EY Center for Board Matters

Asia-Pacific Board Priorities 2025

The 5 greatest challenges facing boards and organizations in 2025

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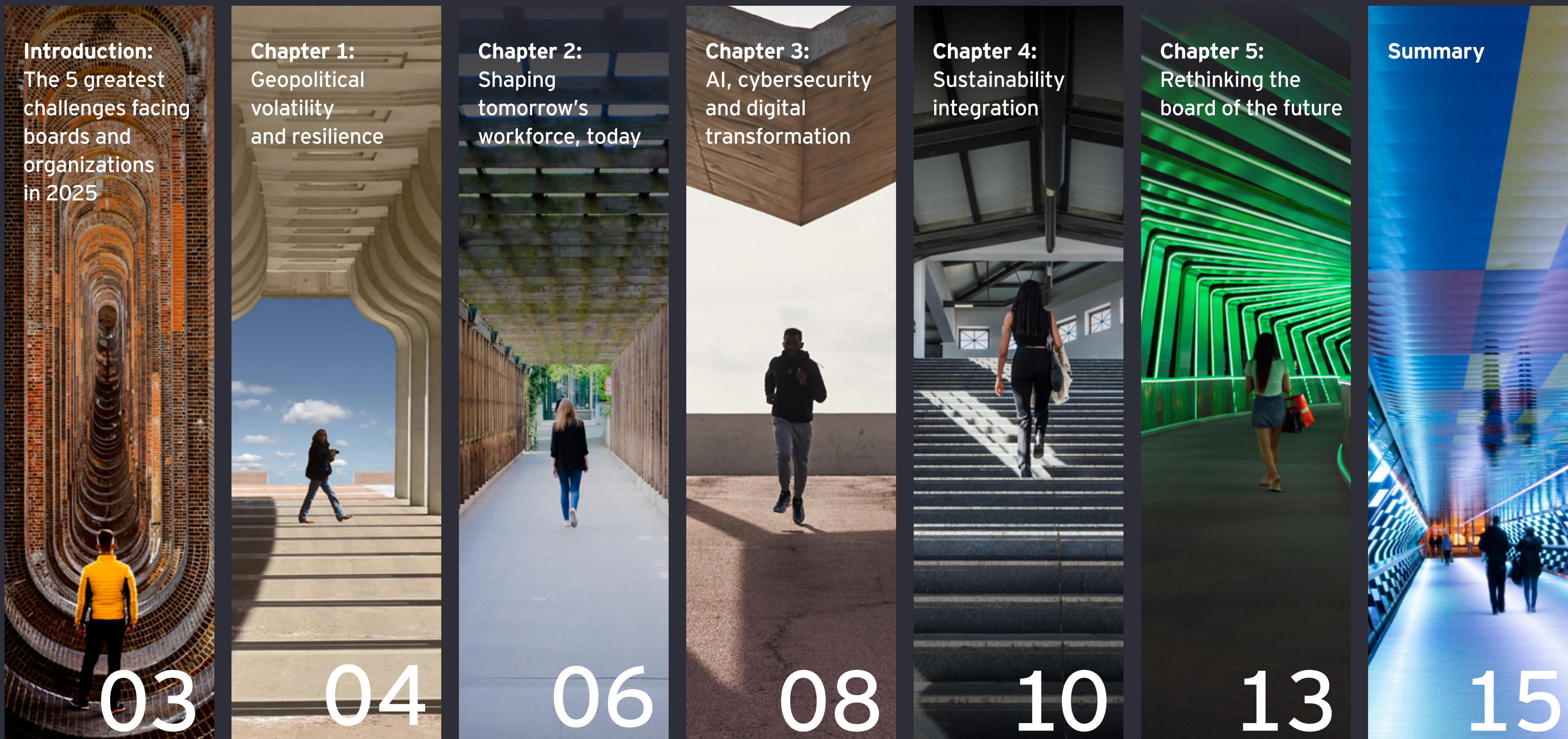
Shape the future with confidence

Table of contents



Introduction: The 5 greatest challenges facing boards and organizations in 2025

By acting with strategic intent and overseeing compliance, boards can support their organizations to shape the future with confidence.

Boards in Asia-Pacific are navigating a particularly complex and dynamic business environment. Their challenges include a low-growth economic environment with high interest rates, an ever-growing regulatory burden, rising geopolitical tensions, and shifting trade relationships due to the increasingly strained relationship between traditional trading partners such as China and the US.

Furthermore, boards are supporting their organizations to transition to more sustainable business models and take advantage of the technological revolution, including the opportunities presented by artificial intelligence (AI).

The Asia-Pacific Board Priorities 2025 explores some of the top agenda items for board members in the region today. It is based on in-depth interviews with EY professionals, including the EY Center for Board Matters,[1] Rachael Johnson, Global Head of Risk Management and Corporate Governance for Policy and Insights at ACCA, and international governance expert Dr. Dean Blomson. It also includes data from the Association of Chartered Certified Accountants (ACCA)/ Institute of Management Accountants (IMA) Global Economic Conditions Surveys (GECS)[2].

Brief

1> Asia-Pacific boards are supporting their organizations to navigate geopolitical uncertainty and build tomorrow's workforce, today.

2> Effective oversight of technology and sustainability is key to enabling business model transformation.

3> Boards could reimagine their operating models to meet the increasing expectations of stakeholders and boost organizational resilience.

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[1] Please see Chapter 5 for a full list of EY contributors

[2] The Global Risks Surveys are part of the ACCA/IMA Global Economic Conditions Survey – a quarterly economic survey of accountants around the world. The main indices of the Global Economic Conditions Survey are good lead indicators of economic activity and provide a valuable insight into the views of finance professionals on key variables, such as investment, employment and costs.

1 Geopolitical volatility and resilience

In an unpredictable world, boards must anticipate and plan ahead to consider alternative future scenarios.

Nearly half (43%) of Asia-Pacific CEOs surveyed for the September 2024 EY CEO Outlook Pulse cited the shifting global economic environment and geopolitical disruption (including trade tensions and conflicts) as a top disruption force for their industry and key markets over the next 12 months.

Adapting trade strategies

"Geopolitical risk is at its highest level in a generation, which is fundamentally changing the business environment and the way organizations operate," says Kyle Lawless, Strategy and Transactions Director at EY-Parthenon. "With geopolitical tensions set to remain heightened and fluid for the foreseeable future, the board should make sure that management is integrating geopolitical considerations into the organization's strategic planning and M&A process. Geopolitical risk should also be included in its enterprise risk management systems," he adds.

Today's polarized external environments require boards to support their organizations as they adapt their trade and finance strategies to shifting dependencies. That may involve supply chain restructuring to avoid over-reliance on certain markets, particularly markets that have a strained relationship with the organization's home country, or the use of financial instruments to hedge against tariff impacts.

"Geopolitical risk is at its highest level in a generation, which is fundamentally changing the business environment and the way organizations operate.

Portfolio strategy

It is also key that boards consider business continuity as well as the potential impact of geopolitics on the organization's overall portfolio strategy. This strategy will consider matters such as shared IT systems, the use of global and local brands, deployment of talent across borders, data storage and localization, and compliance with regulations and sanctions. At the same time, the organization will need to right-size its operations in the jurisdictions where it operates, striking the right balance between minimizing its exposure to geopolitical risk while achieving economies of scale.

Fragmented regulation

A further geopolitical challenge for boards is regulatory fragmentation in areas such as, but not limited to, AI and sustainability. "Regulatory fragmentation can be very worrying for a company with a global footprint," explains Julia Tay, EY Asia-Pacific Public Policy Leader, "because it must navigate different rules in different jurisdictions. Companies must decide whether to build a system for reporting in different jurisdictions, which can be very expensive, or to build a system that focuses on the most complex regulation and then find ways to bridge the gap with other regulations."

Questions for the board to consider

- How sensitive is our business model and global value chain to a geopolitical shock, including both military conflict and economic conflict such as tariffs and sanctions? Do we consistently evaluate our strategy against a range of geopolitical scenarios?
- Given the potential geopolitical disruption we face, how often are we reviewing our investment and divestment strategies? How are we considering the geopolitical risk impacts on transaction approval or deal value?
- How do we stay up to date on new and emerging regulations that are impacting our organization?

> "Regulatory fragmentation can be very worrying for a company with a global footprint, because it must navigate different rules in different jurisdictions.

What boards should do in 2025

To support their organizations to navigate geopolitical uncertainty, boards should:

- Establish whether management has the right systems and processes to scan the horizon and detect known, emerging and interconnected risks – and understand how these risks will impact the organization's strategic objectives.
- Consider engaging a third-party firm with specialist geopolitical knowledge and connections to provide targeted support to the board vis-à-vis risk and opportunity governance assessments.
- Aim to influence policy debates by responding to consultations and engaging with policy makers and regulators via roundtables and trade associations.

Question for audit committees

Which controls are in place to detect, mitigate and prevent geopolitical risk?

How often do we evaluate and test the robustness of those controls?

2 Shaping tomorrow's workforce, today

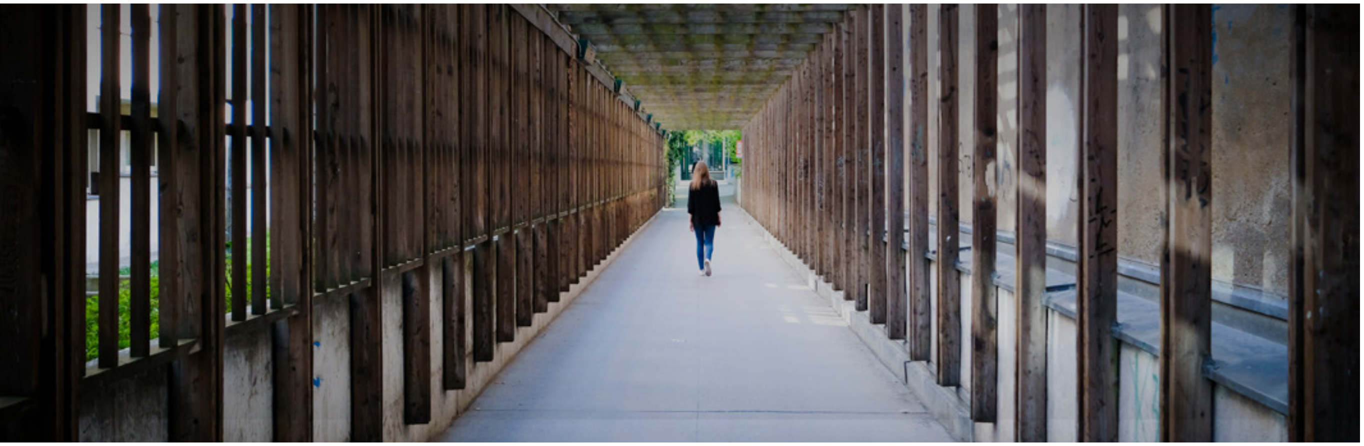
Skills are a critical focus area for boards as organizations balance growth with cost optimization.

Boards are supporting their organizations to navigate a range of existing, new and emerging workforce issues, including culture, upskilling, wellbeing and the challenge of attracting talent in a highly competitive and increasingly tech-enabled labor market. At the same time, organizations are optimizing their cost base and pursuing strategic expansion in an era of slowing global growth.

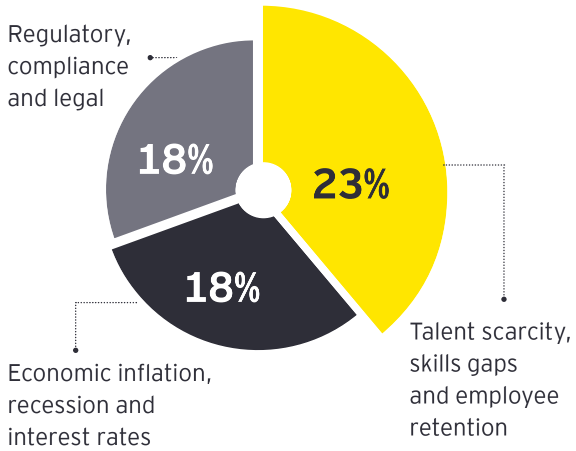
"For most organizations, their workforce is the largest cost on their P&L," says Matt Lovegrove, People Advisory Services Partner for EY Asia-Pacific. "So, their challenge today is to find the right people, with the right skills, to deliver their growth ambitions, at the right cost."

Skills shortage and mismatch

Skills shortages exist in many Asia-Pacific markets, including shortages of niche technical and technological skills (e.g., AI). Accordingly, respondents in Asia-Pacific to the ACCA/IMA GECS surveys (2024) ranked the issue of "talent scarcity, skills gaps and employee retention" as their highest risk priority in the fourth quarter of 2024. Almost a quarter (23%) included it among their top three risk priorities.



Top three risk priorities for Asia-Pacific (Q4 2024)



Source: ACCA/IMA GECS surveys (2024)

Talent proposition

Boards should be aware of how organizations can enhance their talent proposition. The EY 2024 Work Reimagined Survey revealed that over half (52%) of employees in the region said that better wellbeing programs would attract them to a new employer or job. Flexibility was another important consideration, with 50% favoring flexibility in where they work or the ability to work remotely more often.

Several US companies have rowed back on diversity, equity and inclusion (DEI) commitments over the past 12 months. Should Asia-Pacific organizations follow suit, they risk compounding the scarcity of available talent and skillsets – likely resulting in missed growth targets and higher wage growth inflation. To make sure their organizations have access to the diverse skills necessary to succeed in future, boards should continuously question management on how it can further unlock and embed DEI within the organization's talent frameworks.

Questions for the board to consider

- Does the chief people officer regularly attend board meetings and present on the organization's talent strategy? If not, why not?
- How are we boosting the attractiveness of our employer brand to appeal to a larger and more diverse talent pool? Which retention initiatives do we use to motivate and retain our brightest people and how effective are these?
- Do we have sufficient diversity in our management team and do we have diversity of opinion in our decision-making at board level?
- What are we doing to continually reskill both our workforce and ourselves so we remain competitive?

> "For most organizations, their workforce is the largest cost on their P&L. So, their challenge today is to find the right people, with the right skills, to deliver their growth ambitions, at the right cost.

What boards should do in 2025

To support their companies to develop tomorrow's workforce, boards should:

- Challenge management to continuously evolve the organization's talent strategy, ensuring it enables the business to achieve its growth and performance objectives.
- Find out how management is improving and measuring the diversity of its workforce by accessing the skills and experiences of a broader talent pool.
- Explore how the organization can more effectively identify and tap into the talent pools of emerging markets.
- Consider creating a performance or growth committee that is focused on supporting the organization to grow its business including drawing on its skills and talent pools.

Question for audit committees

Which controls and processes do we need to report more effectively on talent and meet the expectations of our stakeholders?

3 AI, cybersecurity and digital transformation

With the rise of GenAI, boards are overseeing an even more complex technological landscape.

Technology continues to be a major strategic priority for boards in Asia-Pacific. Their organizations are balancing investment in multi-year technology transformations with investment in upgrading their cybersecurity footprint. At the same time, they are trying to future-proof their business by deploying emerging technologies, including generative artificial intelligence (GenAI).

Talent and AI

The risk of GenAI being inadvertently or deliberately misused is a serious concern given almost a fifth of Asia-Pacific employees (19%) surveyed for the EY 2024 Work Reimagined Survey said that they already make extensive use of GenAI in their job. As such, it is critical that boards not only challenge management on their talent upskilling priorities but understand the opportunities and risks associated with adopting GenAI to scale their business.

Ethics and application

Research by EY, The Australian AI Sentiment Report (via EY Australia), found that Australian citizens have wide-ranging concerns about the use of AI. Over two-thirds (68%) are anxious that their personal data will be used to train AI, while 62% worry that AI will be used to manipulate the way they think or feel, and 55% fear that people like them will lose their jobs to AI.

To build confidence and gain competitive advantage, organizations must develop AI systems that meet the needs and expectations of their stakeholders. This requires them to hire diverse development teams. "We need to make sure that technology is representative of the population, but we are not seeing the level of diversity in the AI workforce we would like," says Katherine Boiciuc, EY Oceania Chief Technology and Innovation Officer. "We should also be aware that women and other underrepresented groups stand to be hit hardest when it comes to job losses triggered by AI."

AI as an opportunity

As well as managing the risks, boards are interested in how AI can transform their organization by enabling new business models. Over half of respondents (55%) to the EY CEO Outlook Pulse in September 2024 said that leveraging emerging technologies to build an innovation edge and drive new ways of working was one of their most important priorities in their technology strategy.

AI regulation

The regulatory framework around AI is evolving rapidly in Asia-Pacific. Japan, Indonesia, South Korea, Taiwan, Thailand and Vietnam are all planning to introduce AI legislation. Meanwhile, the Australian Senate Committee has recommended the Australian government to introduce new, whole-of-economy, dedicated legislation to regulate high-risk uses of AI. Already, Asia-Pacific companies that operate in the EU must comply with the EU AI Act.

> "We are not seeing the level of diversity in the AI workforce we would like. Women and other underrepresented groups stand to be hit hardest when it comes to job losses triggered by AI.

Questions for the board to consider

- How can we acquire the technology skills we need to innovate so we can grow our business and remain competitive in the future? What can we do to foster a culture of continuous learning and development within the organization?
- What are the implications of GenAI for our current workforce model? How can we use the technologies to maximize the efficiency of our people and what upskilling is required?
- Which measures exist to protect the organization against risks such as bias, hallucination, intellectual copyright breaches, "deep fakes" and cybersecurity threats?
- What practical steps are we taking to comply with new regulatory requirements?

Question for audit committees

Do we have a detailed understanding of our governance process in relation to AI? How frequently is that process reviewed and audited? Does it allow for AI models degrading over time?

What boards should do in 2025

To support their companies on the technology, transformation and cybersecurity agenda, boards should:

- Determine and clearly communicate where responsibility for these areas lies (i.e., full board or separate committee) and how board mechanisms (e.g., information flows, ways of working) need to adapt to ensure effectiveness.
- Foster a culture of innovation and encourage collaboration across departments. Boards should also understand how emerging technologies can transform business models.
- Verify that robust cybersecurity measures exist and oversee the protection of digital assets and data privacy.
- Understand the evolving AI regulatory landscape and ask management how the organization intends to comply with new regulations.
- Establish an advisory group for AI, consisting of external experts who are available to advise both the board and the executive team.

4 Sustainability integration

Despite political shifts, boards can help their organizations to set a clear strategy for operating within planetary boundaries.

Many organizations still have highly unsustainable business models that will cease to be operationally and politically viable in the near future. The World Economic Forum's Global Risks Report 2025 cites five sustainability-related risks – including extreme weather events, natural resource shortages and ecosystem collapse – as the greatest risks facing the world over the next decade.

Short-term politics vs. long-term thinking

There is uncertainty around short- to mid-term sustainability policy in many jurisdictions. Nevertheless, business cannot escape the challenge that we have made insufficient progress to mitigate climate change and have transgressed six of the nine planetary boundaries. At the same time, we must manage the effects of geopolitical polarization, multiple active conflicts and acute shocks from the energy crisis.

Against this context, boards should encourage a longer-term view to position their organizations at the forefront of the transformation to a new economic system: one that avoids potential ecosystem collapse and instead prioritizes human and planetary wellbeing.

> "As extreme weather events increase in frequency and intensity, as we have seen recently in California, boards will increasingly be confronted with the physical impacts of climate change.

More than just reporting

Now that reporting obligations are widespread, further regulations are likely to focus on driving behaviors that accelerate the achievement of net-zero targets – for example, by reducing carbon emissions. So, organizations will need to focus on the transition to renewable energy if they are to meet the requirements of their trading partners in relation to Scope 3 emissions.

"As extreme weather events increase in frequency and intensity, as we have seen recently in California, boards will increasingly be confronted with the physical impacts of climate change on their organizations," says Terence L Jeyaretnam, EY Asia-Pacific Climate Change and Sustainability Services Leader. "They should also support their organizations to respond to several other important trends: a global move away from plastic, regulation to combat deforestation, and the rise of right to repair legislation."

Questions for the board to consider

- Imagine what our sector would look like in a regenerative economy: how would our current business model need to change?
- How can we evolve our business model in response to emerging trends and are we considering different future scenarios?
- Do we have the right skills mix on the board to ask appropriate questions of the management team in relation to sustainability? Do we have clarity on director duties in relation to assessment of climate risk?
- How are we using our sustainability reporting to inform our strategic decision-making and capital allocation?

Question for audit committees

- Are we confident that sustainability objectives and progress are supported by reliable and measurable data points to protect us from potential allegations of greenwashing?
- Do we have sufficiently accurate data, along with appropriate processes and controls, to produce high-quality sustainability reporting that is useful to our trading partners?
- What is the connectivity between our financial report and our sustainability report? How can this connection be enhanced?

What boards should do in 2025

To support their companies to develop tomorrow's workforce, boards should:

- Understand the market drivers for the organization's sustainability strategy and sustainability disclosures, as well as the expectations of its stakeholders.
- Work with management to understand which sustainability-related risks and opportunities exist and how these can be levers for transforming the organization's business model.
- Build capacity in sustainability so that board members develop the skillsets to ask deep questions around sustainability matters, including on planetary boundaries, the intersection of socioeconomic and geoeconomic crises, and human-centered issues.
- Understand the policy nuances between different jurisdictions – particularly the US and Europe – in terms of where they are on their sustainability journey today and where they may be in five years' time.

These trends will require organizations in Asia-Pacific to rethink – and, in many cases, reinvent – their business models to have a positive impact. To respond to right to repair legislation, for example, they will need to look at producing more durable goods, with a longer lifespan, so that fewer items end up in landfill. Research by the EY New Economy Unit, Beyond sustainability as usual, highlights examples of companies that are already pioneers in the repair and reuse space.

Greenwashing

Over half (58%) of Asia-Pacific finance leaders surveyed for the EY 2024 Corporate Reporting Survey felt sustainability reporting in their industry faces a high risk of being perceived as including elements of greenwashing (e.g., inadvertently or deliberately disclosing misleading, incorrect or incomplete information).

"Boards are worried about greenwashing because of the potential for reputational damage," says Rachael Johnson, Global Head of Risk Management and Corporate Governance for Policy and Insights at ACCA. "Internal controls around sustainability information can often be a blind spot within organizations because they are not necessarily tested to ensure that they can detect greenwashing."

Prioritizing sustainability

While sustainability has the potential to significantly disrupt their markets, research suggests that many organizations in Asia-Pacific do not sufficiently prioritize it at present. Less than a third (27%) of Asia-Pacific CEOs who were surveyed for the EY CEO Outlook Pulse in September 2024 cited climate change and environmental issues among the top three disruption forces that would most drive change in their industry and key markets over the next 12 months.

Boards are tasked with aligning sustainability ambitions with concrete actions, despite facing economic and systemic challenges. To achieve success, it's essential to weave sustainability into the fabric of core business strategies, encourage cross-functional collaboration, and engage in collective efforts that span the entire business ecosystem. An integrated approach ensures that sustainability is not just a goal, but a driving force for actionable change.

> "Internal controls around sustainability information can often be a blind spot within organizations because they are not necessarily tested to ensure that they can detect greenwashing.

5 Rethinking the board of the future

Boards in Asia-Pacific should reimagine their operating models to enhance their own effectiveness and boost the resilience of their organizations.

Boards in Asia-Pacific are caught in an unrelenting expectations crunch that is testing the effectiveness of their governance models. Part-time directors are juggling an increasingly large and demanding workload, without having adequate capacity and time. Additionally, they must absorb a barrage of information. Current trends suggest that boards of many organizations (not all) will need to make substantial changes to their roles, operating structures and ways of working, to be fit for the future. Establishing a clear purpose, and aligning an operating model around it, is a good place to start.

> "I see the board model evolving to be more about horizon scanning, challenging management on embracing topics such as AI, sustainability and DE&I and whether management is future proofing the business.

Stakeholder governance

"There is a growing set of expectations for boards that goes beyond profit and free cashflow and that's not going to change," says Dr. Dean Blomson, international governance expert and Adjunct Professor at the University of Technology Sydney. "One challenge for boards in relation to their operating model is to work out how they can tap into different stakeholders, work out which of these stakeholder groups are legitimate, and should be prioritized; and then establish whether their more specific demands and expectations are legitimate as well."

A study (via EY Australia) of Australian boards,published by the EY Global Center for Board Matters in collaboration with Dr Blomson, highlighted that effective boards of the future will have more frequent, real-time interactions with management and key stakeholders. They also need access to information that isn't necessarily filtered and curated by management first. Useful mechanisms include customer working groups, and/or supplier groups, and shadow boards that feature a mix of employees, including younger generations.

Horizon scanning

The role of the board has arguably become unbalanced over time in response to growing regulatory requirements. "Historically, the board model has been about compliance and the board acting as a check and a balance to management," says Yew-Poh Mak, EY Asia-Pacific Deputy Area Managing Partner. "I see the board model evolving to be more about horizon scanning, challenging management on embracing topics such as AI, sustainability and DEI, and whether management is future-proofing the business from a disruptive geopolitical landscape and technology."

Ultimately, what your board will look like in 2030 depends on various factors, including your current state, levels of maturity, and the organization's future ambitions. It will require a deliberate effort – and perhaps some acts of bravery – to challenge the status quo and reimagine what could be, in order to meet the complex demands of the future.

> "There is a growing set of expectations for boards that goes beyond profit and free cashflow and that's not going to change.

Questions for the board to consider

- How can we broaden the structural arrangements of our board to tap more expertise (e.g., digital advisory boards, sustainability advisory boards, supplier and /or customer groups)?
- How effectively are we balancing our compliance and strategic responsibilities? Which supplemental skills and knowledge do we need to perform better? For example, do we need to organize additional training, put our directors through a certification program or set up more specialized advisory committees on certain topics?
- How can AI tools support more effective governance - for example, by summarizing lengthy documents or powering real-time dashboards that inform faster decision-making?
- How can we engage more effectively with our stakeholders, including employees and customers?

Question for audit committees

How could the audit committee structure evolve to support a new board operating model?

What boards should do in 2025

- Establish what "fit for purpose" means for your operating model by looking at the long-term, societal purpose of the organization, the board's mid-term priorities, and board members' views of their responsibilities.
- Have an honest conversation about what kind of governance approach will best fit your board's and organization's long-term goals, medium-term priorities and overall purpose.
- Decide with management who's responsible for what, and how to deal with the grey space in the middle. That includes which decisions you will own, and what you will delegate to management.
- Develop a staged plan for transforming your governance model, perhaps by changing the board composition or making more use of technology.

Summary

Board members in Asia-Pacific are supporting their organizations to navigate a challenging and dynamic operating environment. The priorities outlined in this report should help them to reflect on today's most pressing issues so they can effectively question management and set their organizations up for even greater success tomorrow.

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Our thanks go to all those who contributed their insights for this report:

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