22ND ANNUAL EDITION

WHAT DIRECTORS THINK

2025

A Changing Risk Landscape

CORPORATE BOARD MEMBER | Diligent Institute | FTI CONSULTING

In the fall of 2024, *Corporate Board Member* partnered with Diligent Institute and FTI Consulting to survey more than 200 directors of publicly traded companies in the U.S. on what's on the board agenda for the year ahead, potential headwinds and tailwinds and what they perceive to be the main priorities in the short term.

KEY FINDINGS

- 76% of directors are prioritizing growth opportunities in 2025, a sharp turnaround from the past few years' focus on cost-cutting measures.
- AI/generative AI remains an area of interest in 2025, with 42% of directors seeing potential in the technology's ability to optimize operations and enhance workforce productivity.
- 51% of respondents say their board has reviewed its process for identifying and disclosing a cybersecurity incident, which suggests a potential gap in board-management communications on this issue.
- 82% of directors believe a board should not encourage C-Suite leaders to speak publicly on controversial issues.
- Only 11% of directors consider shareholder engagement and activism a top priority, a significant downshift from prior years.
- After years of listing cybersecurity as the most challenging issue to oversee, 41% of directors this year chose "strategy" as their top oversight challenge, ahead of all other issues in their purview.

2025 PRIORITIES

After years of putting out fires, the great majority of U.S. public company board members surveyed are starting 2025 feeling more in control and optimistic, with 76 percent choosing "pursuing growth" as their top priority this year. That proportion increases to 88 percent when isolating the data by sector, with respondents from the automotive & industrials sector being most growth-driven, according to the survey.

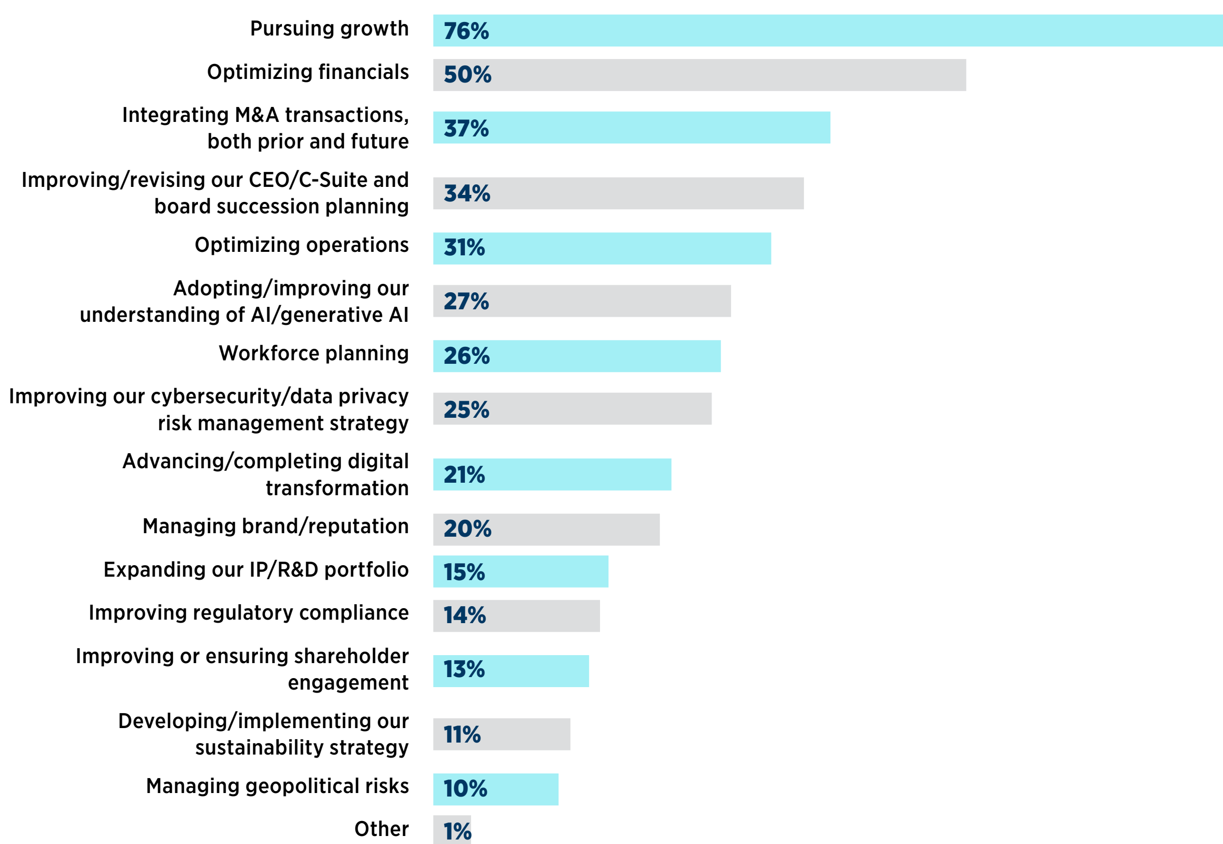
There is a certain level of consensus on the way companies plan on seizing those growth opportunities, too. Most respondents expect to make use of an improving M&A landscape, taking advantage of lower interest rates and what many observers anticipate will be a less regulated or scrutinized framework for dealmaking. M&A is the third most cited priority for the year (compared to fourth place in our 2024 report); it is up 30 percent on the list of issues that directors want to discuss at their next board meeting, and it is climbing on the list of expertise directors want to add to their board with their next appointment.

Directors at insurance companies are the only group not bullish on M&A, with only 9 percent listing a potential transaction as a priority for the year. The data also suggests that companies with an international footprint are showing greater interest in M&A in 2025 compared to their domestic counterparts.

Furthermore, the data points to a negative correlation between the size of the company and its intent to seize M&A opportunities this year, with about one quarter of those with $10 billion in revenue or more showing interest in dealmaking vs. 41 percent of those with less than $300 million in revenue.

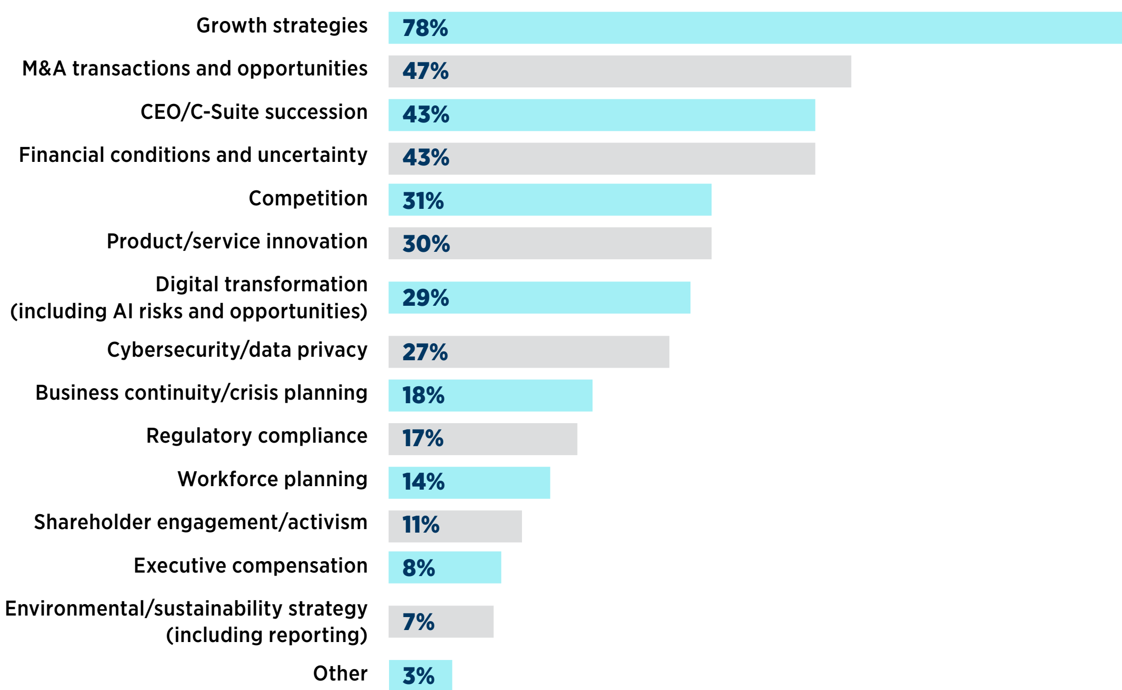
Which of the following are top priorities for your company in the year ahead?

**Respondents were asked to select up to five.*



If you were charged with setting the agenda for your next meeting, which of the following topics would you include as most pressing for your board to discuss as we head into 2025?

**Respondents were asked to select up to five.*



THE YEAR'S BIGGEST RISKS

As the past five years have revealed, companies can't be too prepared for sudden disruption. Among the risks that could have the biggest impact on their company's strategy in 2025, 69 percent of directors said the sudden departure of the CEO or a key executive would have significant consequences, and 61 percent say the same of a major cyber incident.

Data from the survey finds CEO/C-Suite succession planning more prevalent among the issues that will be front and center in 2025. It ranked fourth on the list of priorities, second on the list of most challenging issues to oversee and third on the list of most pressing agenda items. In the year prior, succession planning ranked sixth on the list of priorities and fourth on the list of most challenging issues to oversee. 2024 was also a peak year for CEO departures, and nearly two-thirds of board members told *Corporate Board Member,* in a survey conducted with Farient Advisors, that the high level of CEO departures at public companies had sparked new conversations within their board about the increased risk of turnover and the importance of emergency succession planning.

This focus on succession planning was particularly true for directors on the board of smaller companies (revenue of $1.9bn or lower), who were also more likely to select it as a 2025 priority and an agenda item for their next meeting compared to their larger counterparts. Meanwhile, only 21 percent of directors overall rated their board's current CEO succession planning process as "excellent," a problem that directors say is exacerbated by shorter tenures and an increase in talent poaching at the leadership level.

How would you rate the risk level of the following event for your company, in terms of how significant its impact would be on the strategy?

SUDDEN DEPARTURE OF CEO OR OTHER MISSION-CRITICAL INDIVIDUAL(S)

That cybersecurity is also a top concern this year doesn't come as a surprise, but while cyber threats and the need for corresponding risk mitigation tactics, communications and disclosure strategies are now established board-level topics of discussion, implementing effective strategies to address them remains a challenge for organizations and their boards. A majority of respondents (61 percent) noted that their boards understand the damaging results a major cybersecurity incident can bring and how such an incident would have a "significant" impact on their strategy. Among the fallout from such an incident, the resulting reputational concerns should also be top of mind for corporate boards.

How would you rate the risk level of the following event for your company, in terms of how significant its impact would be on the strategy?

MAJOR CYBERSECURITY INCIDENT

This understanding is further highlighted by more than 70 percent of respondents saying that the senior leadership team member responsible for cybersecurity at their organization (e.g., their CISO or CIO) regularly meets with the board to discuss the evolution of cyber risk and their associated strategy.

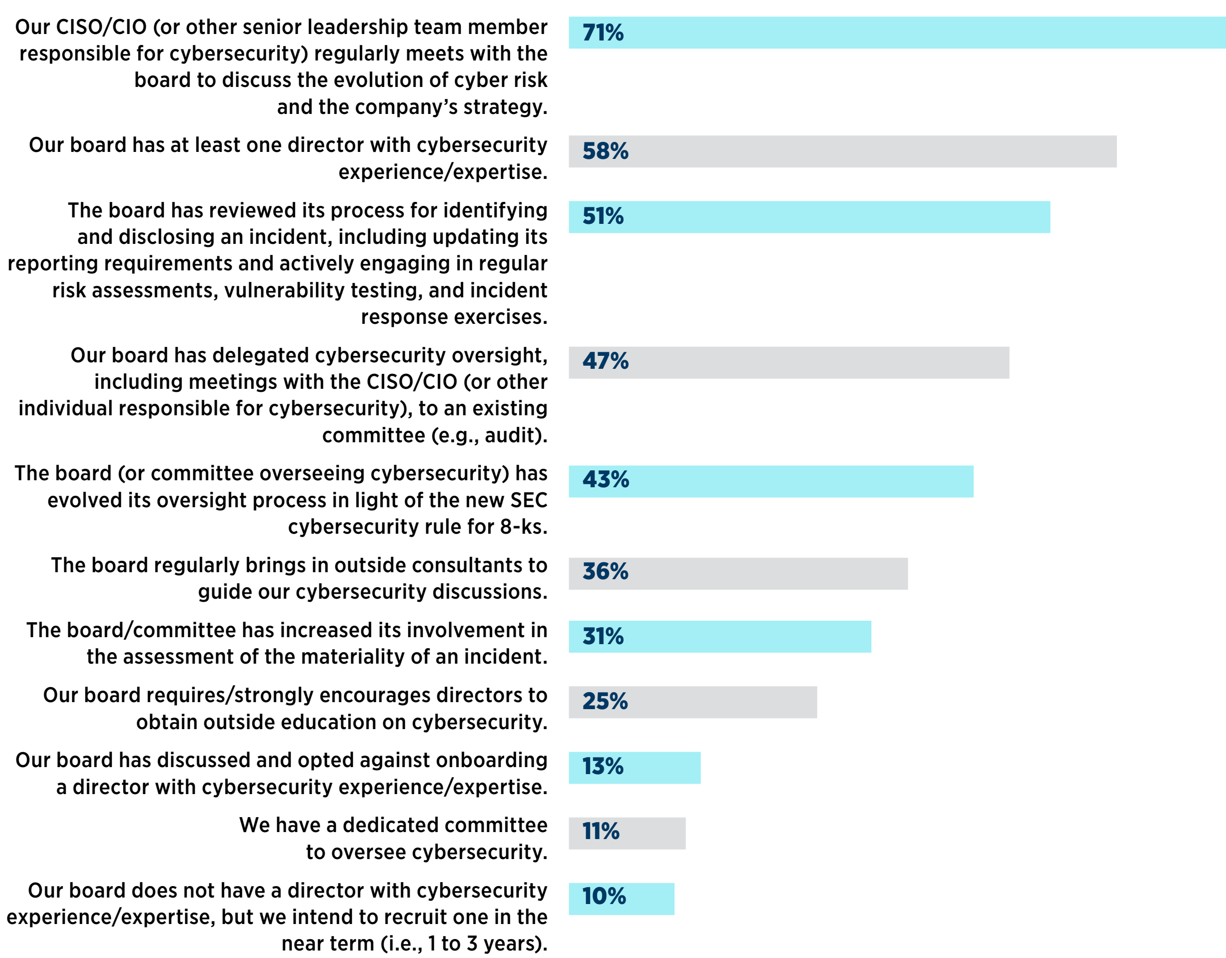
This awareness and attention are essential steps in cyber risk mitigation and strategic and crisis communications planning, but there is a disconnect when it comes to turning awareness into actionable practices. For example, only half (51 percent) of respondents stated that their board has reviewed its process for identifying and disclosing an incident, including updating its reporting requirements and actively engaging in regular risk assessments, vulnerability testing and incident response exercises.

The findings suggest that while boards may understand the importance of being provided with cyber risk updates, many are not using this information to help support the implementation of protections based on this awareness. Furthermore, knowledge management and upskilling on the topic appear as a low priority, with only 25 percent of boards requiring or strongly encouraging directors to obtain outside education on cybersecurity.

This contrasts with the perspective gleaned from interviewing CISOs who frequently present to boards, or sit on boards themselves, in that there is a significant communications gap between the technical and leadership roles, including boards. Continued knowledge and awareness building on cybersecurity topics for directors would enhance board oversight and risk management with respect to cybersecurity.

Failing to take critical steps, including continuing education, to build cyber resilience and mitigate risk leaves organizations vulnerable to cyber attacks, regulatory penalties and reputational, as well as financial risks.

With respect to cybersecurity, please select all that apply to your board:



AI / GENERATIVE AI & TECH

Adopting and improving their understanding of generative AI ranked sixth on directors' list of priorities for 2025 and seventh on the list of agenda items most pressing to discuss at their next board meeting. This was especially true for directors on the boards of larger companies (revenue of more than $1.9 billion), who were more likely to select generative AI as a 2025 priority and agenda item for their next meeting compared to their smaller counterparts.

A clear majority (80 percent) of the public company directors surveyed say their company has taken some type of action with respect to rapid changes in the development and deployment of AI, with the most common action being incorporating the technology into one or more areas of the business, including products and services (44 percent). To highlight the speed at which companies are responding to these new developments, only two-thirds of the board members we polled in May 2023, as part of *Corporate Board Member's* Director Confidence Index with Diligent Institute, said at the time that their companies were taking action around AI.

The data shows strong variations by sector as well. In the insurance industry, where InsurTech (a subset of financial technology specifically for the insurance industry) is disrupting legacy firms, 80 percent of directors say their company has incorporated AI into one or more areas of the business, including products and services—and 60 percent have expanded the mandate of one or more board committees to address AI risk and strategy. Those numbers fall to 33 percent and 17 percent, respectively, in the automotive and industrials sector.

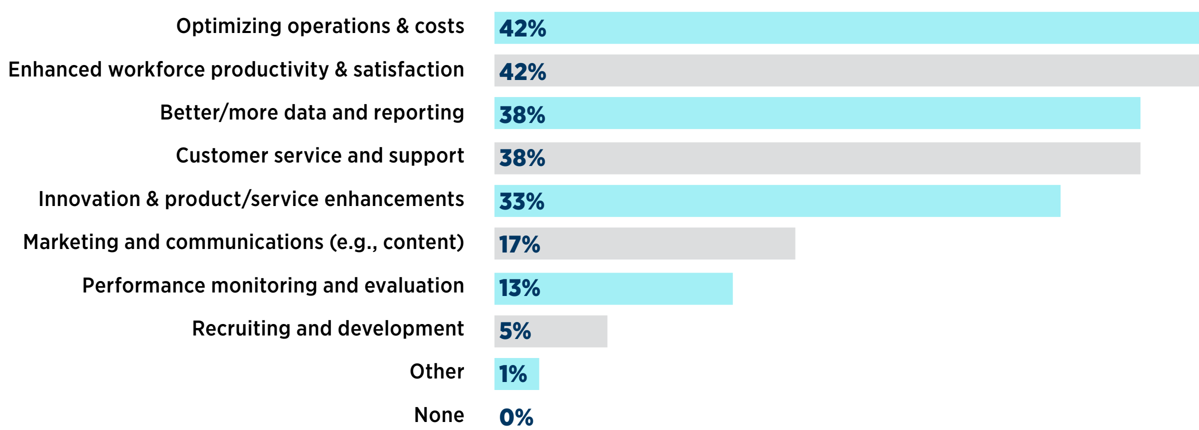
What actions has your board taken or is considering taking with regard to AI/generative AI?

**Respondents were asked to select all that apply.*

Among the benefits directors see with generative AI and emerging tech, the survey found "optimizing operations and costs" and "enhanced workforce productivity" as the top opportunities presented by AI integration. The numbers, however, are heavily skewed by those in the materials and real estate sectors, where 62 and 63 percent of directors, respectively, selected "optimizing operations & costs" as a top answer.

Innovation ranked fifth on the list of opportunities afforded by the technology, indicating that many companies are likely in the early stages of their AI journeys.

Around which function do you see the biggest opportunities with AI/generative AI?



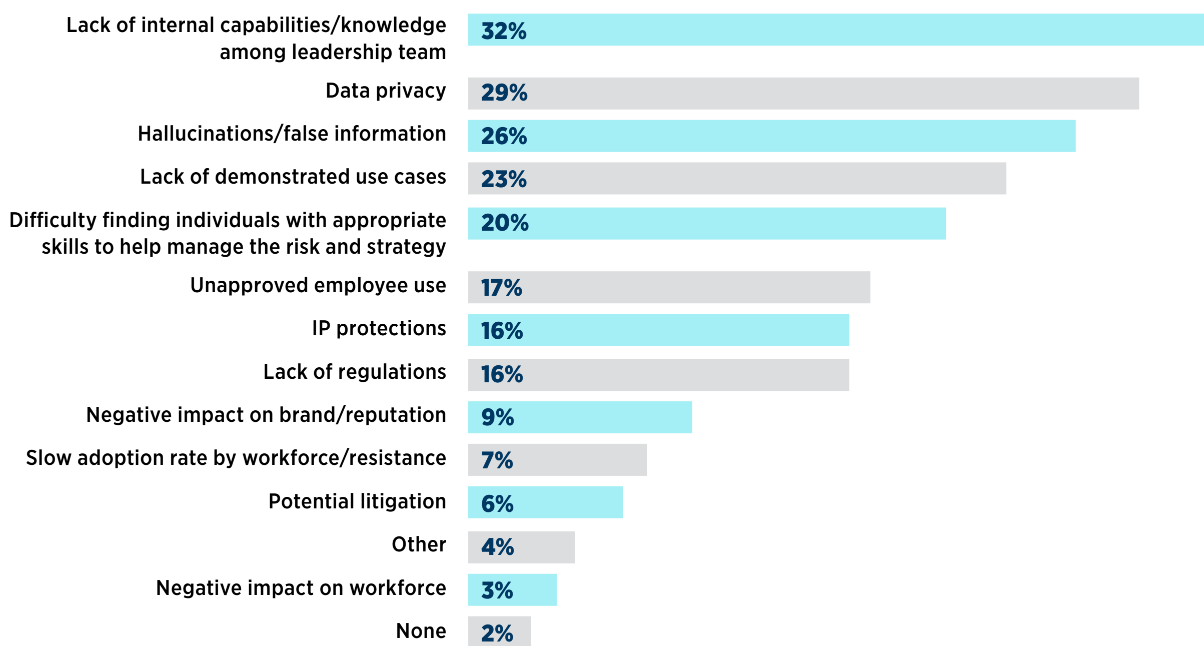
A third of directors say the biggest challenge with AI is the lack of knowledge and capabilities among their leadership team. It is the number one risk of generative AI tools highlighted by survey respondents, even ahead of data privacy (29 percent) and false information (26 percent).

Here, too, the data reveals important variations by sector. Among the directors who feel their leadership team lacks capabilities in emerging technologies, the data shows a higher proportion are on the boards of financial services companies (43 percent) and consumer discretionary companies (40 percent). Overall, five sectors ranked above average in that belief—materials (39 percent), automotive & industrials (38 percent) and aerospace & defense (33 percent) round out the top 5.

At the opposite end of the spectrum, we find directors on the board of real estate, insurance and energy companies as the three groups who have the most confidence in their leadership team's AI understanding—even ahead of directors at tech companies (20 percent).

We found no correlation or pattern when looking at these from a company size perspective.

What do you view as the top two biggest risks of businesses using Generative AI?



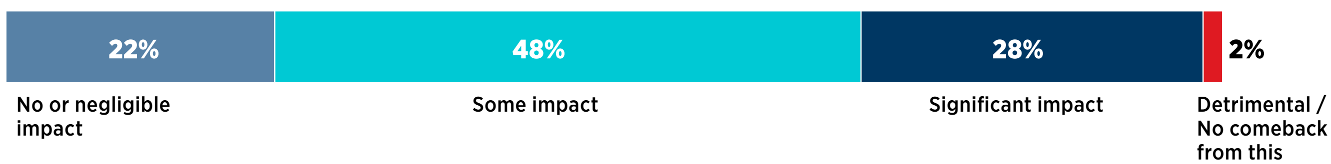
SUPPLY CHAIN RISKS AND INTERNATIONAL REGULATIONS

In today's volatile environment, most board members recognize the importance of global supply chain risks and regulatory challenges. Eight in ten directors surveyed cited renewed supply chain disruptions as a risk, underscoring the fragility of supply chains and the need for contingency plans.

Looking more specifically at directors whose board companies have international exposure, we find 79 percent who view geopolitical events as a threat to their business strategy, with 30 percent identifying it as "significant to detrimental" risk. Yet, fewer than ten percent are making managing geopolitical risks a priority in 2025. And alarmingly, one in five said they didn't know whether their firm regularly audits its supply chain for bribery and corruption.

How would you rate the risk level of the following event for your company, in terms of how significant their impact would be on the strategy?

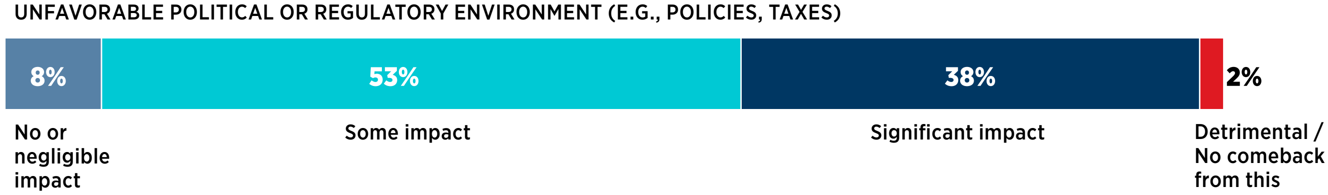
CONTINUATION, RESURGENCE OR EMERGENCE OF GEOPOLITICAL EVENT IN A REGION OF OPERATION



Organizations without safeguards—especially those with cross-border interests in politically sensitive industries—face heightened risk. Regular top-down reviews help assess risk tolerance and preparedness for escalating tensions. Scenario planning, including crisis and communications strategies, is essential for effective risk management.

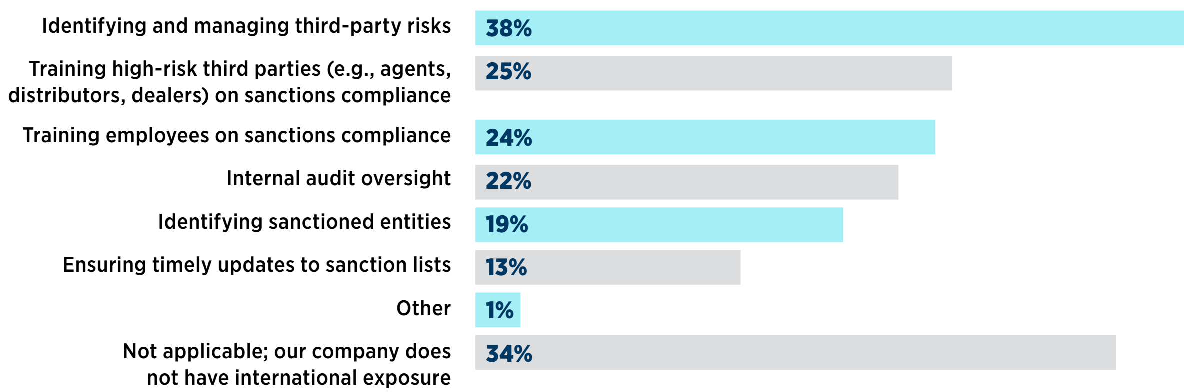
How would you rate the risk level of the following event for your company, in terms of how significant their impact would be on the strategy?

UNFAVORABLE POLITICAL OR REGULATORY ENVIRONMENT (E.G., POLICIES, TAXES)



But there are consequences and risks for companies operating solely on domestic soil as well. Sanctions—an increasingly common tool used to apply pressure on countries, entities and individuals—have generated fresh media attention since Russia's war in Ukraine, the reelection of Donald Trump and electoral changes in the UK, Europe and elsewhere. Yet, 34 percent of directors believe their company faces no threat of international sanctions, and that number grows to 75 percent for those at companies with operations only in the U.S.. While a domestic company might not face primary sanctions, its suppliers and customers could, highlighting the need for resilient, flexible supply chains to manage disruptions. Meanwhile, companies with an international footprint should conduct risk assessments, identify red flags and implement necessary compliance measures.

What is the biggest challenge your company faces in maintaining compliance with international sanctions?
**Respondents were asked to select all that apply.*



For organizations navigating international sanctions, compliance is critical. Directors cite a range of challenges in this area, including managing compliance with third-party risks, training high-risk parties and educating employees on compliance—all of which are essential. Sanctions and trade restrictions increase risks to global operations, with violations potentially causing financial losses, revenue declines and reputational damage.

Regardless of exposure levels, boards should mandate robust sanctions and trade compliance programs, including risk assessments, compliance gap analyses, continuous policy and political monitoring, scenario planning and crisis communication exercises.

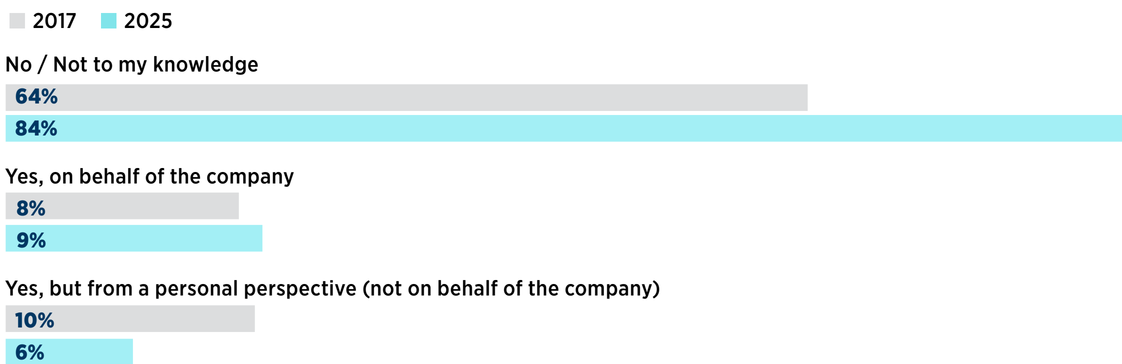
Which of the following measures has your company implemented to mitigate bribery and corruption risks in your supply chain?

SOCIAL PRESSURES, SPEAKING OUT, CULTURE, REPUTATION

Looking back at 2024, the increased polarization of the U.S. electorate, combined with more intense rhetoric and activist attacks against corporations, has created a tightrope for CEOs and executives to walk, as they contemplate when, where and how they should speak out or act on larger societal issues.

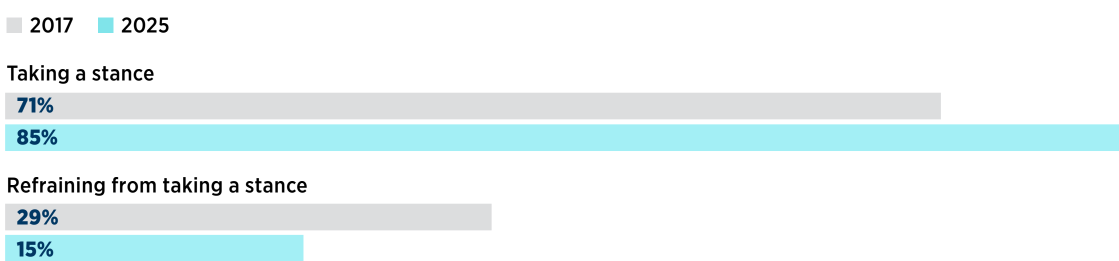
This turbulence likely explains why fewer than ten percent of directors surveyed say their CEOs have shared a divisive opinion in a public way. There has been a continuous shift for the role of the CEO from being more vocal to less outspoken. As corporate leaders try to get ahead of and mitigate potential reputational risk, they must reflect on how to bring their corporate purpose and values to life in credible, defensible and authentic ways. At this time, only 18 percent of directors believe a board should encourage C-Suite leaders to speak publicly to reinforce company values, which demonstrates the perceived risk that speaking out creates.

When it comes to potentially divisive political or social issues, has your CEO ever voiced an opinion publicly? (Today vs. in 2017)



So, how can corporate leaders and boards manage that fine line? By taking proactive steps to better understand the expectations that key stakeholders (including investors, customers, employees, partners and regulators) have and how to bridge potential differences between them. As it stands, respondents overwhelmingly agree that there is a much greater risk of losing customers by taking a stance on an issue

Do you feel that, amid today's polarized political and social climates, there is greater risk of losing customers by taking a stance or by refraining to speak on an issue?



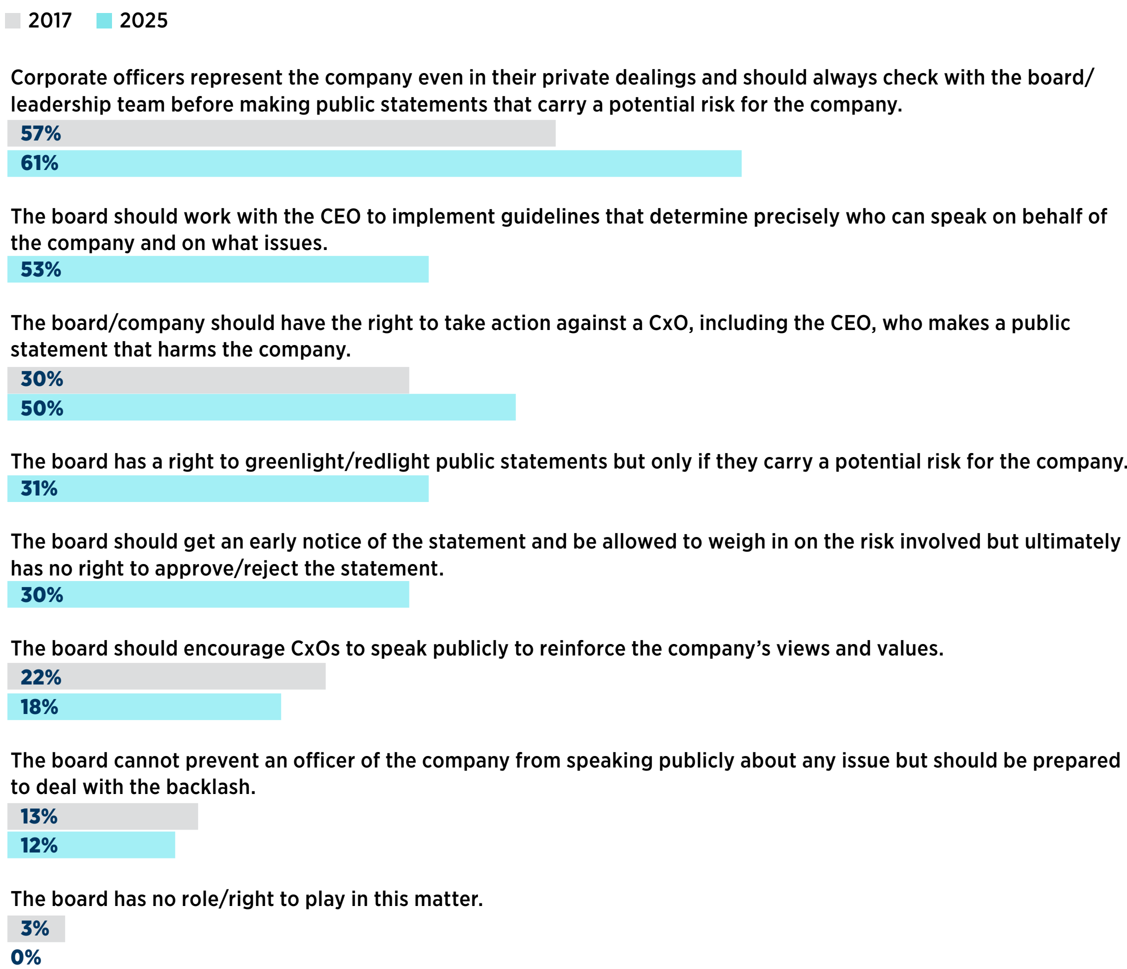
Given what is at stake and their mandate to reduce corporate risk, it is not surprising that 61 percent of directors polled believe the board and leadership teams should be consulted before any public statements are made, and 81 percent have a policy regarding which individuals, if any, can make public statements on behalf of the company. This is particularly important since nearly half believe social pressures demanding change do have some impact on strategy.

It is also good business to ensure that companies have clear guidelines on who can speak on behalf of the company and what issues are on and off the table for comment. The old adage “Proper preparation prevents poor performance” has never been truer when it comes to reputational risk prevention. Planning matters, and the majority of directors polled believe this kind of action is needed.

Does your company have a policy regarding which individuals, if any, can make public statements on behalf of the company—and where/why/how?

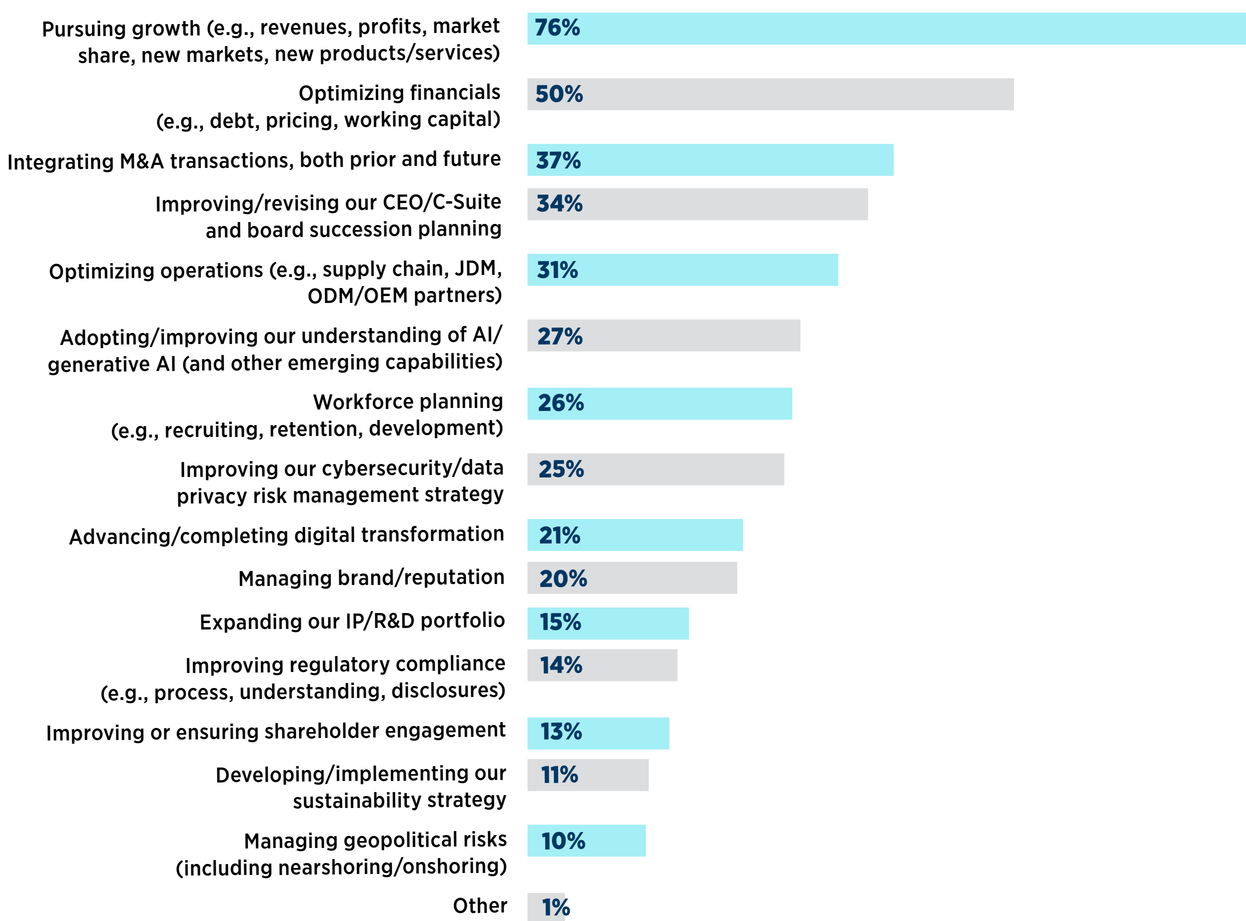
Directors are less convinced, however, that they need to approve messages before they go out, which enables leadership teams to have independence. At the same time, 61 percent of board members believe corporate officers need to check with the board / leadership team before making public statements that carry a potential risk for the company. If the right guidelines are in place and directors feel comfortable with the leadership team, the survey suggests, then the risk should already be reduced.

What role should a board play, if any, when it comes to regulating statements made by senior executives on potentially divisive issues, whether they are made on behalf of the company or not?



While managing reputation appears squarely in the middle of top board priorities identified in this survey, how companies manage those top priorities, including pursuing growth strategies, integrating M&A, optimizing financials and operations as well as mitigating cybersecurity and data privacy risk, could easily create reputational risks that could risk reputation and cause unintended disruption or harm to business operations. The fact that 41 percent of respondents cited ethics or culture-related scandals as holding the risk of significant impact on their companies underscores that boards keep reputation management as a key risk mitigation/prevention strategy while assessing and pursuing business priorities.

Which of the following are top priorities for your company in the year ahead?



How would you rate the risk level of the following event for your company, in terms of how significant its impact would be on the corporate strategy?

ETHICS OR CULTURE-RELATED SCANDAL INSIDE THE COMPANY

SHAREHOLDER ENGAGEMENT & ACTIVISM

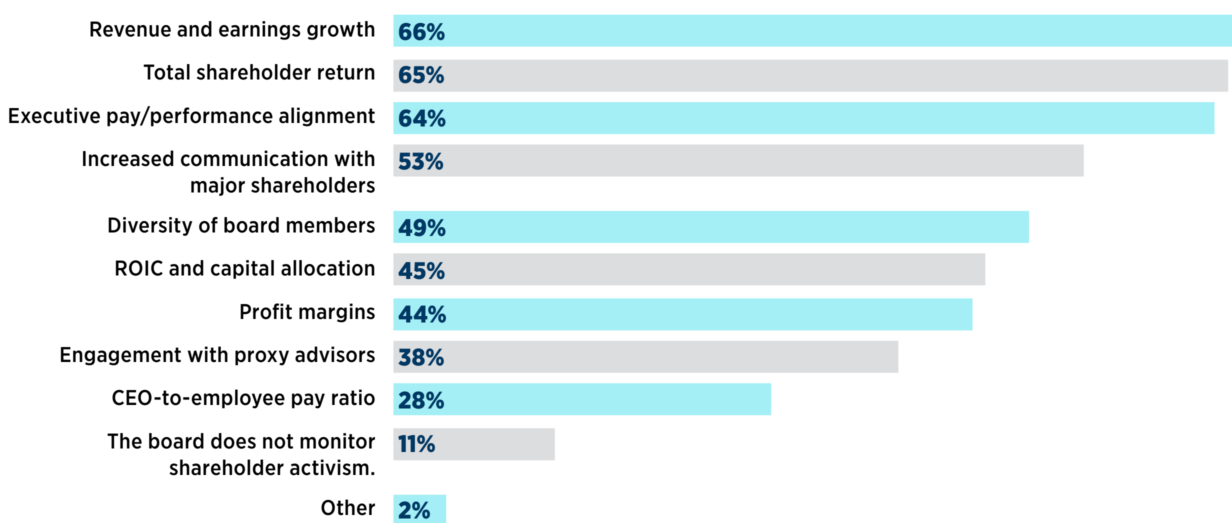
This year's survey revealed that only 11 percent of board members consider shareholder engagement and activism a top priority, a decrease compared to previous years, and only 7 percent consider shareholder activism "challenging to oversee," a decrease from 11 percent in 2023. Several factors could explain this shift in focus, but one possible explanation is the general belief that improving market conditions reduce the likelihood of activist pressure.

Another reason is that many directors report proactively tracking metrics they believe are important to shareholders. For example, two-thirds report monitoring total shareholder return (TSR) and executive pay / performance alignment, and 45 percent track evaluations of return on invested capital (ROIC) as key indicators of a company's vulnerability to shareholder activism.

Additionally, more than half indicated they have increased their interactions with shareholders—compared to 2022, when 32 percent reported that engagement with shareholders was more frequent—perhaps in response to the growing calls from industry experts to strengthen boards' activism preparedness through proactive communication with investors.

Still, effective activist mitigation goes beyond TSR and involves understanding where shareholder expectations are misaligned with the company, effectively engaging with activists to address their concerns and communicating corporate values. Proactive and strategic communications can mitigate risks, bolster investor confidence and protect company reputation. As directors continue to indicate that growth, M&A and succession planning are among the most challenging topics to oversee, they should consider capturing shareholder views on these critical issues.

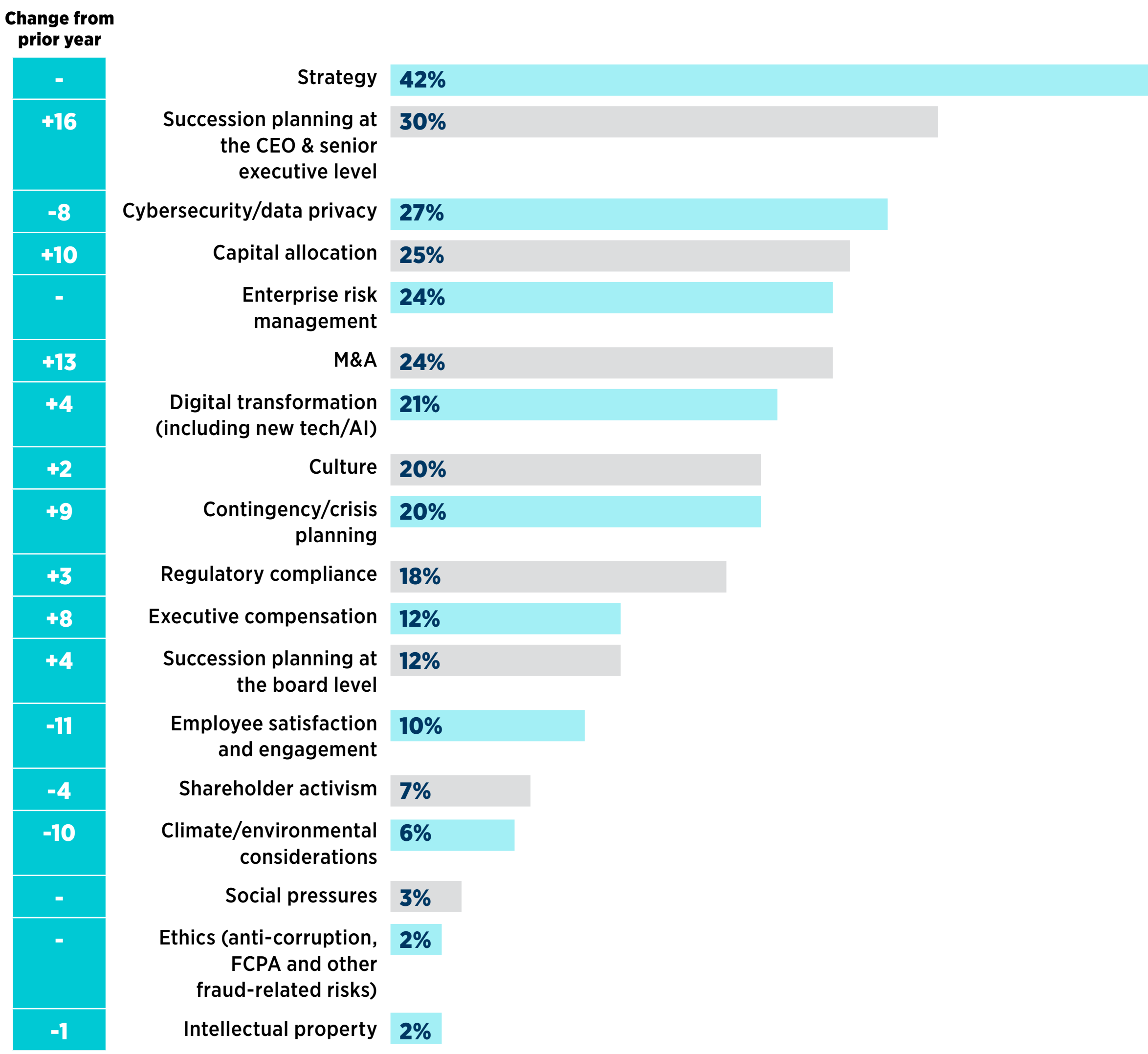
What, if anything, does your board monitor to help determine the company's vulnerability to shareholder activism?



INSIDE THE BOARDROOM (CHALLENGES & COMPOSITION)

For the first time in years, cybersecurity did not rank as the most challenging issue for directors to oversee. Instead, this year, strategy took the first spot, with 42 percent of surveyed directors selecting it as their biggest challenge, followed by succession planning (30 percent).

Which of the following issues do you find most challenging to oversee in your role as a director today?
**Respondents were asked to select top 3.*

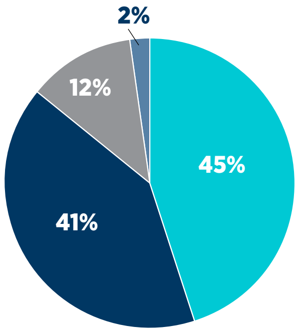


Only 30 percent of directors rate their board's ability to understand the company's long-term strategy as "excellent," according to our survey. Instead, two-thirds ranked it "good" or "average," evidencing the challenge with today's long-term view. Similarly, directors rated their effectiveness on succession planning much lower relative to all other dimensions listed – with only a slim majority (52 percent) rating it "excellent" or "good."

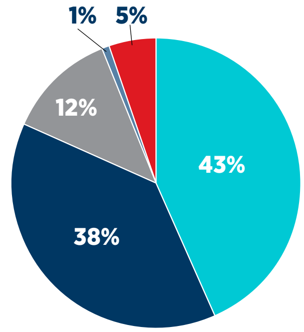
If you were grading your board's effectiveness, how would you rate it across the following dimensions?

Excellent   Good   Adequate   Poor   Don't Know

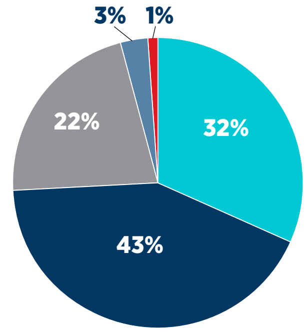
Its ability to properly align executive compensation with performance



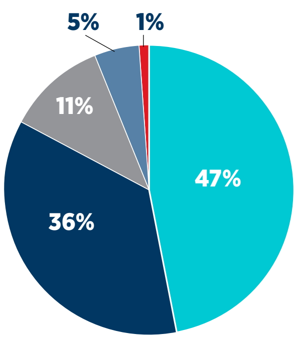
Its ability to thoroughly investigate internal fraud



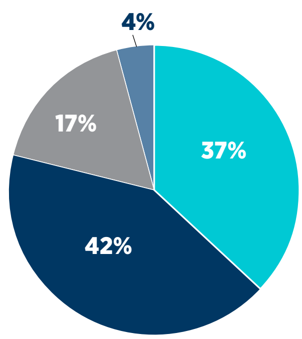
Its ability to oversee the risk management plan to mitigate corporate exposures



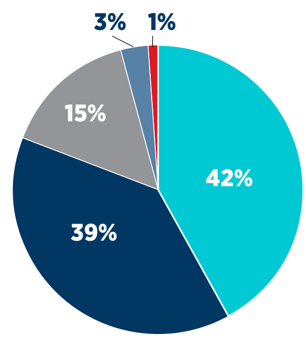
Its ability to challenge management when appropriate



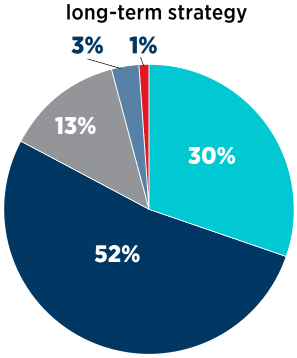
Its ability to hold efficient meetings that make the best use of directors' time and drive value for the organization



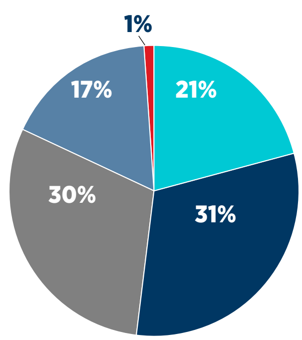
Its ability to fairly assess the CEO's performance



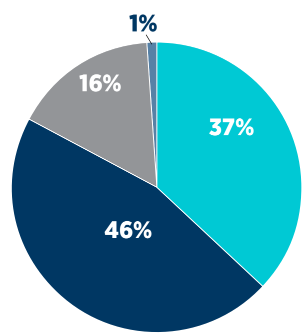
Its understanding of the organization's long-term strategy



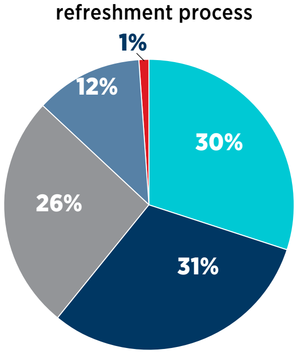
Its CEO succession planning process



Its balance of skills and expertise

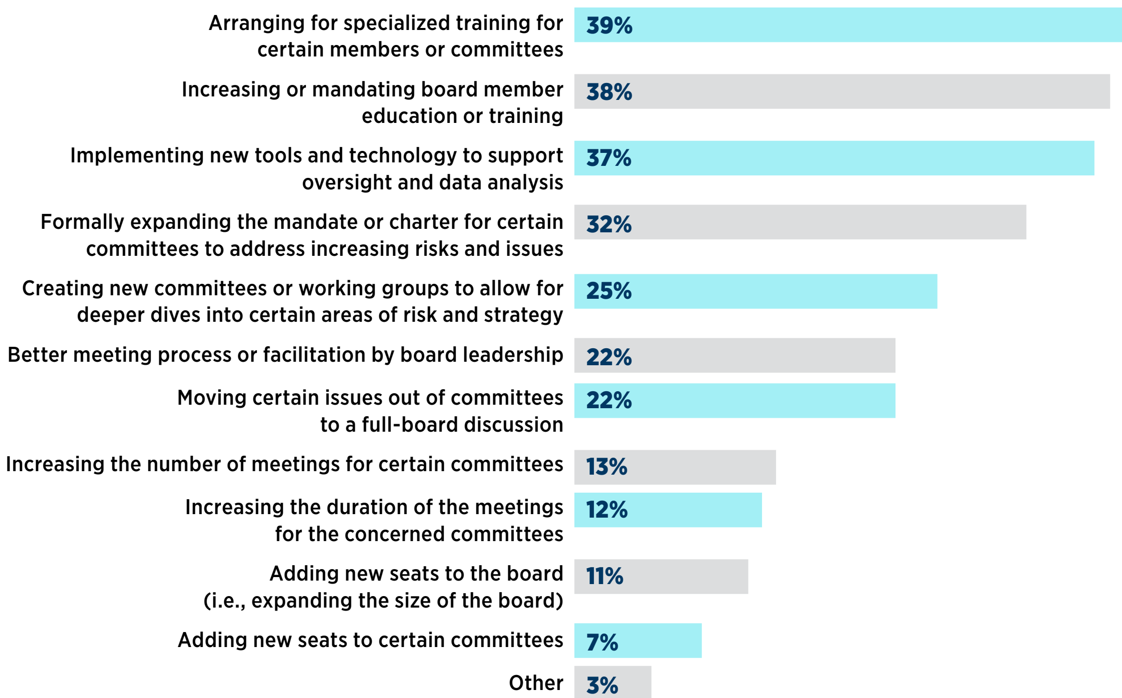


Its board/director evaluation and refreshment process



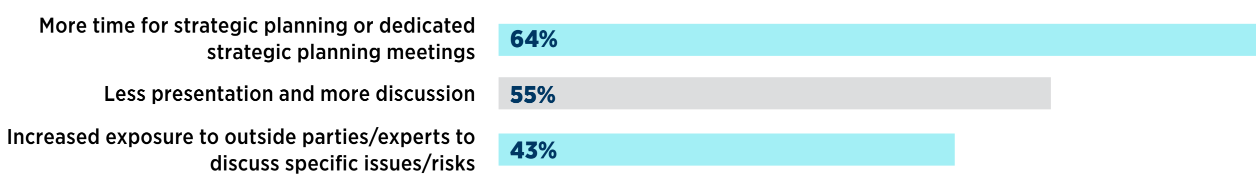
So, what do boards believe would improve their performance? Training and education were the most common answers provided by those surveyed, with specialized training for certain members at 39 percent and increased/mandated education for all board members at 38 percent. Coming narrowly in third place at 37 percent is implementing new tools and technology at the board level for oversight.

Which of the following changes do you believe would help modern boards function better?



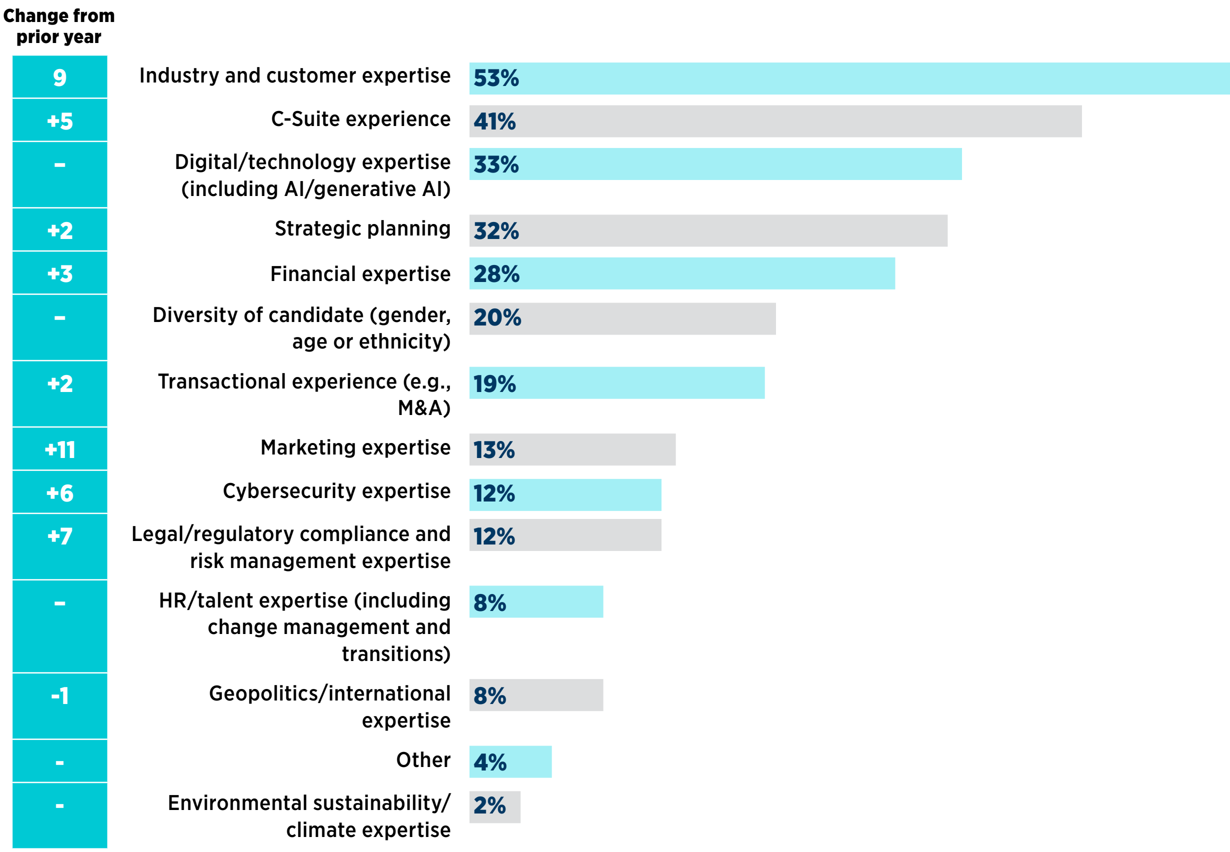
Another way boards can optimize the time they have and improve their performance is by reshaping the course of meetings. Management presentations, it seems, are still a thorny issue for board members who feel they are wasting precious time together reading slides. Here, again, board members are prioritizing strategic discussion.

Top 3 ways to optimize the board's oversight process



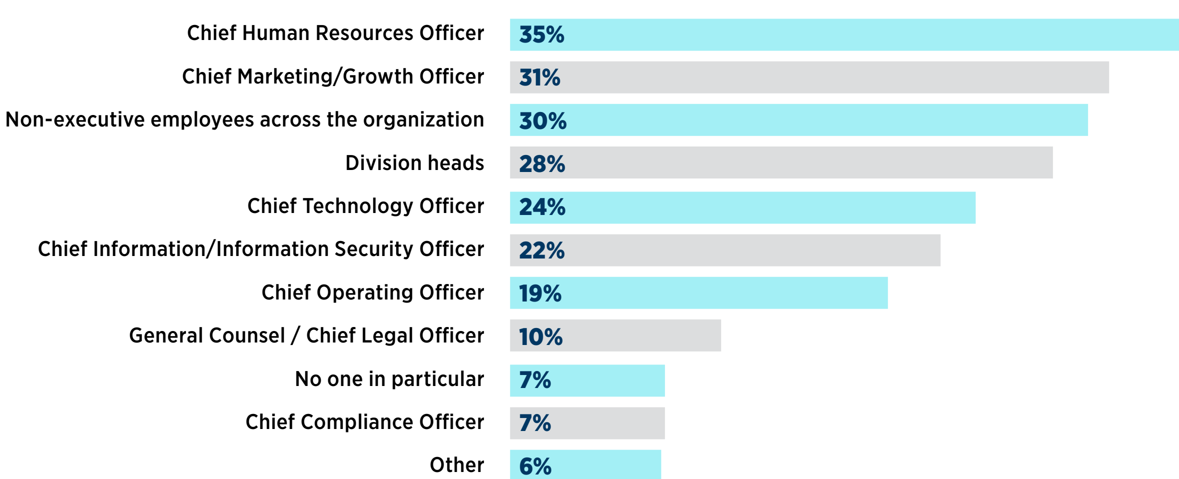
Our survey also found the growing presence of specific skills among boards, from cybersecurity to HR to AI, reflecting what directors view as the natural evolution of new candidates having worked with digital technologies and dealt with evolving labor and culture dynamics. In this year's ranking of the attributes needed to join a public company board, digital knowledge surpassed even strategic planning and financial expertise, which have long ranked at the top of the list.

If you were tasked to appoint a new director to your board, which of the following criteria would you prioritize in your search? *(Select your top 3 criteria.)*



Board members also expressed the need to hear from more and different members of the C-Suite outside of the CEO and CFO. Over a third (35 percent) want to hear more from the CHRO, and 31 percent want to hear more from the CMO. Only 7 percent of survey respondents did not list an executive or other employee type that they want to get more information from.

In addition to the CEO and CFO, from which of the following individuals would you like to hear more (whether via reports on in-person) as a board member?

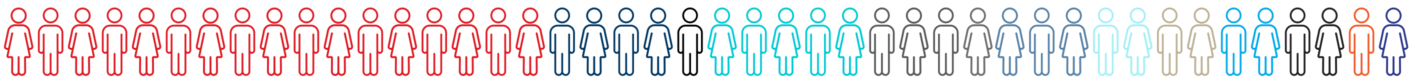


WHO WE SURVEYED

Since 2002, *Corporate Board Member* has been surveying public company board members in the U.S. on their governance practices. What Directors Think is our flagship research, which gathers insights from more than 200 directors each year on their priorities, challenges, outlook and impressions of America's business climate, including what's changing inside boardrooms around the country. For this 2025 edition, we partnered with Diligent Institute and FTI Consulting to bring you the findings in this report. The survey was conducted entirely online in September and October 2024. Some of the findings presented here include data from our November edition of the Director Confidence Index, conducted quarterly in partnership with Diligent Institute.

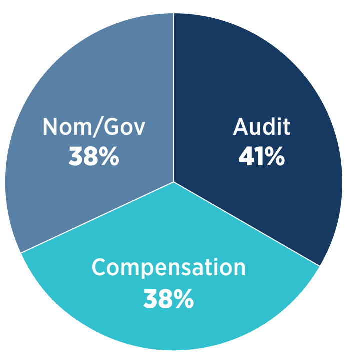
Board Title

**Respondents were asked to select all that apply.*

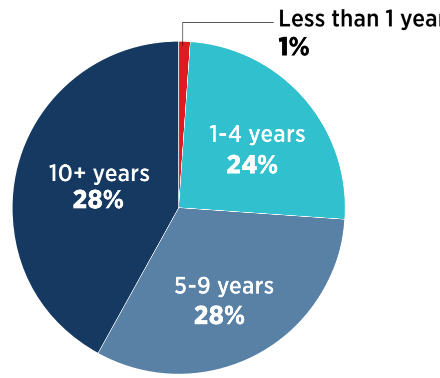


Indepen-dent or non-executive director	Nom/gov committee member	Comp committee member	Audit committee member	Audit committee chair	Nom/gov committee chair	Comp committee chair	Board chair	Other	Lead director	Executive/ Inside director
72%	**25%**	**24%**	**23%**	**18%**	**17%**	**14%**	**14%**	**12%**	**8%**	**6%**

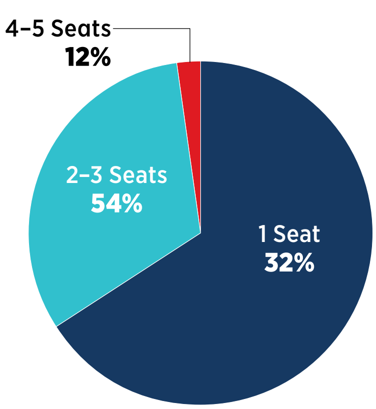
Committee Representation



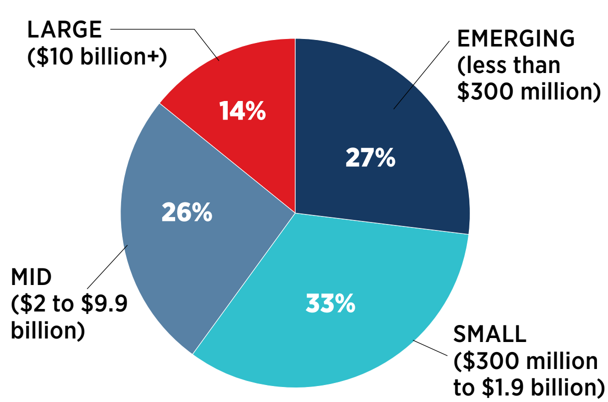
Public Company Board Tenure



Board Seats

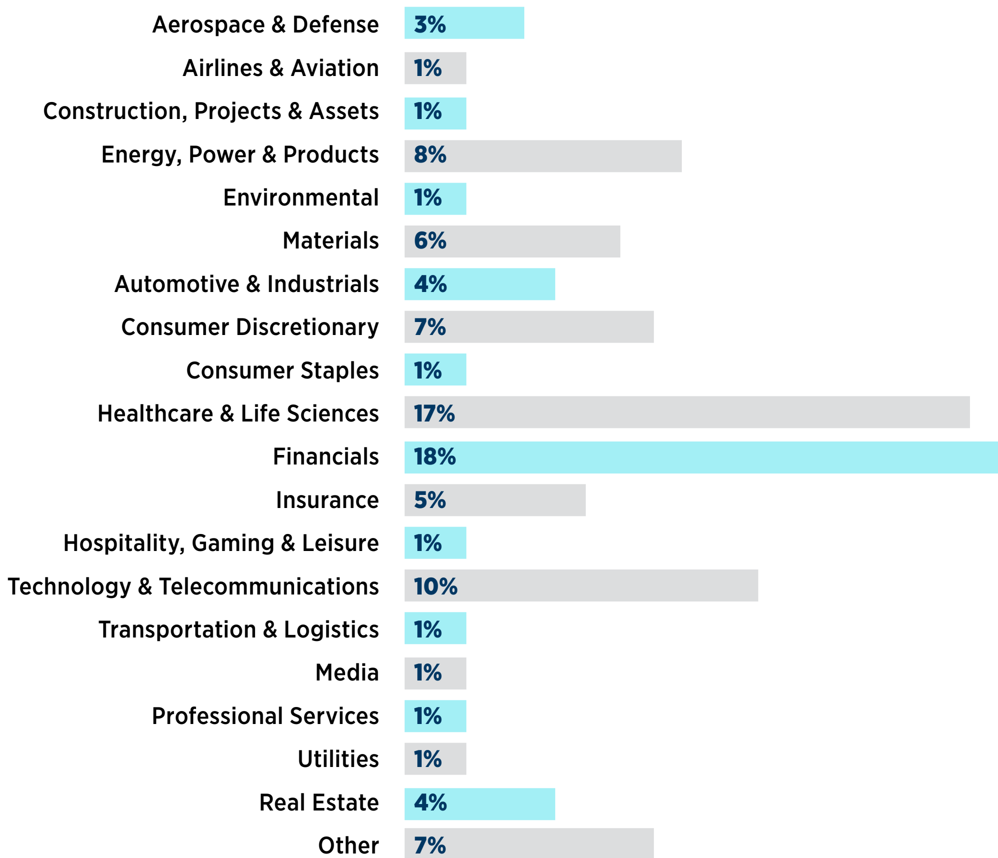


Company Size

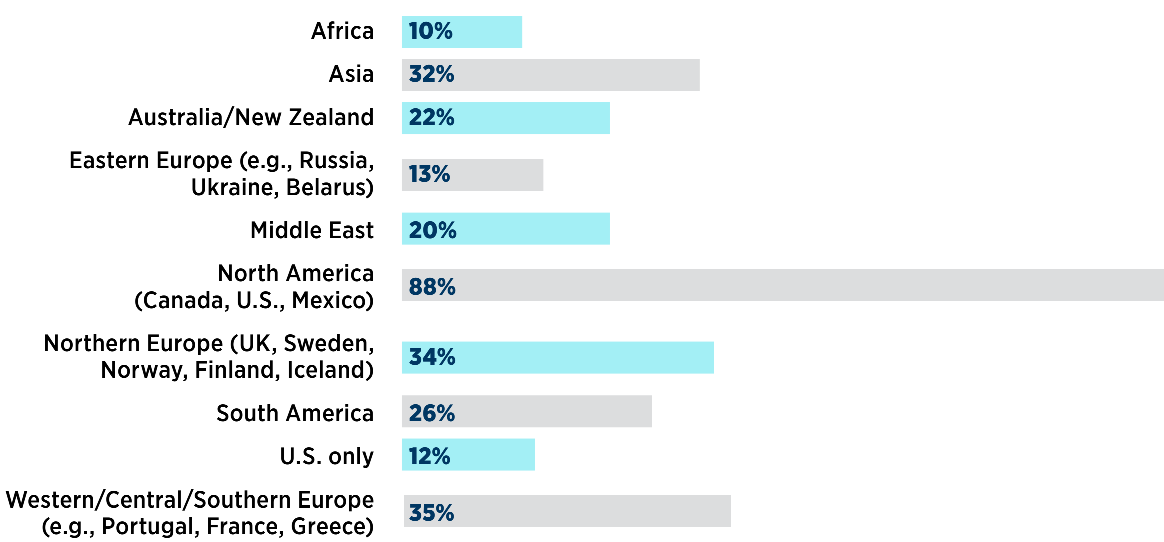


**For questions where respondents were asked to select only one option, totals may not add up to 100% due to rounding.*

Sector



Region of operation



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