EY Center for Board Matters

Americas board priorities 2025

Four focus areas to move forward with confidence

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Shape the future with confidence

Introduction: four focus areas for boards in 2025

Leading boards will help their companies make intentional choices in order to survive and thrive in times of uncertainty.

In 2025, successful companies and their boards will not merely react to rapid changes; they will anticipate those changes, build the ability to sense and respond to various scenarios, and act with intention to be resilient and shape the future of their organizations.

Boards will be faced with important choices, including how to structure agendas to spend time on the right issues; what types of data and information to request from management and external sources; whether and how to adjust committee structures or board processes; and how to make certain that the board's composition is fit for purpose as strategies evolve.

The EY Center for Board Matters heard from more than 500 directors across seven countries in the Americas about their board priorities for the coming year *(see "Methodology" on page 13)*. Our observations are informed not only by our annual director survey, but also through ongoing engagement with key stakeholders across the governance ecosystem, including with full boards, individual directors, C-suite executives and leading institutional investors.

IN 2025, WE OFFER THESE FOUR FOCUS AREAS FOR BOARDS:

1> Support reshaping the portfolio to reinvest for the future

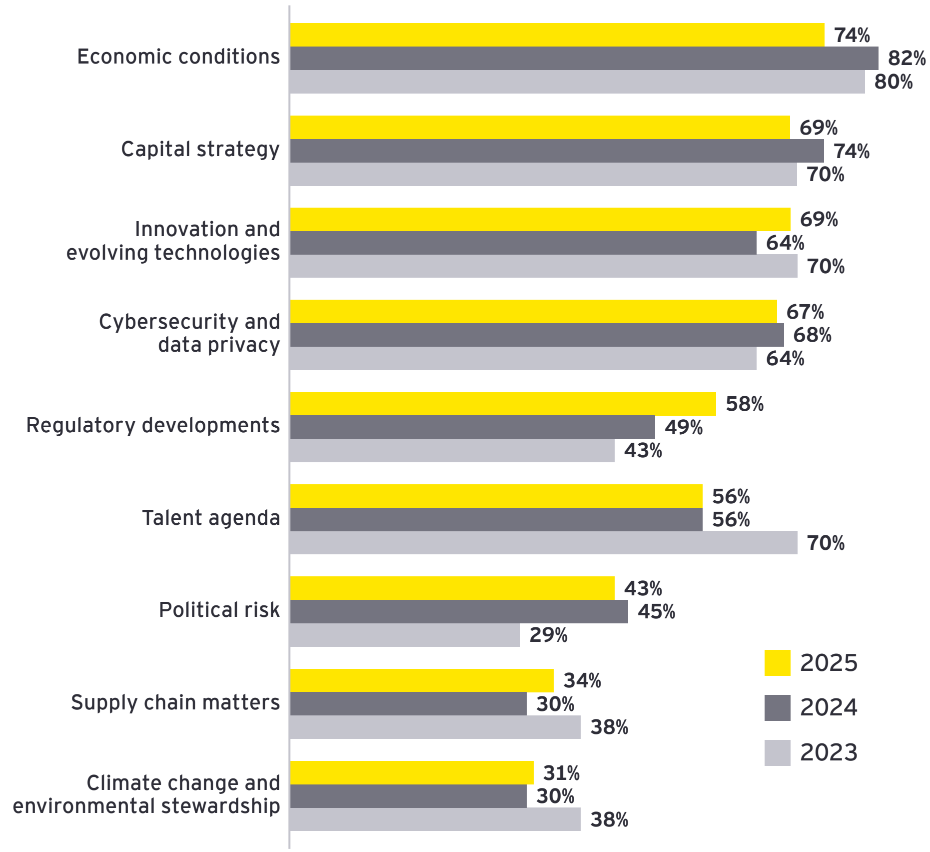
2> Navigate the upside and downside of technology

3> Assess the company's resiliency posture

4> Enable a talent advantage in an era of workforce instability

Board priorities

% directors surveyed ranking oversight topic among the top five



Source: Analysis by EY Center for Board Matters

1 Support reshaping the portfolio to reinvest for the future

In overseeing strategic portfolio reviews, boards can enable management to maximize profitability and position for transformation.

While economic conditions and capital strategy top the board agenda for the second year in a row, fewer directors are ranking these issues as top-five board priorities, and their continued prominence is tinged with more optimism this year compared with 2024. EY economists paint a positive, if still uncertain and uneven, economic outlook for 2025, marked by continued global disinflation and easing monetary policy. Geopolitical tensions continue to generate risk in today's supply-driven environment, but, overall, CEOs globally are optimistic about economic conditions, investment opportunities and their company's ability to grow over the next year.

Even so, in an environment of still-elevated costs, leaders are not relenting on cost control and financial discipline; rather, they are channeling that discipline to unlock capital for reinvestment. Boards will need to play a key role in overseeing a more disciplined and efficient use of capital. Our survey indicates that directors are satisfied with the information they are getting and the time they are spending on capital strategy and economic conditions (*see "Where do boards want more time and information?" on page 11*). Yet, with continuous improvement in mind, boards have an opportunity to ask different questions and encourage more deliberation and open debate, in order to optimize their governance of investment decisions and related performance.

Boards can foster robust dialogue by questioning how management is reducing costs in a targeted way and reinvesting capital to develop capabilities to support growth. Through rigorous oversight of the portfolio review process, boards can press management on how it evaluates underperforming business units or

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non-strategic assets. They can support divestment actions that free up capital for more profitable ventures and oversee how metrics designed to measure investment decisions impartially are helping CEOs act with confidence.

Many companies will continue to invest in artificial intelligence (AI) as they move from a multitude of AI use cases to a prioritized set of investments that can be applied at scale to improve value optimization and creation. Notably, two-thirds of directors responding to the survey think management should prioritize AI to capture market opportunities and greater internal efficiencies over mitigating risks. Just one-third said mitigating AI risks should be prioritized even if it reduces speed to market or slows internal process improvements. This imbalance underscores the need for robust debate and constructive deliberation to establish that the board and the management team are aligned on risk appetite with respect to AI investments.

Directors will embrace transaction-led transformation, survey responses show. Directors who think their company's strategy will change over the next three years ranked the pressure to grow via transactions as a top driver of that change, along with increased competition and AI. Deal volume is expected to increase in 2025, underscoring the importance of boards overseeing how their companies are optimizing their portfolios to enable agility and capital strength. Further, boards will play an important role in overseeing how companies are truly transforming through capital strategy decisions that may require reimagining the enterprise.

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QUESTIONS FOR THE BOARD TO CONSIDER

- How are board discussions with management enabling robust deliberation about capital allocation decisions? Are those discussions helping management challenge the strategic assumptions that guide portfolio reviews? Do they include the consideration of divestment actions that could unlock capital for more strategic initiatives?
- What financial and nonfinancial metrics are driving management's investment decision-making? How confident is the board that those decisions are fully informed, unbiased and anchored on the right key performance indicators (KPIs)?
- How is the capital the company is putting toward technology or sustainability initiatives advancing the business? As generative AI (GenAI) matures and the energy transition context changes, is the board overseeing (and is the company clearly communicating) how management uses financial analysis to drive related strategic decisions and take advantage of market opportunities?
- How is the board holding management accountable for balancing the need to get to market quickly with the need to mitigate AI risks?

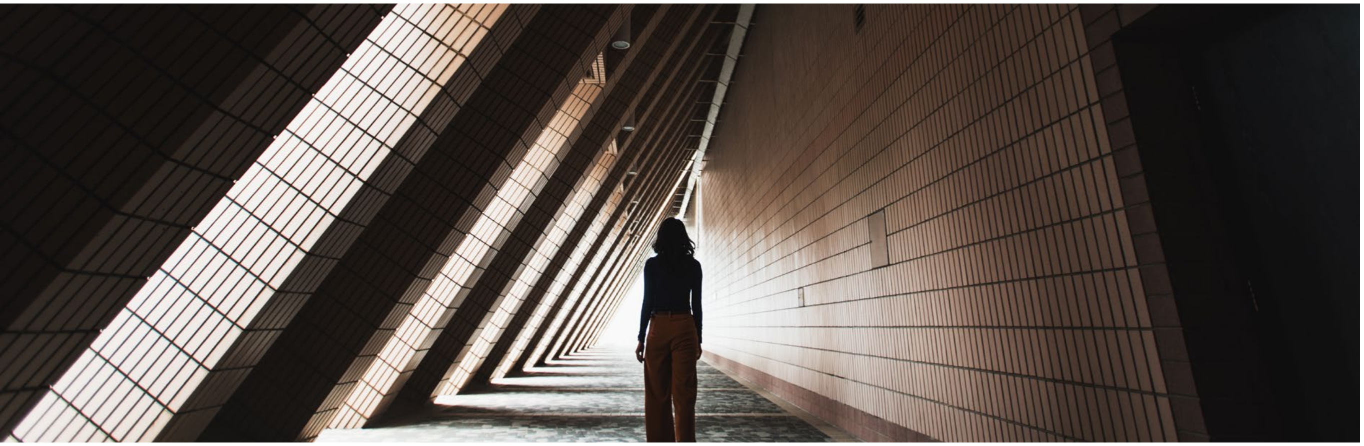
2 Navigate the upside and downside of technology

Connect common elements among cybersecurity and technology innovation.

Cybersecurity and emerging technology and innovation all garner a significant mindshare from directors. In our conversations with board members, we often hear them referenced as opposite sides of the same coin: Companies deploy cybersecurity controls to mitigate the downside risk of technology from threats and threat actors and to seize the upside opportunity to muster technology for growth and strategic advantage through innovation. While overseeing these issues often involves separate boardroom discussions, there is a connection in the oversight of cybersecurity, data privacy, and emerging technology and innovation that suggests boards will be better served by bringing elements of these discussions together.

At leading companies, boardroom discussions about AI and other emerging technologies are moving beyond the basics of technology and relevant use cases to a strategic conversation about how to scale AI and other emerging technologies for competitive advantage. This shift will drive important discussions about building, using and deploying these technologies appropriately by setting risk tolerances and a responsible tone at the top.

Cybersecurity, data privacy and innovation represent areas of opportunity boards see to improve their own work and effectiveness. Nearly half (45%) of directors cited innovation and 42% cited cybersecurity as subjects on which their boards do not spend enough time. These are also two areas where board members report needing more information and resources, with 43% saying so for emerging technology and innovation and 39% for cybersecurity (*see "Where do boards want more time and information?" on page 11*). Further, only about



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40% of directors are confident in their management team's skills and resources to address these areas.

Having the right inputs and dedicating the right amount of time to these topics is critical because the conversation many boards are having about these topics is changing. Discussions among directors are moving away from "what is this?" to identifying strategic opportunities with clear ROI. At the same time, cybersecurity discussions – and disclosures – are incorporating an awareness of ever-growing sophistication that can include quicker, broader or more targeted attacks. Further, the regulatory and policy environment for cybersecurity, data privacy and AI is becoming more complex, with a web of different regulations from different countries and regulatory authorities.

One reason for these changes is the maturing of GenAI as it moves away from chatbots and assistants embedded in applications to AI agents that can work across multiple applications. Companies may be starting to reap benefits from their strategic shifts, research and development (R&D) efforts and discussions on scale innovations. Unfortunately, adversaries also have access to many of these tools. However, the application of security orchestration, automation and response (SOAR) and similar solutions enhances cybersecurity and risk management.

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QUESTIONS FOR THE BOARD TO CONSIDER

- Where in the boardroom should discussions about cybersecurity and emerging technology take place (i.e., board, committee or subcommittee level)? How do board agendas or committee charters need to change to enable these discussions?
- What skills and experience does the board need in order to provide oversight on the upside and downside of technology? Where does the board need more or different information from management and external advisors to enable ongoing learning and to enhance oversight?
- What are the largest near- and longer-term risks associated with emerging technologies? What new critical single points of failure exist in the cybersecurity and technology infrastructure and supply chain? How can these be mitigated?

3 Assess the company's resiliency posture

Leading directors work with management to assess risks, build resiliency, and adapt strategies for long-term benefits.

As newly elected governments around the globe begin to guide policy, geopolitical tensions – including the conflict in the Middle East, the war in Ukraine and the shifting nature of globalization – are already having a real impact on company operations. To take just one example, the cost to ship goods in September 2024 was more than 160% higher than a year prior. The global outlook for many is set to remain complex and uncertain moving into 2025. For some countries, regulatory developments are even higher on the board agenda, ranking as the top board priority in Brazil and number three on the list for Chile. In the US, regulatory developments were further down the rankings at number six.

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Many of these issues will make their way into corporate boardrooms as their impacts cascade through the global economy. Political risks, regulatory changes and supply chain matters are among the topics for which a majority of directors report being satisfied with the information they are provided and the board agenda time they are allocated.

These resources and engagement may help boards, as changing regulatory requirements and industrial trade policies could directly impact company operations and strategy. Still, among the minority of directors who say their company strategy will change over the next three years, few cite the evolving structure of globalization among the factors most influencing that change. This raises questions around whether companies have mapped the impact of political risks across their activities and are adjusting strategy accordingly.

Successful boards are working with management to extend resiliency considerations beyond geopolitical tensions. For example, echoes of disruption are still palpable from recent labor tensions across various

sectors. Additionally, while the US election outcomes portend a shift away from federal policies aimed at the clean energy transition, climate change-attributed severe weather events continue to worsen, threatening supply chains and operations for many sectors. Further, our recent conversations with investors indicate that climate risk will continue to be an area of investor focus and engagement.

Directors and their boards can probe how management has assessed the political, regulatory, labor and climate scenarios that are most likely to impact their company's business models, strategies, supply chains and sustainability plans. Leading boards seek to understand how management is identifying "no-regret moves" to position the company to thrive under a range of scenario outcomes, as well as navigating and weighing the necessary trade-offs the company may be forced to make to mitigate political and regulatory risk. Building resiliency into key systems may be more expensive in the near term but may lead to longer-term benefits. Boards can work with management teams to oversee changes both potential and realized and have plans in place to act. Finally, successful boards understand the political and regulatory triggers for the company to react accordingly.

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QUESTIONS FOR THE BOARD TO CONSIDER

- What is management's process to keep the board informed about potential regulatory and policy changes? How is the company both preparing for such potential changes and proactively working to shape those regulations and policies? What is the process by which significant regulatory and policy changes are identified and elevated to the board?
- How does company leadership determine what geopolitical scenarios to plan for, and how are these incorporated into boardroom discussions or exercises? How is management building skills to become more effective at scenario planning, including: balancing short- and longer-term scenarios; using scenario-planning outputs to better understand what trade-offs the company should make (e.g., the costs vs. the benefits of developing more resilient but more expensive supply chains)?
- How does management evaluate resiliency? How does the board know that the company is resilient? What does management need to change if the company is not?

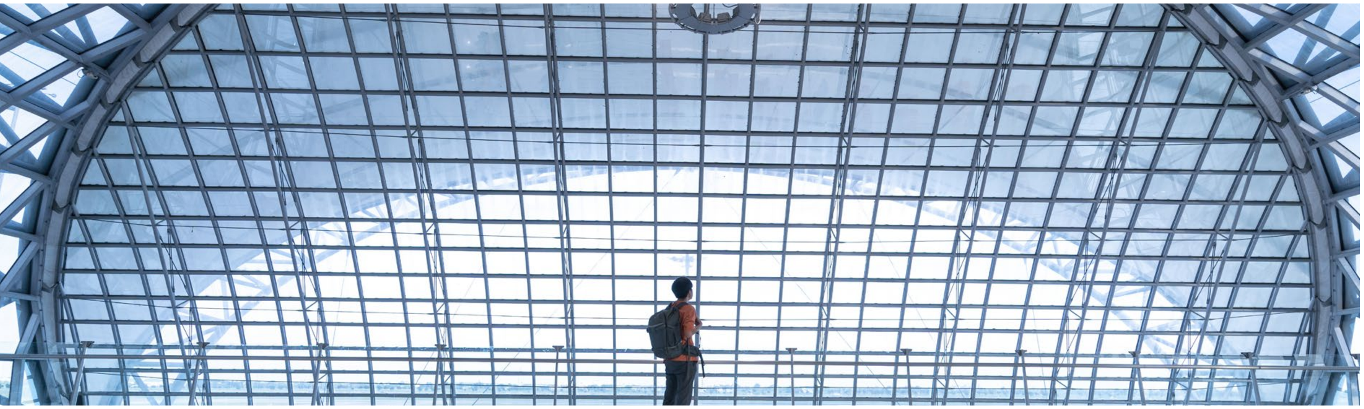
4 Enable a talent advantage in an era of workforce instability

As boards spend more time on talent, they should seek a deeper understanding of employee sentiment, organizational culture and workforce re-skilling.

While regulatory developments rose on directors' priority rankings in this busy election year globally, talent remains an important item on the board agenda, particularly in the US, where 70% of directors ranked it a top-five priority, compared with 56% of directors across the Americas. Further, 42% of director respondents across all countries noted they wanted to spend more time on talent.

Complicating the challenge of talent oversight are some of the significant shifts in the talent landscape – a very different context than most directors experienced in their careers. Traditional concepts about career, rewards and even the workplace itself are being upended: The *EY 2024 Work Reimagined Survey* found 38% of workers saying they were likely to quit their job in the next year, up from 34% in 2023. Further, that flow of talent is foundational: Even among employers with strong talent health – a measure of employees' likelihood to recommend their employer – employees are eyeing the door. Many are driven by opportunities to increase their total pay, including incentives to recognize performance, and ensuring pay keeps pace with the rising cost of living.

Given this growing cost of talent, companies are seeking stronger productivity growth, including by harnessing new technologies. For example, the same survey found the share of employees who report using GenAI in their jobs has more than tripled, from 22% in 2023 to 75% in 2024, signaling a transformative shift in work practices and underscoring the importance of ongoing skill development and training. As hybrid and remote work have become commonplace, fostering a cohesive, healthy culture for a diverse and dispersed workforce is another prong of the talent agenda.



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Boards can help enable competitive advantage in this complex environment by championing a more resilient talent strategy. This includes gaining deeper insight into the employee experience through direct employee engagement (e.g., participating in listening sessions with employees, conducting worksite visits, connecting with mid-level executives from different business lines), discussing talent and total rewards investments with executives beyond the chief human resources officer (e.g., chief technology officer), and weaving human capital considerations into strategy and risk discussions.

It also includes boards' overseeing how skills and training programs are aligning the talent strategy with the company's technological investments, such as GenAI, and guiding a culture that is aligned with the demands of the future talent pool.

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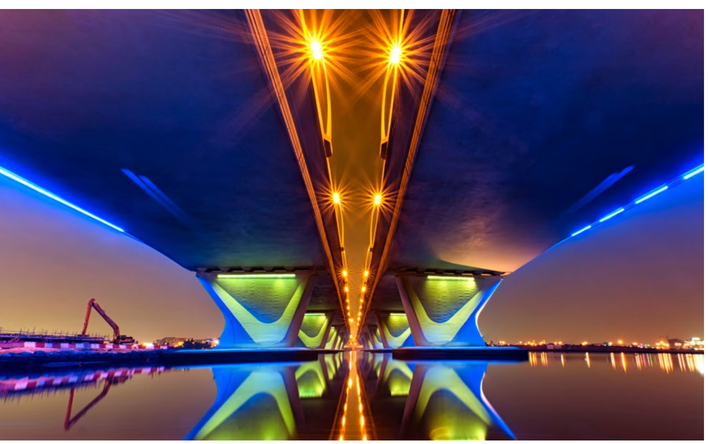
QUESTIONS FOR THE BOARD TO CONSIDER

- How is the board gaining insight into the experience and perspectives of employees across different segments of the company, including geographic, seniority level, and business or function? Do board members have the opportunity to engage with and hear directly from employees beyond the senior management team (in addition to results from management-sponsored surveys)?
- How is the board weaving talent considerations into its discussions on strategy, risk and various other priority topics? For example, is human capital part of the board's discussion of emerging technologies, cybersecurity, data privacy, sustainability and more?
- Are board and committee agendas and information flows enabling robust informed discussions on talent? And is the board spending time on the most important talent health (including cost, skills and culture) metrics given the company's strategy and challenges?

Where do boards want more time and information?

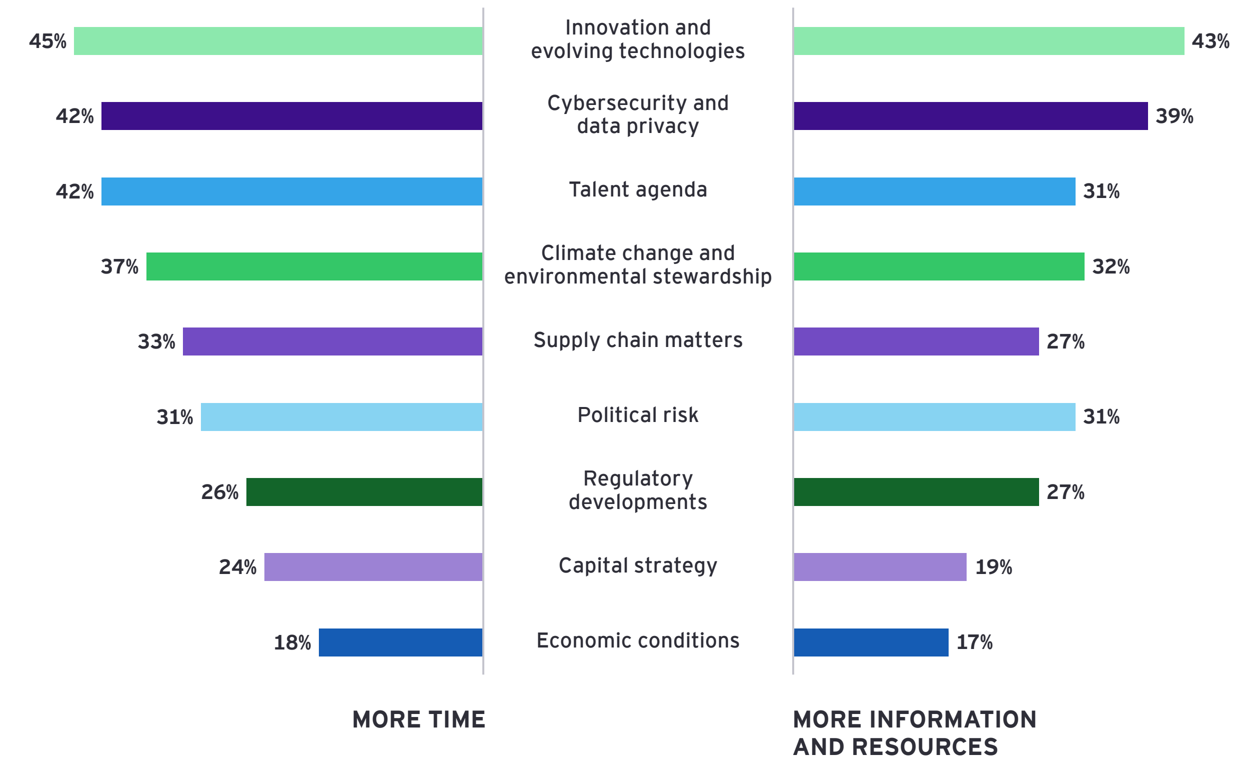
Overall, our survey revealed innovation and evolving technologies, cybersecurity and data privacy, talent and climate change as areas that boards want to spend more time in and have more information and resources about.

However, the results vary by country. For example, in Brazil, directors want to go deeper on supply chain matters, while in Chile they want to focus more on climate change and environmental stewardship. US directors put political risk among the top three to four areas in which they would focus more time and resources.



Topics on which directors want their boards to spend more time
% directors

Topics on which directors want their boards to have more information and resources
% directors



Source: EY Center for Board Matters survey. Note: for the charts, directors were asked to rank on a scale of 1-5 whether the information, resources (both internal and external) and time the board spends on each topic is appropriate. These charts reflect the percentage of directors ranking a topic 1 or 2, indicating a need for more information or time.

Are boards ready to shape the future?

Despite potentially significant changes ahead for the business environment, many directors seem to think that what has worked in the recent past will continue to work in the future.

Our survey found that 61% of directors either believe that their company's strategy will not change over the next three years or are unsure if it will. Further, one-third do not think their board will need to change committee charters or structures in the next three years.

There may be good reasons for some companies to stay the course. Recent strategy shifts or changes to board committee responsibilities may be a good fit for the near- and longer-term needs of the company and board. However, companies not currently considering a board or strategy refresh may be well served to set aside time for reflection on future needs.

For boards, this should include challenging their capabilities and the ways they are working and deepening their commitment to ongoing learning to meet the demands of a new business normal. Directors may use the board and committee assessment process, as well as regular executive sessions, to drive this reflection and self-challenge. Such practices can position companies to make proactive changes that shape their operating environment verses standing pat and letting external forces shape their futures.

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Conclusion: how boards can guide companies through effective, engaged oversight

From supply chain changes that build resiliency but raise costs to GenAI investments that supercharge productivity but confound energy transition goals, companies are weighing complicated trade-offs as they balance the urgent and the important in a rapidly evolving business context.

To guide their companies in seizing opportunity and mitigating risk in this dynamic environment, successful boards will create more time for deliberation and debate. They will look at innovative approaches to incorporating priority issues into their agendas and committee responsibilities. They will commit to continuous learning, evaluation and adaptation to stay ahead. They will challenge key assumptions, bring more voices into the boardroom and explore how management is planning for a range of scenarios. Ultimately, they will engage in oversight that moves companies from a reactive state to one of proactive adaptation to changing business conditions.

METHODOLOGY

The EY Center for Board Matters conducted an online survey of board members in October and November 2024. More than 500 responses were received from directors across the Americas, including Argentina, Brazil, Canada, Chile, Colombia, Mexico and the US. Respondent board directors represented a cross section of sectors, public and private company boards, and company sizes.

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About the EY Center for Board Matters
Effective corporate governance is an important element in building a better working world. The EY Center for Board Matters supports boards, committees and directors in their oversight role by providing content, insights and education to help them address complex boardroom issues. Using our professional competencies, relationships and proprietary corporate governance database, we are able to identify trends and emerging governance issues. This allows us to deliver timely and balanced insights, data-rich content, and practical tools and analysis for directors, institutional investors and other governance stakeholders.

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