Global Corporate Governance Trends for 2025

The corporate governance terrain is shifting. Boards and businesses are facing new challenges and opportunities, nuanced demands, and moving targets from their stakeholders. To help you and your companies prepare, RRA annually brings together the best thinking from our leadership advisors and a diverse array of influential governance experts. With thanks to those thought leaders, we are pleased to share the tenth edition of Russell Reynolds Associates' Global Corporate Governance Trends.

Corporate governance and demands on corporate leaders vary significantly from country to country, but three topics stand out as the most important to businesses and their boards across the globe in 2025:

1. **Meeting higher standards for boards and directors**

As the number and complexity of business challenges grows, the pressure on board agendas and members increases. These broader agendas are requiring board members to devote more time to their work. Discussions around these strategically important and novel topics are also putting pressure on the traditional "noses-in, fingers out" board oversight model—as directors understandably want to get more deeply involved, executives are equally reasonably sensitive to overreach. Boards continue to grapple with how to alter their board composition to oversee their entities, with some looking for more specialized experience. Sometimes, that pressure for new experience is a regulatory requirement. All of these new (or, sometimes, renewed) issues are happening alongside longstanding and still critical oversight topics and a growing list of investor demands for board oversight priorities and a diversity of backgrounds, skills, and experiences.

2. **Charting a nuanced approach to ESG and risk management**

2024 was a significant year for elections across the globe, and voters in many jurisdictions voted for "change" candidates. These and other shifts have meaningfully increased the level of political and economic uncertainty across the globe, especially for businesses operating in multiple international markets. While this will have broad effects across a range of topics, 2025 will see a continuing divergence of focus on ESG issues, particularly those related to climate and diversity, equity, and inclusion. In some markets, such as the EU and Brazil, there are pending changes to regulatory frameworks. In the US, pullback on mandatory activities began in the first days of the Trump Administration. Across the globe, companies will need to meet minimum legal requirements but also consider the diverse landscape of stakeholder preferences.

3. **Devoting more time to executive succession planning and transition support**

Across the globe, boards are spending more time on proactive executive development and holistic CEO succession planning activities. We observed particularly notable levels of energy on this subject in markets outside of the US last year, as companies grappled with internal and external pressures on CEO tenure and recognized that starting succession planning early reduces risk and increases the odds of smooth, value supportive CEO transitions. This is true in companies large and small, public and private, and we expect this trend to accelerate in 2025.

This paper further delves into these and other corporate governance stories likely dominating board agendas in 2025, organized by market. For more context and advice, please get in touch with the authors or your trusted advisor at Russell Reynolds Associates.

Corporate governance trends in the United States

Adapting to a new, evolving political and regulatory landscape

Governance leaders predict boards will devote substantial time to navigating the significant expected shifts in the political and regulatory spheres of the second Trump administration. Within the first days of the new administration, scores of new executive orders triggered some companies and law firms to establish "war rooms" to strategize on the policy changes likely to affect their business, customers, and clients. While impacts will vary significantly by company and industry, there is a widespread expectation that the environment will be more business friendly, with diminished regulatory demands and enforcement risks.

President Trump's intended agency nominees signal dramatic change, such as the nomination of Paul Atkins to chair the Commission. Atkins, a former SEC Commissioner, is seen as pro-business, with the Wall Street Journal labelling him as a "regulatory skeptic". Most expect the SEC to minimize burdens on public companies, backing away from climate disclosure rules and likely lessening support for enforcement. Likewise, in contrast to the first term's four Labor Secretaries (who were often perceived as anti-union), the current pick for Secretary of Labor has espoused a more measured position. Merger enforcement actions by the FTC and DOJ have already reached a near 20-year low, in part, due to strong anti-merger rhetoric, more aggressive policies, and higher procedural rules. The agencies may relax their 2023 FTC and DOJ guidelines, adopting an even less aggressive approach given the incoming administration's stance on curtailing merger guidelines and settling merger investigations.

Worker immigration and business emigration will also demand attention. The new administration appears poised to apply targeted pressure on U.S. companies to maintain domestic operations. Simultaneously, unprecedented enticements, such as the opportunity to lease federal land, may be offered to foreign companies with the aim of inducing them to move to or expand their operations within the United States. Higher tariffs will serve as an increasingly sharp double-edged sword. The new administration's proposed corporate tax reduction from 21% to 15%, a top tax rate not seen since 1937, could mitigate these costs if approved. With the looming warning of mass deportations at the fore of the Trump agenda, many experts are preparing for serious disruption to the labor market. Companies are urged to watch this space carefully to avoid running afoul of new policies affecting their workforces.

Anticipating continued shareholder activism of all stripes

Both traditional hedge-fund style activism and governance-oriented activism are expected on the 2025 board agenda. The resurgence of campaigns, which were up 22% in the first half of 2024 compared to 2023, marked a return to pre-pandemic levels. According to Barclays, a record 27 CEOs were ousted by activists as a result of 117 activist campaigns in 2024. As activists continue to perfect the art of attacking boards and CEOs, expect continued demands to aggressively consider "strategic alternatives," such as M&A and spin-offs. As the deals market is expected to heat up, experts anticipate activism will as well. Boards are advised to maintain vigilance over potential governance vulnerabilities, such as the board composition mix in terms of skills, tenure, and diversity.

One of the overarching results of this increased activism is a correlated rise in CEO turnover. Over 20% of the CEOs targeted in campaigns resigned within a year, as compared to the average turnover rate of 11%. This puts a significant premium on proactive CEO succession planning activities, which key stakeholders are increasingly demanding. In 2024, over 70% of directors said their boards had taken action in response to actual or potential activism; we expect that number to increase, with boards devoting more time to activist preparedness and vulnerability assessments.

Navigating a polarized ESG and DEI landscape

Corporations are increasingly challenged by evolving shareholder activism related to ESG issues. The landscape is marked by a growing tension between stakeholders who criticize ESG priorities and those who demand even greater investment.

In the past, many evaluated the relative importance of ESG topics by the average level of support for ESG shareholder proposals. We think this is a mistake. While the average level of support has declined slightly, that masks the significant efforts companies have already taken on ESG matters, the trend toward shareholder-disfavored prescriptive proposals, and the rise of anti-ESG proposals that receive virtually no support.

Instead, observers should watch what companies and investors do outside of annual meetings. As previously predicted in this report, there is more caution in trumpeting ESG activities. Many companies have eliminated or reduced ESG and DEI programs in the past year—either in response to or in anticipation of increased pressure. A recent Conference Board report found that over 50% of companies are revising DEI disclosures to manage risks, though 80% of companies plan to maintain or increase DEI resources. Of the companies in a state of revision, the most commonly cited change was in communication strategy and how they talked about DEI efforts, rather than a substantive change to the work. Given its political volatility, we suspect that the number of companies with a public commitment to DEI will decrease, even if most of those companies continue the work with less promotion.

Changing language surrounding board diversity efforts

There will be a shift in how companies and investors approach board diversity. At the end of 2024, the Fifth Circuit Court of Appeals struck down Nasdaq's board diversity disclosure requirement. Nasdaq said it would not appeal, and on January 24, the SEC took the somewhat unusual step of approving Nasdaq's rule change to formally eliminate the diversity requirement effective immediately. But stakeholders will continue to pay attention to diversity. It remains an important factor in many board recruiting efforts, as diverse slates are still in high demand. Our own research shows that directors believe increased diversity has a positive or strongly positive effect on their boards.

In December 2024, BlackRock released its 2025 proxy voting guidelines. Some outlets reported that BlackRock was abandoning its commitment to diversity, but the story is more nuanced. While its call to aim for 30% board diversity (with at least two women and one underrepresented director) was removed, it added: *"To the extent an S&P 500 company board is an outlier and does not have a mix of professional and personal characteristics that is comparable to market norms, we may vote on a case-by-case basis against members of the nominating/governance committee."*

On January 31, Vanguard released its 2025 proxy voting guidelines, which also tether the focus on board composition to alignment *"with relevant market-specific governance frameworks or norms."* While Vanguard never instituted numerical targets for diversity, they previously said that *"at a minimum, represent diversity of personal characteristics, inclusive of at least diversity in gender, race, and ethnicity."* Now their policy asks boards to *"be fit for purpose by reflecting sufficient breadth of skills, experience, perspective, and personal characteristics (such as age, gender, and/or race/ethnicity) resulting in cognitive diversity that enables effective, independent oversight on behalf of all shareholders."*

While language associated with diversity matters has changed, we expect less significant substantive changes. As companies and investors parse their language more carefully, observers are advised to carefully read beyond the headlines before jumping to conclusions.

Reevaluating executive security – and the underlying reasons it has become more important

The shocking murder of UnitedHealth CEO Brian Thompson demanded the attention of business leaders. Boards have already begun to reevaluate their security protocols for leadership and corporate events. While some avoided formal security in the past, expect more companies to consider enhanced protection as a critical business expense. One expert predicted that some companies will directly discuss these needs with investors, so the increase in CEO perks is placed into appropriate context.

We expect some companies may explicitly address the anti-corporate sentiment that has circulated widely, particularly among younger generations, following Mr. Thompson's murder. In industries where there is meaningful public dissatisfaction—such as healthcare, pharmaceutical, and defense—boards may spend time addressing and responding to that discontent more directly.

Corporate governance trends in Mexico

Increased scrutiny on board composition

As businesses navigate a rapidly changing environment and increased volatility in Mexico due to political, international, and economic shifts, there is a growing emphasis on re-evaluating board composition. Many boards are realizing the importance of aligning their composition with strategic needs, and expanding their searches beyond just acquaintances of the current board and leadership team. More attention is being paid toward identifying gaps in skills and expertise as an essential component of effective governance. The trend towards greater diversity (including independent perspectives) is gaining traction, with a 12.6% change in gender diversity since 2020, as boards seek to enhance their strategic oversight and decision-making capabilities. Driven by a convergence of external pressures, market scrutiny, investor concerns, and company performance, this trend is expected to accelerate in the coming year.

Louder call for structured CEO succession process

CEO succession planning is also under intense examination as boards recognize the strategic implications of leadership transitions. The separation of the CEO and board chair roles is becoming more common, particularly in family-owned businesses, to ensure accountability and strategic alignment. Further, as boards spend more time on CEO succession planning, there is a growing trend towards structured and forward-thinking succession processes supported by independent board members who provide critical oversight. That said, succession planning is a complex process—per RRA's Global Leadership Monitor, only 52% of board directors are confident in their ability to design a successful strategy for leadership succession at the C-level. Still, this evolution reflects a broader cultural shift towards modern governance practices, emphasizing the importance of independent opinions and the potential challenges of familial influence in leadership roles. In the coming year, boards can expect richer discussions about the importance of structured and transparent CEO succession processes.

Less ESG but more governance evolution

ESG considerations are continuing to reshape governance practices in Mexico. While open support of "ESG" has faded, in line with global trends, the G (governance) aspect continues to gain in relevance and understanding. Companies are increasingly aware that effective governance is foundational to achieving business objectives. This awareness is further fueled by investor expectations and the push for transparent reporting and accountability. As such, Mexican boards continue to refine their governance frameworks, further emphasizing the role of independent directors and the strategic integration of improved governance standards. Geopolitical unrest, the fragile relationship with the US that is likely to be impacted by the incoming Trump administration, and domestic demand volatility are underscoring the support for heightened governance norms, especially in family-controlled companies.

Cybersecurity soars to the top of board agendas

In 2025, cybersecurity will become a top concern for boards across industries in Mexico. The increased frequency and sophistication of cyberattacks have necessitated substantial investments in technology and specific cybersecurity, requiring board-level decisions due to their impact on profit and loss statements. Despite this urgency, there is still confusion regarding the accountability of cybersecurity issues, with debates on whether they fall under corporate security, IT, or a combination of both. This ambiguity highlights the need for boards to enhance their understanding of cybersecurity, especially as it becomes a more recurrent topic in the boardroom. Experts are encouraging boards to be proactive and differentiate themselves by adopting advanced cybersecurity strategies to safeguard their organizations or, at a minimum, begin to provoke this conversation.

Corporate governance trends in Brazil

Governance and risk management in a more complex ecosystem

The risk management landscape is becoming more multifaceted as companies strive to meet compliance requirements in areas such as sustainability, auditing, and cybersecurity. This challenge is compounded by the complexities of data theft, ransomware, and the rise of AI, which introduced questions on workforce dynamics, product development, and industry knowledge. Boards are increasingly being asked to grapple with these technological advancements, while also focusing on workforce transformation. (Incidentally, our Global Leadership Monitor found that workforce transformation—the emergence or decline of new jobs, reskilling, shifting expectations of work, and new models of employment—is a top five threat for leaders globally, with technology being the primary reason workforces need to transform.) As companies adapt to rapid changes, upskilling and reskilling have become crucial. As such, board members must understand what these technologies offer, as well as the risks they entail.

In parallel, regulatory bodies are working to ease access to capital markets, revisiting rules and regulations to encourage growth. In response to past scandals, corporate governance standards are tightening, pushing for increased independence in board composition and stricter regulations on audit practices. Stock exchange reforms—revisited every five to seven years by Brazil's B3 stock exchange—aim to align local practices with international standards. While these efforts may elevate governance quality, the primary focus is on balancing investor protection with maintaining a competitive, attractive business environment.

Pressure for stronger diversity and effectiveness

Effective boards (and board leadership) are increasingly focusing on long-term strategy and better equipping boards to address challenges. However, board effectiveness is often hampered by a lack of attention to critical evaluations. Experts anticipate that, just as CEO planning has become an area that some companies are starting to approach more systematically, board evaluations may also begin taking a more structured approach.

While Brazilian boards have made strides in promoting board diversity, progress remains slow. Many targets are still conservative—often aiming for boards comprised of 30% women. Current board member selection processes are sometimes described as opaque and dominated by shareholder influence. This is resulting in stronger calls for increased transparency in board member selection.

Balancing long-term strategic oversight

Boards are increasingly tasked with managing the delicate balance between maintaining core business operations and embracing innovation. The rapid adoption of digital technologies, AI, and big data requires boards to make strategic choices about when and where to invest in emerging trends without neglecting traditional business strengths. ESG considerations also play a role. While environmental factors continue to gain momentum, the "S" dimension—focused on social mobility and improving living conditions—remains underdeveloped. Activism among shareholders is also on the rise, emphasizing the importance of having credible and capable directors who can earn the trust of institutional investors. Experts anticipate that there will be a stronger push for directors who can challenge the status quo and facilitate more robust strategic discussions within the boardroom.

Brazil's volatile environment continues to present unique challenges for corporate governance, with fluctuating economic conditions and legal uncertainties complicating decision-making. Boards must stay vigilant in overseeing companies' strategies, particularly as many seek internationalization to diversify risk and mitigate the constraints of operating in Brazil. The setback limitations of state-owned enterprise (SOE) legislation promises greater stability, but effective oversight will be critical.

Sustainability commitments with COP 30 on the horizon

As global environmental concerns grow, Brazil faces intense scrutiny, particularly with the COP conferences highlighting the country's role in the forest regions. The upcoming events will test whether Brazil can stand as a leader in sustainability or fall under global criticism for failing to meet climate goals. Water and sewage utilities are areas of concern, as they lag behind in achieving sustainable development standards, and carbon emissions remain a persistent issue without a clear reduction plan.

Corporations are increasingly under pressure to disclose sustainability efforts, with the CVM issuing Resolutions 217, 218, and 219 that dictate compliance with mandatory requirements by 2027. Companies are starting to adapt the sustainability and climate-related disclosures voluntarily, but this transition is far from complete. Sustainability reports will soon require audits, prompting boards to elevate the seriousness of their sustainability committees and move from educational discussions to actionable strategies. The risk of greenwashing is high, with recent high-profile cases demonstrating the severe penalties for misleading sustainability claims. Companies must focus on transparent, honest reporting to build trust with stakeholders. The ongoing evolution of ESG criteria, particularly in the Brazilian context, requires boards to stay ahead of expectations and demonstrate a genuine commitment to environmental and social responsibility.

Corporate governance trends in the United Kingdom

Ongoing focus on UK competitiveness

The UK will see continued focus on balancing its robust governance environment with a drive for economic competitiveness in 2025.

The Financial Reporting Council (FRC) will deliver its updated UK Stewardship Code in the first half of 2025, with a commitment to ensuring the Code continues to drive better stewardship outcomes while supporting UK capital markets and reducing reporting burdens. Key proposed changes include a streamlining of principles intended to reduce the reporting burden and a revised definition of stewardship, which clarifies the primary purpose of stewardship as supporting the delivery of financial returns for clients and beneficiaries, removing the assumption that good stewardship must create value for the environment and society.

The FCA released the biggest changes to the UK listing regime in over three decades—removing the need for votes on significant or related party transactions, and offering flexibility around enhanced voting rights. These shifts are expected to drive capital markets activity in 2025, although skepticism remains over their anticipated effectiveness and the potential for lower quality admissions.

Senior executive remuneration will also continue to be reviewed through the lens of UK competitiveness. Some restrictions are loosening, including bonus caps and deferrals for bankers, as well as a willingness from some remuneration committees to pursue bespoke structures that may attract international talent or reflect particular business situations. Nevertheless, a wholesale change in remuneration philosophy is unlikely.

Continued expansion of board agenda

Demands on boards and board composition continue to grow, with board chairs needing to balance between directors with newer, topical areas of expertise (particularly in AI, cybersecurity, and climate transition) and those with the experience and battle scars won through navigating economic cycles and geopolitical shifts. Diversity will remain important; however, with the 40% target largely reached at the board level in the FTSE 100, FTSE 250, and

FTSE 350, and the Parker Review target largely reached in the FTSE 100, the focus will extend to management teams and senior talent development.

The inclusion of the long-awaited Audit Reform and Corporate Governance Bill in the new government's legislative agenda sets a path for the evolution of the FRC into a new body - the Audit, Reporting and Governance Authority (ARGA) - with clearer statutory standing and fundraising powers. We expect continued debate around the implications of proposed legislation, which gives this body the power to hold individual directors accountable for failures of reporting under the Companies Act. This was previously limited to directors who were qualified accountants. The proposed Bill will also amend the definition of a Public Interest Entity to include large private companies, bringing them closer to the governance requirements for listed companies.

Solid ESG foundations in an era of heightened uncertainty

In an era of continued macroeconomic and geopolitical instability, the UK's long-established and well-embedded governance model and culture of responsible stewardship provide boards with a solid platform on which to operate, potentially mitigating the impact of external forces. Changes to the Stewardship Code notwithstanding, commitments to principles of sustainable leadership, diversity and inclusion, and broad stakeholder and social consideration appear well-embedded within companies and less likely to be influenced by geopolitical change. While there are examples of policy row-back in sustainability efforts, these shifts are anticipated to be less significant than in other markets. The UK is expected to adopt the ISSB reporting standards for sustainability, and the board agenda will shift from policy setting to reporting, with a focus on materiality and transparency.

Corporate governance trends in Spain

Pushback against board renewal

Counter to trends over the past few years that demand boards do more to address their stagnant compositions, there is increasing focus in Spain to do just the opposite - provide more stability in the boards' seats. Spain, like other jurisdictions, experienced a surge in situations where boards faced (sometimes unexpected) demands for refreshment and "renovation." In what feels almost like a backlash, there is a louder call for director stability. Experts predict that boards will revisit the regulatory norms concerning tenure and term limits this year.

Since the COVID-19 pandemic, Spanish boards have operated in a new business context that requires wider risk assessment, increasing the need for more ERM expert profiles and focus within boardrooms. In 2025, we expect this need to fuel a growing tension between board stability and renewal. Though experts anticipate that, while some directors will remain in seats where their long-term relationships continue to prove beneficial to the business, this will be balanced against a fast-changing environment that demands board competency refreshments.

Upping board time commitment and dedication

As a result of regulations, shareholder demands, and heightened market expectations, boards are also finding the demands on their service time increasing. Experts note that these increased director workloads may more heavily impact independent board members than their peers. The risk of director over-boarding is likely to become more apparent. Many governance leaders we spoke with noted their mounting belief that the number of boards a director can serve on must be further capped.

Independent board members and committee chairs are also increasingly taking on more active roles in their oversight duties, sometimes due to regulatory requirements.
With more board involvement, complex dynamics and relationships are increasingly brewing between the board and management. Experts predict that boards will need to be thoughtful in how they balance their governance role and respect executive boundaries, especially within a context that asks them to participate more.

After a long period of ESG agenda uncertainty, boards are witnessing a reduction in its dominance (at the full board level). However, specialized committees may still be established to investigate and conduct ESG initiatives.

Impact of gender parity regulations come to bear

The recent passing of the Parity Law in Spain, which requires that IBEX companies have 40% gender diversity on boards by 2025, will impact the boards' structure and makeup. With a limited number of women nominations for proprietary directors (which includes board members who are shareholders, represent shareholders, or have a personal or professional relationship with shareholders) and executive board member roles, women board members appointments will almost exclusively be concentrated with independent director positions. Experts are anticipating that, as this trend continues, Spain will likely face a more nuanced gender diversity imbalance that will need to be corrected.

Addressing technology & AI gaps

Nominating committees are increasingly concerned with improving their boards' technology competencies. There is a rising sense of urgency around addressing directors' lack of understanding and expertise in AI and its impacts on the business, with RRA research finding that only 20% of all leaders agree that their organization has the right expertise on the board to advise on generative AI implementation. As boards are being challenged to futureproof themselves with AI systems thinking capabilities, experts note that while directors are likely to begin with individual training, they will rely more on "current technology directors" for AI strategy, as these directors hold executive technology positions and are thereby more equipped to bring AI insights into the boardroom. In any case, we expect an increase in technology/AI-savvy board members recruitment in the coming refreshment cycles, especially for companies that face an apparent deficit across their C-suite.

Corporate governance trends in Belgium

Operating in a more complex and uncertain geopolitical context

Boards are contending with increasingly complex challenges, requiring a clear-eyed strategy and people vision. Belgian board members expect global and regional geopolitical instability to continue creating unpredictable challenges, which will necessitate their deeper involvement when preparing for future "worst-case" scenarios. Experts predict that, throughout 2025, the volatile business environment will increasingly focus on risk management—not only financial, but also reputational risk. Boards will be expected to be agile, well-versed in megatrends and geopolitical insights, and capable of utilizing scenario thinking and planning as regular tools in risk management and strategy revision.

More proactive attention on succession planning

By adopting a succession planning framework, boards are seeking greater visibility into the talent pipeline and urging a more proactive approach from management. However, with CEOs tending to ever-complicating day-to-day issues, they have less time to spend on succession planning.

Boards are filling that gap—not only in CEO succession, but also in broader C-level succession. Board members of Belgian family-owned businesses are also expressing a stronger desire to address family succession planning earlier, in order to prevent family matters from influencing the board agenda. Experts anticipate this push will amount to a more proactive, early, and structured approach to succession.

ESG continues with less enthusiasm

ESG is now truly embedded into boardroom agendas. However, there is now a countering desire to find a better balance between regulatory compliance efforts and genuinely addressing which actions are having the most impact. Belgian board members are increasingly voicing their dissatisfaction with the highly-regulated European environment and regulations like the Corporate Sustainability Reporting Directive's (CSRD), "cumbersome processes" (which go beyond ESG). Despite these compliance burdens, boards remain steadfast and convinced of the importance of incorporating ESG frameworks into their strategic planning - and its payoff over the long-term.

Shifting focus to AI and cybersecurity

Technology, particularly AI and cybersecurity, is recognized as increasingly integral to business strategy and will continue to dominate board agendas in 2025. This mandate is translating into higher expectations for the board's collective ability to stay updated with technological developments—both for their opportunities and imminent threats. It also requires companies to ensure that their underlying data is trustworthy and of good quality. In response, boards are continuing to enhance their understanding of generative AI and cybersecurity by leveraging both internal and external resources. However, concerns remain that there is a lack of in-depth AI knowledge in Belgium and, more broadly, Europe. Thinking through how to address this gap will be a primary issue for boards to contend with in the coming year.

Preparing for a revised 2020 Belgian Corporate Governance Code

Monitoring the 2020 Code is well-embedded in the corporate governance landscape. This year, we expect boards to prepare for an update to the Code that will address (among other things) the differing views on whether board members should be partly remunerated with shares. While experts are taking a wait-and-see approach, they advise boards to prepare for potential compensation adjustments.

Corporate governance trends in the Nordics

Boards pivot to a strategic orientation

A central theme for Nordic boards is enhancing profitability by strengthening market positions. Across sectors, boards are tasked with steering companies away from market share battles and towards strategic positioning. This shift requires boards to act as strategic partners to management, providing guidance and insight to CEOs and C-suites, who often find themselves focused on day-to-day operational challenges. By focusing on strategic positioning, boards are increasingly reorienting to help think through sustainable, long-term growth.

However, shareholders (including family-owned business owners and activist investors) also play a more active role in strategic discussions with the common prevalence of dual-class voting structures. This trend is putting more pressure on board independence and challenging traditional governance practices, requiring boards to balance shareholder interests with their autonomy, all the while navigating complex relationships and staying true to their governance duty.

Heightened sustainability demand for impacted industries

ESG considerations have now become integral to board agendas. Initially driven by compliance, sustainability is now largely customer-driven. For instance, in industries like salmon aquaculture, international customers are increasingly demanding sustainable practices. This trend is underscored by EU regulations, such as the Corporate Sustainability Reporting Directive (CSRD), which impose significant costs and require that boards integrate sustainability into strategic planning and operations. Experts noted that ESG issues are also becoming part of audit committees' mandates, reshaping traditional governance structures and requiring boards to allocate more time and resources to these areas. Industries such as agriculture, logistics, and insurance – which face heightened risks and potential business disruption as severe weather incidents become more frequent – are increasingly adjusting their risk assessment and underwriting practices.

Staying on top of evolving technology

Cybersecurity continues to be a critical issue, given its potential to significantly disrupt business operations. Recent incidents involving some notable Nordic companies highlight the necessity for robust cybersecurity plans. Boards are keen to verify that management maintains control over cybersecurity threats, ensuring adequate measures are in place to protect company assets. Experts anticipate this area will demand ongoing attention and investment to safeguard against potential threats.

Regarding AI, boards are divided between early adopters and those at risk of being left behind. To leverage AI and keep up with its rapid advancements, boards can expect more education, as they must stay current on compliance and the strategic opportunities AI presents. This likely will entail regular training and workshops to help boards advise and steer the CEO and management effectively. Directors may be called to visit company sites more frequently and interact with employees to understand better AI's impact on operations and how it aligns with strategic goals.

Evolving board demographics but stagnant compensation

Board nomination committees focused on talent acquisition and diversity of thought are shifting from reactive to proactive by scouting and developing a pipeline of potential candidates who can bring fresh perspectives and skills. Across the Nordics, there is a call for board members under 50 who bring current knowledge, energy, and a fresh perspective to governance. Furthermore, in the digitalizing world, boards are increasingly seeking digital-savvy individuals with P&L experience who can navigate the complexities of modern business environments.

As the board's remit steadily creeps forward, so too does the time commitment for Nordic board members, particularly during periods of strategic restructuring or acquisitions. Despite rising board demands, which continue to present challenges (especially for those with day-to-day roles), compensation remains relatively low compared to international standards, potentially hindering competitiveness and the ability to attract international talent.

Corporate governance trends in Germany

Continued progress on gender balance

The number of women on supervisory boards of German blue-chip DAX-40 corporations has been increasing steeply throughout the past decade, driven by social expectations, investor and proxy demands, and regulatory pressure. Specifically, among the members representing shareholders, women increased their share from 7% in 2010 to more than 40% in 2024. While this would be in line with an expected European directive on improving gender balance among directors of listed companies, some voices are calling for gender parity. Certainly, boards are aware of the multitude of relevant considerations for board renewal (in particular regarding background, skills, contribution, and gender) and are very intent on reaching and maintaining a sensible balance.

However, a closer look at the different roles within German supervisory boards reveals a stark imbalance regarding "positions of power." Only 20% of committee chairs are women, and women hold a mere 5% of board chair seats. Considering the importance and visibility of such roles, experts suspect this disparity will cause debate and increase the selection of women candidates for these roles.

Time for say-on-pay renewal

In 2021, new European regulations brought Germany into line with many other jurisdictions concerning board member compensation, with legislation requiring the AGM to approve management compensation systems. At the time, this caused an extensive debate on appropriate compensation schemes and how transparent they should be. The law stipulated that shareholders had to approve compensation if it was to be modified significantly or every four years. Many AGMs will thus have to (re) approve compensation schemes in 2025. Given a rather unsatisfactory market and profitability environment, it is expected that these resolutions will serve as a forum to debate management performance. Companies and boards will need to think carefully about the adequacy of their compensation schemes and prepare for intense scrutiny.

Increased complexity in the boards' work

In the wake of global technological, political, economic, and societal trends, supervisory boards are facing significant challenges that require additional development. The environment in which German companies operate is becoming more complex, and supervisory boards must reflect these changes. Key vectors include:

Sustainable business: Even if current political developments worldwide may seem to revive past debates, there is no question that companies must address the impact of environmental and social developments on their business (and vice versa). And, in fact, most organizations are doing this. Growing shareholder, public stakeholder, and employee expectations have translated into comprehensive domestic and European regulations asking for transparency and insight-based action. While this is mostly a fundamental strategic and operational challenge, it also concerns the composition, committee formation, and operations of supervisory boards. This point is well-illustrated by the European Corporate Sustainability Reporting Directive's requirements (starting with the annual reports for 2024) for supervisory boards to review and approve a comprehensive set of quantitative and qualitative criteria as an element of non-financial reporting. Boards will need to brace and skill up in response.

Technological developments: With the business world and society at large pondering the implications of constant and groundbreaking technological developments (like AI), German supervisory boards are deliberating the implications for their work. While the developments may create opportunities for faster, more thorough, and bespoke real-time information and analysis to serve as the foundation for the board's oversight, it has not yet been deployed in actual board processes. For the time being, the debate centers around building adequate competencies on boards to address the opportunities and challenges.

Geopolitics: More than most countries, the German economy has focused on international trade during the past few decades. DAX-40 companies today generate more than 80% of their turnover abroad and, in turn, almost 90% of their ownership is international. As international political relations are currently strained with tariffs and sanctions looming large (and possibly soon dominating international trade), many German companies are struggling to understand and adapt—and this doesn't even take into account shifts in global production, innovation, and consumption patterns. Against this backdrop, where only about 25% of supervisory board members come from outside DACH (Germany, Austria, Switzerland), international expertise could prove to be invaluable in navigating the above challenges.

When we explored this dimension of German board composition by interviewing more than one-third of international DAX-40 supervisory board members in 2024, we discovered this: Not only does the unique German two-tier governance system with parity employee representation and large boards deter international candidates, but there also seems to be a lack of effort on the part of German boards to open up to international members and integrate them effectively. This topic is expected to garner greater attention, especially for internationally active companies, when international trade patterns are redesigned over the coming years.

Corporate governance trends in France

Sustained progress and challenges in gender parity

France continues to lead Europe in gender diversity on boards. Women now hold 48% of the seats on CAC 40 boards, a slight increase from 2023. In the SBF 120, 49% of new board appointments were women, maintaining a steady gender balance. Gender parity has also been achieved in leadership roles within boards, with 47% of CAC 40 committee chairs being women. While women are more represented as chairs in committees focused on ESG matters (63%), their representation drops to only 9% on strategy committees. Additionally, only two out of 40 board chair or executive chair positions are held by women, indicating a gender gap when it comes to the chair role and more strategic oversight roles.

Women's representation on executive committees reached 29% in the CAC 40. In the SBF 120, representation increased to 27% in 2024, up from 25% in 2022. However, women leaders are still more likely to hold primarily functional roles, such as chief human resources officer or chief marketing officer. When it comes to the top role, progress has slowed, with women holding just 9.8% of CEO positions, a decline from previous years. While the "Rixain law," which mandates 30% women representation in senior management roles by 2027 and 40% by 2030 for companies with over 1,000 employees, is expected to drive progress, more efforts are needed to close the gender gap at the highest leadership levels.

Acceleration of internationalization in governance

France is witnessing an increasing trend of international profiles in leadership roles, reflecting the global nature of its leading companies. In the SBF 120, 22% of CEOs have a foreign passport, compared to 7% in 2021-2022. This trend extends to executive committees, where 46% of new appointments in 2024 were to individuals with foreign passports. This shift indicates the growing demand for global expertise in navigating today's interconnected business world. International directors are also in high demand. In 2024, 32% of new board appointments in the SBF 120 had an international passport, with other Europeans leading the way, followed by North Americans and Asians. Among these, 73% were independent directors. Experts suggest that this board globalization aims to support the global competitiveness of French companies and position them to better manage the complexities of the global market.

Continued emphasis on ESG and building AI fluency

French boards are navigating increasingly complex demands from shareholders and stakeholders, further exacerbated by geopolitical instability, rapid AI advancements, and heightened sustainability expectations driven by the EU's Corporate Sustainability Reporting Directive (CSRD), effective from 2024.

ESG remains a key priority for French boards. In 2024, 83% of SBF 120 companies have dedicated ESG committees, a notable increase from 73% in 2023. The CSRD is also driving deeper integration of sustainability into corporate strategy. This directive imposes new reporting standards, significantly influencing how environmental and social issues are addressed. In response, 17% of SBF 120 companies are offering CSRD-specific training for board members, underscoring the growing importance of sustainability oversight at the governance level.

AI is increasingly becoming a critical focus for boards, with French executives viewing it as a driver of productivity, job creation, and organizational performance. However, RRA's Global Leadership Monitor found that only 28% of directors agree that their organization's board has sufficient expertise to advise on generative AI. To address this, more boards are incorporating AI expertise into their recruitment strategies – but rather than hiring dedicated AI experts, most are seeking leaders with experience in business transformation. Nevertheless, some companies have opted to appoint AI specialists. In 2025, as AI adoption continues to increase, French boards will need to stay abreast of applicable AI laws and regulations (such as the EU AI Act, which came into force in August 2024) to ensure compliance, as well as the development of policies, information systems, and internal controls for its application.

Corporate governance trends in India

Backdrop of an evolving technology landscape

Given the insurgency of start-ups in India—with newer, technology-led business models challenging incumbents—boards are continuously scanning the competitive landscape. At the same time, AI continues to create new opportunities in business prospects and operational efficiency, as well as new risks regarding data integrity, IP infringement, and responsible usage. Boards are worried that companies' dependence on technology is at an all-time high, creating an opening for something to go wrong - outages, business disruption, data breaches, and cybersecurity threats. In response, boards should plan for a greater focus on risk management mechanisms and oversight on their 2025 agenda.

Continued spotlight on start-up governance and broader governance ecosystem

Many global venture capital and private equity funds investing in the Indian start-up ecosystem have faced significant governance challenges with founder teams. Given increased capital market activity, experts suspect institutional investors will continue to increase their pressure on governance, including demands for seasoned CEO experience and relevant skills within start-up boardrooms.

Beyond start-ups, and in context of listed companies, proxy advisors are also increasingly getting their voices heard in shareholder meetings - whether this be related to promoter compensation, director appointments, or related party transactions. This trend is likely to continue in 2025.

Ongoing focus on geopolitics in the boardroom

A volatile global environment and real-life impact on businesses in India has ensured that geopolitics has earned a permanent seat in the boardroom. While this creates opportunities for businesses (such as a "China plus one" strategy for diversifying manufacturing and sourcing operations), it also creates a number of risks, especially in areas like crude supplies and high-tech imports. Boards will need to stay on top of these geopolitical movements with greater interest and further assess the ramifications of election outcomes and regional conflicts on their businesses. Domestically, the regulatory ecosystem in India has been extremely active in the past few years and such regulatory tightening is expected to continue in 2025.

Adapting to shifts in consumer behaviors

Rising disposable incomes, telecom penetration, digital Rising disposable incomes, telecom penetration, digital revolution, and disruptive business models have increased competition, leading consumers to purchase differently than they have in the past. Customer loyalty can no longer be taken for granted. With each passing generation, the Indian business landscape is witnessing a pace of change and appetite to experiment that is growing by leaps and bounds. Experts advise that companies and their boards reassess their strategic go-to-market blueprints and right-to-win amidst this dynamic demographic transformation.

Early headwinds on the board’s role in overseeing culture

As societal debate continues around future ways of working, reputational risk, and rightsizing, organization culture is increasingly finding its way into the boardroom agenda. Though such discussions are mainly topical at this point, the movement is gathering traction. More than ever before, boards can expect to grapple with enterprise-wide corporate culture and how it is strategically being infused into the way business is conducted.

Corporate governance trends in Australia

Double-down on boards' culture oversight role

With additional regulatory and reporting requirements adding to the compliance workload for boards, there is little evidence that the demands on directors will reduce in 2025. It is staggering that only five years ago, board accountability for corporate culture became an explicit duty for APRA-regulated entities. Further, in 2024, the events of Qantas, Mineral Resources, WiseTech and Nine Entertainment all underscored that investors will hold boards to account for corporate culture when issues occur, regardless of what the ASIC's Corporations Act actually dictates. This change has been pioneered by Industry Super Funds, who have been very active in engaging with boards on how they are reducing risk in this area. For example, one Industry Super Fund, Aware Super, went as far as asking its fifty largest investments to answer eleven questions focusing specifically on conduct risk. What's more, boards are being more transparent about how they are addressing issues, as seen in the recent example in the Qantas' Governance Report. This report remains essential reading for any ASX Director.

Preparing for climate reporting and potential shifts in political activism

Australia's largest businesses have spent two years preparing for mandatory climate reporting, and this has been an extensive draw on the board's time. With Group 2 and Group 3 "going live" in 2026 and 2027, many of Australia's smaller businesses still have significant work to do. Furthermore, investors expect all businesses to demonstrate they have considered climate risk and the implications of carbon transition. Beyond climate change, the implications of businesses' involvement in the failed "Yes" vote on adding an Indigenous Voice to parliament are still being felt. In the aftermath, most directors have understandably been more cautious about allowing businesses to engage in active commentary on social issues. This trend may accelerate as the U.S. and parts of Europe experience a political swing to the right.

Diversity takes a broader focus

The initial draft of the fifth version of Corporate Governance Principles caused some controversy, with a proposal for voluntary reporting on broader diversity measures. While pushback is likely to result in a fundamental rewrite of this section, there is no doubt that stakeholders are looking for diversity beyond gender. Indeed, with 91% of ASX 300 Directors being Anglo-Celtic in background and only four openly LBGQTI directors, there is still work to be done. There are some indications that larger company boards are already starting to think more broadly about the true diversity of the directors they're hiring, and the Australian Institute of Company Directors has launched a program specifically focused on First Nations. However, like gender diversity, experts suspect it will be easier to tackle this issue over time, rather than resolve it when some form of disclosure or reporting is introduced.

More eyes on data, AI, and cyber regulation

The government's cybersecurity legislation has provided a helpful platform for developing future regulations that will inevitably impact boards' focus. The current legislation will require boards to report ransom payments and has loosened restrictions on the Australian Signals Directorate's (ASD) ability to work with businesses subject to cyber-attacks. Australia's largest businesses have spent the last few years maturing their approach to cybersecurity – and for these businesses, the changes mean little more than a subtle revision of their cyber-response strategies and some more complexity in their next cyber wargame. However, ASD will increasingly focus on ensuring that Australia's critical infrastructure is secured. Directors of energy, water, telecoms and transport businesses can expect stronger regulation and much greater scrutiny from the government in this area over the next few years.

The first tranche of the Australian Privacy Reform Bill provides greater room for individuals to bring claims when businesses breach their privacy. This is likely to be a focus for class actions and has resulted in boards needing additional scrutiny of what personal data is being held and how it is secured. Boards are still working through how their businesses use AI. AI has yet to cause a major media or regulatory issue for an Australian business, but its inevitability remains on the minds of Australian directors. Until more regulation is developed here, the government's Voluntary AI Safety Standards will continue to provide boards with a useful template for approaching governance in this area.

Corporate governance trends in Singapore and Hong Kong

Singapore

Enhancing governance through stronger investor engagement

In the past years, many aspects of Singapore's governance ecosystem have been strengthened, such as tweaks to the rules involving independent director appointment and renewal, the mandate for board diversity policies, and remuneration disclosures. Recognizing the important role investors play in governance, we expect a greater focus on improving their support infrastructure in the year ahead.

The local exchange regulator (SGX RegCo) has taken the proactive step to avoid the "clustering" of Annual General Meetings (AGMs) to facilitate shareholder participation. The plan is to introduce and maintain a calendar of AGMs for large issuers. Large issuers will be requested to submit their proposed date and time period of their upcoming AGM to SGX RegCo, ensuring that their AGMs do not conflict with the AGM of another large issuer.

In addition, in April 2024, SGX RegCo launched a consultation paper proposing a listing rule change that will facilitate shareholders to call special general meetings. Currently, Singapore-listed firms have no regulatory obligation to respond to shareholder calls for special general meetings. Historically, domestic companies have been reluctant to grant such requests. If passed, it will be a welcome change to the investor community.

Strengthened sustainability reporting regime

Beginning in 2025, SGX RegCo will require all issuers to start reporting Scope 1 and Scope 2 greenhouse gas emissions. This is an extension of the recommendations from the Task Force on Climate-related Financial Disclosures that Singapore mandated in 2022. Their climate-related disclosures must also start incorporating the IFRS Sustainability Disclosure Standards' climate-related requirements, issued by the International Sustainability Standards Board. Companies listed on the Singapore Exchange are urged to use the disclosure mandate as an opening to demonstrate resilience against climate risks, as well as seize opportunities as part of the country's transition towards a low-carbon economy.

Hong Kong
Heightened governance standards for listed companies

On the heels of its recent initiatives to enhance diversity in the boardroom, the Hong Kong Stock Exchange (HKEx) launched a consultation paper in June 2024 to solicit feedback on additional updates to the corporate governance practices the Exchange intends to introduce moving forward. Many of these updates focus on improving disclosures around risk management and internal controls, board performance reviews and the board skills matrix, as well as board and workforce diversity policies. It also intends to require nomination committees to be comprised of different genders to better enable the push for greater diversity.

Regarding board and director independence (and similar to what Singapore and Malaysia have done), the Exchange is proposing to limit the terms of independent directors to nine years. In addition, HKEx intends to introduce the concept of Lead Independent Directors for boards whose Chairs are not independent.

On the issue of over-boarding and directors' capacity to effectively discharge their duties, the proposal limits the maximum number of listed boards a director can sit on to six, also requiring disclosures around the length and types of training they have undergone during the year. More specifically, the proposal outlines that first-time directors will have to undergo at least 24 hours of training within the first 18 months of appointment.

HKEx published conclusions to this consultation on 19 December 2024. Based on the feedback received, the exchange will adopt the proposals outlined within the consultation paper, with certain modifications or clarifications. These new requirements will apply to corporate governance reports for financial years commencing on or after 1 July 2025, with three and six-year transition periods for the new rules on over-boarding and long-serving INEDs respectively.

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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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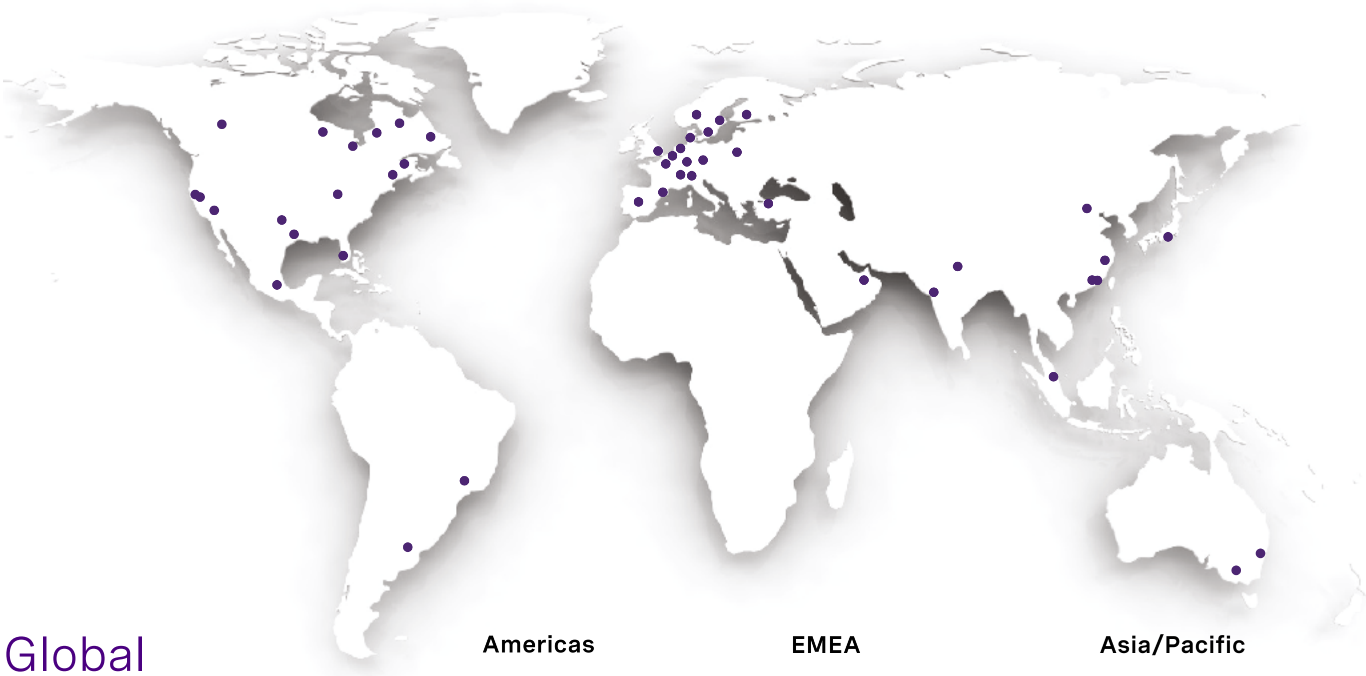

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