workflow efficiencies, GenAI can be a driver of competitive advantage.

For many companies, 2024 was the year to take stock of early AI adoption - and while that is still a work in progress for some, others may be shifting from exploration to rollout. In its report, 'Mid Year Observations on the Board Agenda', KPMG highlights the progress made to date, citing 2025 as the year we could start to see the measurable impact on bottom lines.

While the trajectory of GenAI deployment is still uncertain, for many companies, 2024 will be the year they move from experimentation to larger-scale rollouts; 2025 may be the year of significant measurable results in workforce productivity; and in 2026, we may start to see some breakaway winners and losers, with significant business model implications and competitive fallout.[5]

To be in the winning camp, boards must consider how to deploy AI and GenAI strategically, ethically and securely, aligning corporate strategy with managed risk. It's a journey for the leadership team, too, with demands on new skills and expertise to reevaluate business opportunities for its use, the likelihood of productivity gains and the mitigation of disruption and job displacement as AI tech is embedded more widely into business processes.

According to PWC's 2024 Director's Survey, half of all board teams are questioning whether they have the resources to fully understand the risks of AI.

69% of directors believe their management teams have the necessary skills to execute the company's AI and generative AI strategy, but only 50% feel they receive enough information on the risks associated with AI.[6]

While opportunities for AI's application in business continue to grow, so do the complexities of balancing its benefits with robust governance. With the emergence of legislation such as the EU AI Act[7], which sets a global precedent for regulation, board teams must develop AI governance policies to ensure accountability and compliance.

About The EU AI Act

Effective in 2026, the AI Act introduces obligations to entities within the EU and elsewhere where the output of AI technologies is used within EU markets and territories. The Act classifies AI risk using four categories, placing responsibilities on developers and 'users' - entities such as businesses deploying AI in their systems and services.[8]

Safeguards and policies to manage new and emerging threats are, therefore, a top priority for global board teams in 2025. From a business perspective, the rise of deepfakes, misinformation and algorithmic bias can conflict with the benefits of GenAI, resulting in inaccurate data, data privacy issues and elevated cybersecurity risk. From a customer perspective, the cumulative effect can erode consumer trust in your brand and damage your reputation.

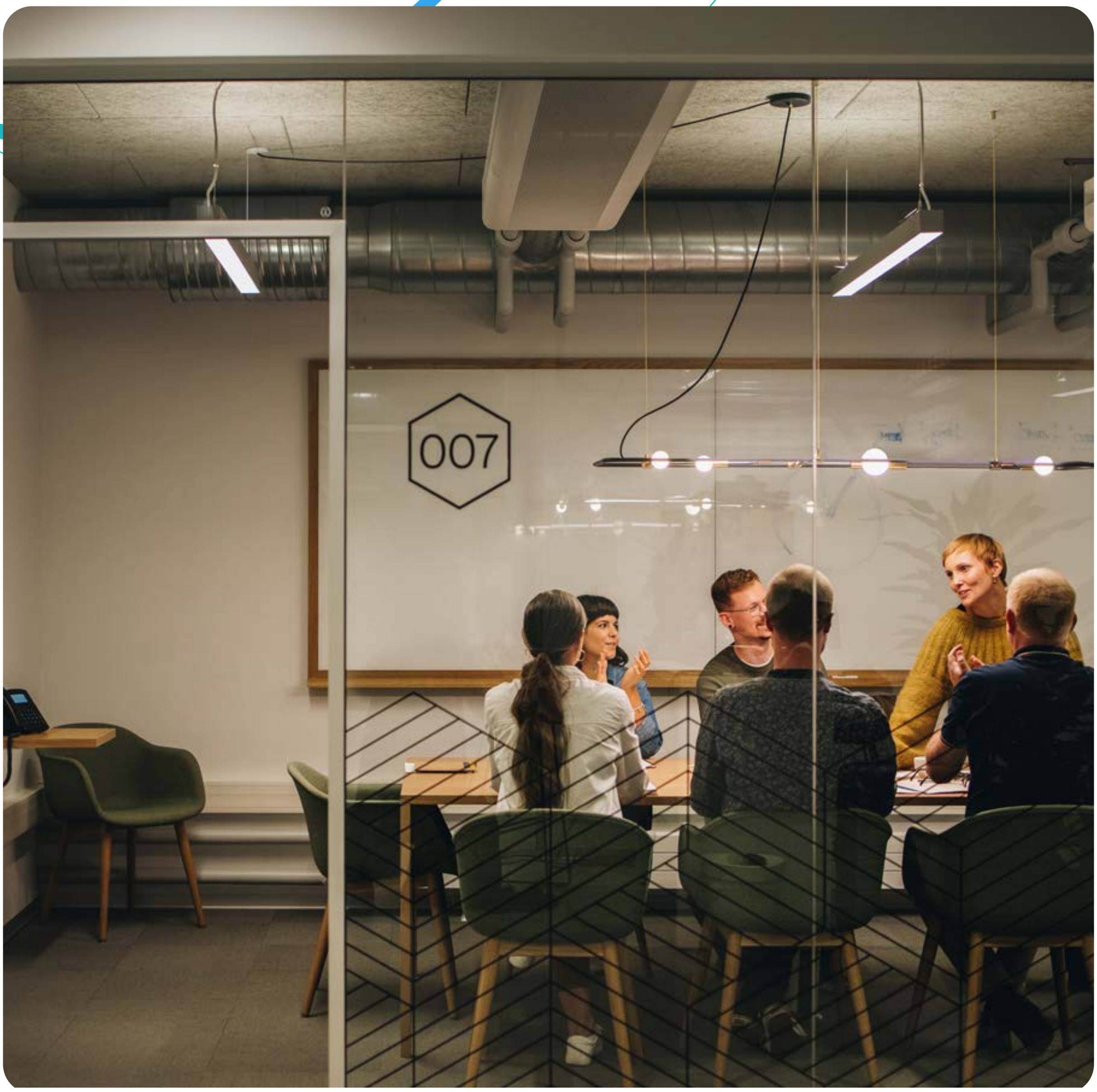
Deepfakes, in particular, present an ethical and technical challenge. Using AI technology, deepfakes manipulate content by mimicking a person's face, voice or likeness with such accuracy that it is almost impossible to detect, creating a false narrative.

Deepfakes can manipulate marketing personalisation and advertising messages by misleading consumers or creating uncertainty and distrust in a brand. Although tech giants like Microsoft have been developing ways to expose and mitigate the problem of misuse for some time,[9] guiding the proper use of GenAI remains a largely unsolved challenge for businesses, software companies and society. Until clear and effective solutions supported by regulation exist globally, the challenges of GenAI will grow.

> Organisations that prioritise strong board leadership to guide GenAI adoption with strategic intent - while carefully addressing the risks of misuse - will be best positioned to unlock its potential and achieve meaningful rewards in 2025 and beyond.

Questions for boards to consider:

- How should GenAI be utilised in our business over the next five years? What will the impact be on our digital transformation efforts, our processes, and our people?
- Are board members and the leadership team informed about the benefits and risks GenAI poses to our business? How do we plan for our operations that can benefit most and for those that are at the highest risk of its misuse?
- How do we ethically and securely scale the AI technologies we are testing or using? What does a successful rollout look like across our business?
- Do we understand the implications of the EU AI Act for our operations inside and outside the European Union? What effect will the Act have on the obligations or expectations of our customers, suppliers and partners?



3 Board composition: Diversity in sharper focus

Board composition will remain critical in 2025, especially as businesses navigate the strategic impact of cybersecurity, sustainability and AI. To remain effective, boards must diversify the director talent pool by recruiting from non-traditional pipelines to ensure they have the functional expertise to inform complex decision-making.

Highlighting changing attitudes, PWC's survey of 600 C-suite executives revealed that 92% feel one or more board directors should be replaced, with 62% of CEOs agreeing[10] to bring fresh perspectives and expertise in focus areas such as AI and cybersecurity.

Using cybersecurity as an example, KPMG highlights why those fresh perspectives are valuable. Building the structure and capabilities to respond to a cyber incident in minutes demands strategic alignment between resilience, detection and response. Ensuring the board can effectively oversee this work to embed cybersecurity as a strategic imperative demands an in-depth understanding of emerging technologies, their capabilities and risks that traditional board roles do not hold.

Alongside building new functional expertise in response to evolving operational environments, diversity and inclusion on boards can further support efforts to improve board composition and even drive competitive advantage.

> As organisational consultancy Korn Ferry highlights, inequality is as much a business issue as a social one. As such, improving diversity and inclusion at a strategic level can directly impact organisational success.[11]

While this is the right thing to do, it's also the smart thing to do. Businesses cannot sit idly by in the face of unrest and pressure from stakeholders, which includes their employees, boards, customers and communities. Nor can they ignore the tangible benefits of investing in diversity, equity and inclusion (DE&I) in the workplace.

While Korn Ferry highlights many companies have accelerated efforts to improve diversity and inclusion over the past two years, they argue that progress is often slowed by undefined goals. Yet the rewards can be substantial,

- Companies that embrace diversity and inclusion are 70% more likely to capture new markets.
- Diverse teams, managed inclusively, are better at solving complex challenges and innovating ideas.
- Companies with above-average diversity performance report 19% higher innovation revenue.[11]

Furthermore, the research shows more diverse and inclusive teams make better decisions 87% of the time. Perhaps, then, it is feasible to suggest that a board team that builds its diversity and inclusion will also support board effectiveness for 2025 and beyond, too.

Questions for boards to consider:

- Do we have the right mix of experience and expertise to oversee increasingly complex but critical areas such as cyber resilience? How can we make further progress in 2025?
- As a board, are we engaged in continuous learning to expand our capabilities and provide effective oversight in non-traditional areas? How do we embed this into our strategic priorities for 2025?
- Do we have clearly defined goals for diversity and inclusion within the board and throughout the organisation? Can we measure our performance and access insights to drive continuous improvement?

4 Improving governance: The spotlight on board effectiveness

While director succession and refreshing board composition are key to success in the year ahead, assessing the effectiveness of current board members is equally important.

Regularly reviewing board performance highlights strengths and weaknesses, identifies areas needing focus and empowers board teams to collaborate more effectively. Looking at board performance from internal and external perspectives can also help evaluate its impact on the business and its strategic goals.

30% However, in a survey by PWC, just 30% of executives rated overall board performance as good or excellent.[10]

So what of the 70% who are seemingly underperforming? The survey highlighted 'a perceived gap in the board's ability to pivot and adapt amid the whirlwind of rapidly evolving strategic challenges and business risks.'

While this assessment may seem discouraging, it allows board members to pinpoint and address the issues that will significantly impact their success. Peer reviews and self-assessments are vital to uncover the most important areas for improvement.

Gathering these insights can be a time-consuming process. As a result, many boards now use digital solutions to automate and simplify the data collection and evaluation process.

Looking ahead, as board management software enhances collaboration, communication, and governance, it can also help boards measure individual and collective board effectiveness. Advanced solutions improve objectivity and accuracy, save time in collating and analysing responses, improve process security and offer comprehensive analysis for actionable insights.

For board members seeking to build relationships with colleagues and stakeholders, enhance performance and demonstrate their commitment to continuous improvement, board effectiveness will remain an important theme for governance in 2025 and beyond.

Questions for boards to consider:

- Do we have a consistent and measurable approach to evaluating board effectiveness?
- Do we act on the insights individually and collectively?
- Are we optimising the measurement process using the right tools to gather and analyse responses?
- Are we seeking external perspectives to provide fresh insights into our board's effectiveness and demonstrate accountability?

5 Sustainability and climate change: The regulatory net widens again

January 2024 saw the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) expansion to include disclosure reporting from publicly listed companies with 500 or more employees.

Intended to regulate how organisations report and manage the impact of environmental, social and governance (ESG) factors, the directive has steadily ramped up in its requirements since its introduction in 2020.

By January 2025, the Directive will expand again - including companies meeting at least two of the following criteria:

- 250+ employees, a €40m+ net turnover, and/or a €20m balance sheet value.
- By January 2026, businesses with 10-250 employees will be brought into scope, but non-EU businesses will not be exempt either
- From 2027, UK and non-EU companies with a net turnover of €1.5b+ in the EU will be obligated to report on the previous financial year with thresholds dropping to €900m+ and €450m+ in 2028 and 2029 respectively.[12]

This evolution in ESG reporting requirements will put new demands on board teams, particularly for smaller businesses. Responsibility for integrating sustainability into operations and strategy is firmly on the board's agenda. Determining reporting requirements for the year ahead and preparing for further changes will be a key imperative for boards inside and outside the EU.

Thousands of additional companies in Europe will be obliged to disclose detailed information on how their operations affect the environment, social matters, and how they manage related risks and opportunities, thus influencing them to rethink their sustainable strategies.[13]

While ESG encompasses many factors, climate and sustainability typically dominate the agenda.

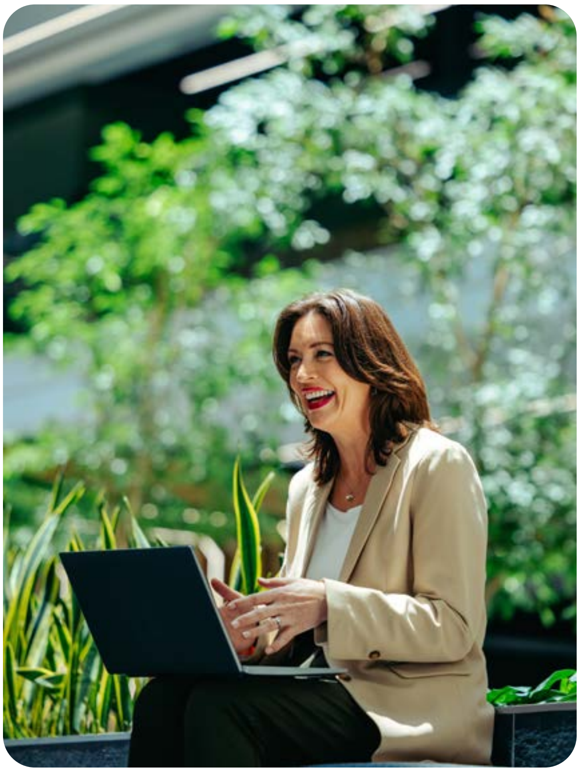
With the United Nations Climate Change Conference, COP29, agreeing in November 2024 to allocate $300m to developing countries by 2035, and 2024 going on record as the first full year to exceed 1.5°c above global warming,[14] the pace of announcements and latest developments is intense.

> According to Bain & Company, this ongoing conversation creates a cycle of peaks and troughs for businesses - one where technological advancements or legislative announcements create a 'hype' phase of action and renewed focus, followed by a slump where implementation barriers and challenges resurface.[15]

For businesses, though, the stakes are high - with 60% of consumers saying their concerns about climate change have increased in the past two years,[16] building and retaining customer trust means board teams must boost their commitment to sustainable business practices and meet more than regulatory requirements alone.

Questions for boards to consider:

- As a board, how can we ensure sustainability and ESG governance remain agile in response to evolving regulations and customer demands?
- How will the changes to CSRD reporting impact our business practices, governance and compliance? How should we prepare for additional changes over the next 5 years?
- Do we have a clear vision for sustainability with actionable milestones for 2025? What are our most critical priorities and their timelines?
- What support do we need from stakeholders, suppliers and external partners? Do our collective commitments and policies align to deliver strategically and practically?



Concluding thoughts

2025 is set to be another year of geopolitical volatility, regulatory change and technological advancement. As new challenges emerge, boards must continuously review, evaluate and innovate to stay ahead of the curve.

At Admincontrol, we empower boards to adapt quickly and securely with board portal and evaluation software that enables them to work more decisively and flexibly.

Our portal enables directors and executive management teams to:

- ✓ Collaborate securely through a dedicated in-portal communication channel
- ✓ Easily search for and access all relevant documents in a secure digital archive
- ✓ Manage board meetings more efficiently
- ✓ Accelerate decision-making through E-signatures
- ✓ Keep all board-level confidential information secure and protected from cyberattacks
- ✓ Evaluate board performance and effectiveness consistently and efficiently

Book a free demo

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