What is the agenda for reimagining more strategic, future-looking boards?

EY Board of the Future study

Part I

The better the question. The better the answer. The better the world works.

EY

Shape the future with confidence

Foreword

Having had the privilege for over 35 years of auditing some of the world's most iconic and global brands, I have had regular connections with very impressive C-suite and board members. I have seen how the most pressing matters for discussion have changed over time and gained a robust understanding of governance ecosystems and evolving ways of working. I found myself wondering whether boards needed to reimagine themselves to be more strategic, future-looking or whether the traditional approach weathers the storms of change. Curiosity took this wonder into action, and the result is this research.

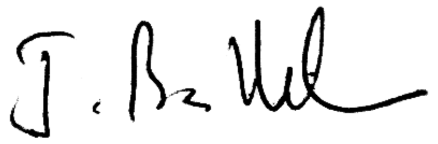
Engaging with some of the world's largest companies' nonexecutive directors, who collectively serve on 90 boards and represent multiple sectors, has generated significant insights – grounded in real experience – into aspects of governance. We also sought the views of EY and non-EY individuals with a particular area of expertise related to this research. What we found was a burning platform for change from some "It will last until, like Rome, it burns up" and whilst this view of a current model under strain was felt less passionately by others, the prevailing sentiment was challenging the status quo is a necessity to find improvements to be made today, and over the next couple of years. Key challenges for the Board to address that regularly surfaced during interviews included focusing on risk mitigations through compliance rather than proactively seeking value creation and the need to engage with management in strategic dialogue when it comes to M&A transactions or preparing for CEO succession.

The generosity of our research participants meant we were also able to develop a six-step agenda for reimagining governance – and, like with most things, there was a common thread of artificial Intelligence across the agenda. Each step clearly articulates current state and challenges, and a set of practical actions to implement. And just as today's challenges faced by organizations are multifaceted and interconnected, so too are the steps – a virtuous cycle for improvement. This 6E agenda looks to help elevate efficiency, enhance effectiveness, exercise foresight, encourage independence, engineer simplicity and employ AI.

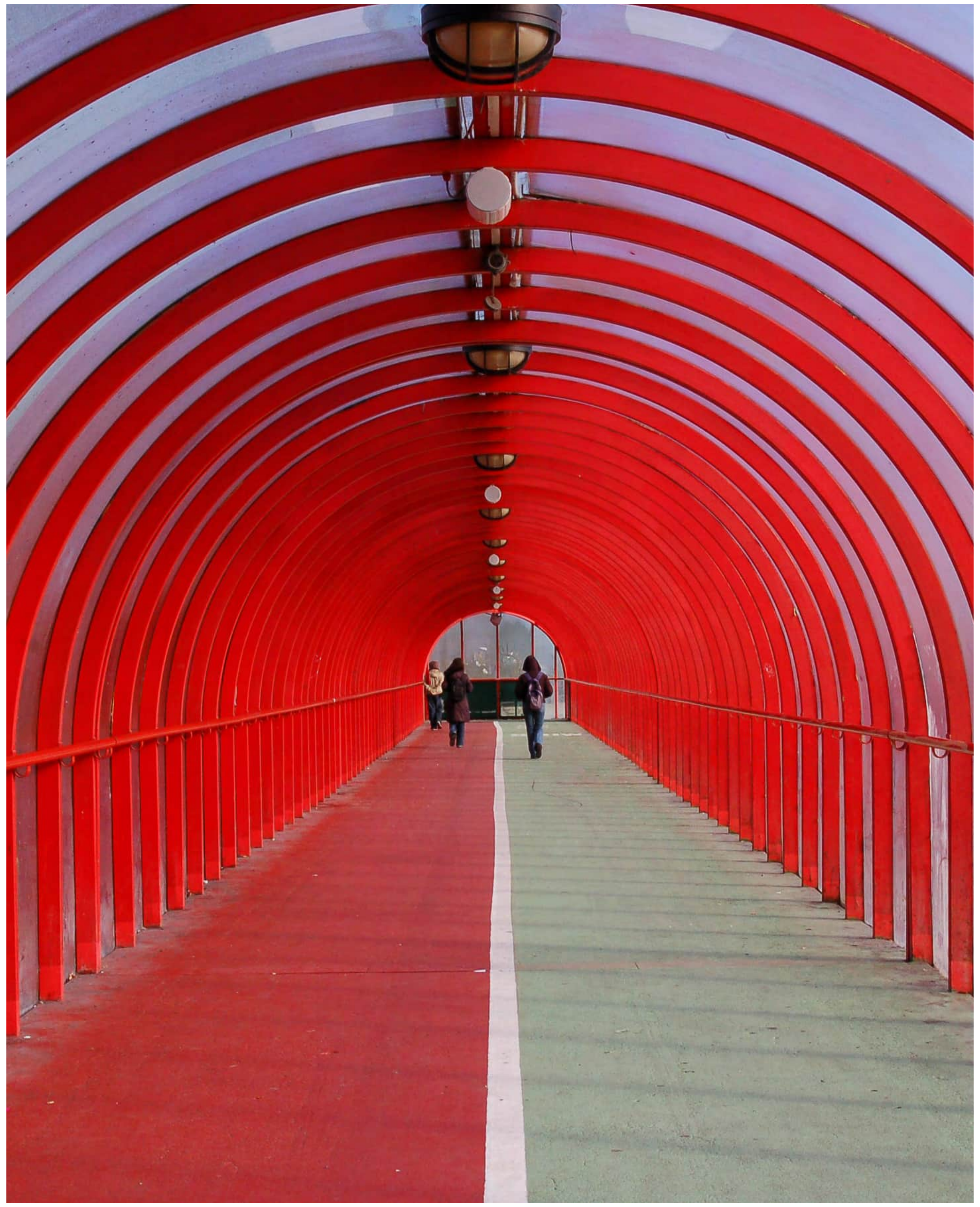
With 35% of the research group feeling that the existing ways of governance are not sustainable in the future, and a further 47% believing they are only somewhat sustainable, it does feel like boards need to be taking action today, whether groundbreaking transformative leaps of faith or more gentle moves to remain agile.

My thanks to everyone who participated in this research; your insights relating to the immediate to three year timeline have created a valuable – and practical – read and the potential of a lasting legacy of change. I also look forward to reading Part II, which is due out early 2026 by EY Global Center for Board Matters. EY will present its perspective for the 3-10 year timeline, discussing how to reinvent the board 'beyond the horizon'.

Jeanne Boillet
EY Global Client Service Partner Council – Assurance Lead



Special thanks to all those who contributed to the insights of this report: The nonexecutive directors from some of the world's largest companies. Senior EY subject matter specialists and non-EY thought leaders (and governance association leaders), with expertise across a broad swathe of domains, including AI, technology, sustainability, and new enterprise models. Particular mention also to EY colleagues: **Sharon Sutherland**, EY Global Center for Board Matters Leader; **Dr. Dean Blomson**, Independent Governance Researcher and EY alumnus; **Tiffany Bachmann**, EY Global Assurance Value and Distinctive Client Experience Leader; **John de Yonge**, Director, Business and CxO Insights, Ernst & Young LLP; and **Andrew Hobbs**, EY Global Public Policy – EMEIA Leader and EY Center for Board Matters Leader (EMEIA).



Like this bridge, our research found two distinct paths when it came to what should or shouldn't be done to reimagine governance models.

Board directors signal a growing need to reimagine the current governance model

In-depth interviews conducted with nonexecutive board directors* of some of the largest global listed enterprises for the *EY Board of the Future study* reveal a governance model under strain – calling into question whether it can be sustained – but also an actionable agenda for change.

Most study participants report being overloaded and struggling to maintain comprehensive oversight across vast, multimarket operations and to find sufficient time for critical strategic foresight.

They describe a growing sense of "unsustainability given the increasing demands," in the words of one participant. Even those with a more positive viewpoint acknowledge the growing challenges of governance.

A business environment becoming increasingly nonlinear, accelerating, volatile and interconnected (NAVI) contributes to this challenge.[1]

Key stressors include an escalating volume of regulatory requirements, rapid technological innovations, geopolitical disruptions and intensified scrutiny from a broader range of stakeholders.

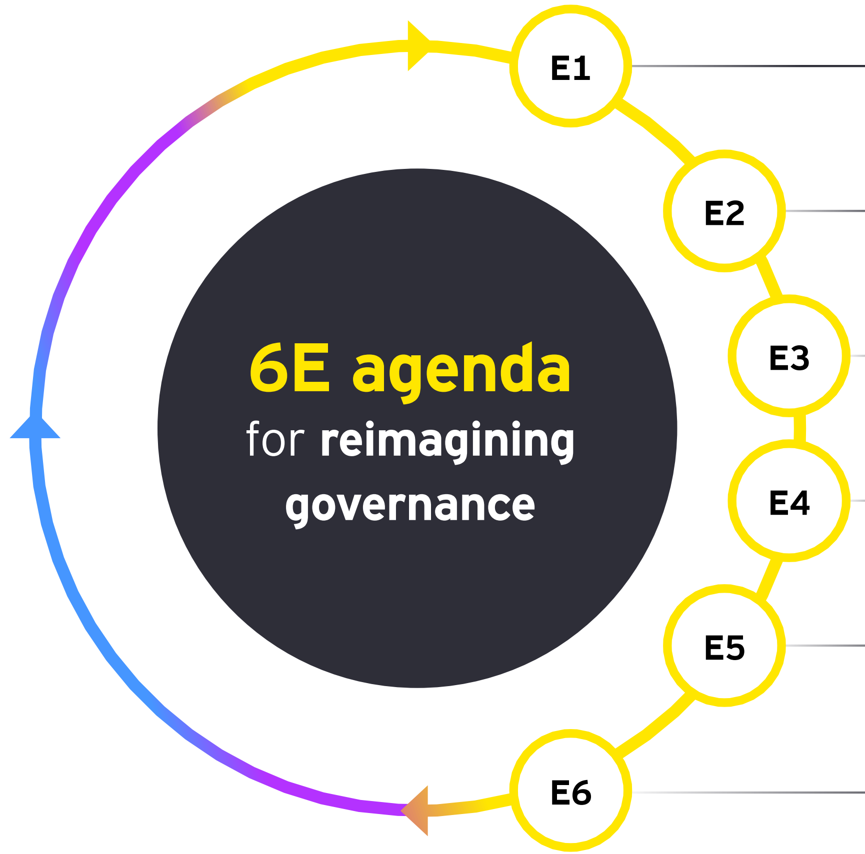
With the current model rooted in the status quo, boards frequently find it hard to match the strategic and operational tempo and scale of global business. These factors threaten the efficacy and sustainability of governance oversight and stewardship.

Without new modes of governance, we face growing risks of severe governance system failures, missed strategic opportunities and disruptive upsides, as well as less willingness to serve in the nonexecutive director role.

Importantly, the directors in our study did not just identify governance risks and challenges; they also offered valuable insights on how to address them with timely actions in the boardroom in collaboration with management. These insights yielded a set of six priority areas for change. We call this the "6E" agenda for reimagining governance.

A 6E agenda for reimagining the current governance model:

Each step in the 6E agenda supports the next one, creating a virtuous cycle. Just as the challenges are multifaceted and interconnected, so too are the actions.



E1	Elevate efficiency	Reduce burdens on directors and free up time to focus on the topics that matter most.
E2	Enhance effectiveness	Change ways of working to allow the board to deliver full value.
E3	Exercise foresight	Engage the ecosystem to improve foresight and sensing.
E4	Encourage independence	Prevent governance failures with curiosity and critical challenge.
E5	Engineer simplicity	Give directors greater confidence in their governance of the global enterprise.
E6	Employ AI	Augment board capabilities as part of a broader enterprise AI strategy.

* A nonexecutive director is an independent member of a company's board who does not manage the company's day-to-day operations.

About the *EY Board of the Future* research

The research presented in this report was inspired by the observation – gained through formal and informal EY board interactions – that many nonexecutive directors find aspects of governance increasingly difficult to sustain.

To explore the sustainability of the current governance model, the EY organization conducted in-depth interviews with 21 nonexecutive directors serving on the boards of some of the world's largest companies, with aggregate revenues of US$1.9 trillion and a market capitalization of US$2.3 trillion. Most are part of the Fortune Global 500. This group of companies represents multiple sectors, including automotive, consumer products, retail, mining, financial services, energy, aerospace and telecommunications.

Our interviewees serve on a total of 90 boards. As a result, this report offers a "voice of the director" account of the challenges faced by large, multimarket organizations. In addition, interviews were held with senior EY subject matter specialists and non-EY thought leaders (and governance association leaders), with expertise across a broad swathe of domains, including AI, technology, sustainability, and new enterprise models.

Undertaken with Dr. Dean Blomson, an independent governance researcher and EY alumnus, our research focuses on the overall state of governance rather than the specific boards and circumstances of the interviewees' companies. Interviewee names and affiliations have been kept confidential to enable candor.

A two-part study

This report, part I of our study, focuses on how we can practically improve governance over a three-year time horizon, beginning today. Part II, due out early 2026, will lay out "what could be" the future of governance in light of megatrends in a business environment that is nonlinear, accelerating, volatile and interconnected (NAVI).

1. "What if disruption isn't the challenge, but the chance?," EY website, https://www.ey.com/en_gl/megatrends/what-if-disruption-is-not-the-challenge-but-the-chance, accessed 30 September 2025.

E1 **Elevate efficiency**: Reduce burdens on directors and free up time to focus on the topics that matter most.

“

I think the goal is to be constantly improving. How can we do this better the next time? How can we be intentional about looking at the agenda and saying we’re going to spend 20% of the time on what happened last quarter and 80% of the time on what’s going to happen in the next five years.

Board director

Increasing workloads and regulatory demands faced by public company boards drive the need for greater efficiency to free up bandwidth and allow more time for strategic focus. Boards should pursue active pre-meeting engagement and collaborate with management to adopt new technologies, streamline processes and focus agendas on fewer, high-value topics.

E2 **Enhance effectiveness:** Change ways of working to allow the board to deliver full value.

“

Management teams view boards as a necessary evil, and boards don’t feel that they necessarily have the opportunity to influence the operations and strategy of the company in a very meaningful way.

Board director

Suboptimal dynamics and a lack of trust can mean that executive teams miss opportunities to benefit from the wise counsel and strategic direction of their boards. Key actions include deliberately building trust, resetting board-management dynamics to prioritize listening and silo busting, promoting director professionalization, and establishing explicit board-management expectations.

E3 **Exercise foresight:** Engage the ecosystem to improve foresight and sensing.

“

Behaviors are in the way. I think many people are more comfortable with looking at last quarter’s results than trying to wade around in the uncertainty of next year or three years from now.

Board director

Boards suffer from a lack of opportunity for future-oriented thinking, inadequate access to fresh perspectives and insufficient mechanisms for strategic exploration. To address this foresight deficit, boards should engage with the external ecosystem, systematize scenario planning, consider more dynamic approaches to rotation and composition, work in sprints, and harness AI to enhance strategic dialogue.

E4 **Encourage independence:** Prevent governance failures with curiosity and critical challenge.

“

The role of the director is not just to have read the documents and have an opinion; it’s to be able to challenge the thinking. So, how good are you at challenging thinking?

Board director

Board effectiveness depends on independent thought and critical challenge; however, internal cultural pressures and consensus-seeking often stifle debate, risking governance failures. To drive robust oversight, boards should cultivate their own robust view of risk, seek unfiltered information and independent sources of information, and proactively engineer a contrarian mindset.

E5 **Engineer simplicity:** Give directors greater confidence in their governance of the global enterprise.

“

With an increase in complexity, having consistency and standardization in a global organization is really important, provided you understand and appreciate what potential limitations that could impose.

Board director

The complex structures, numerous subsidiaries and diverse jurisdictions of large global enterprises create governance challenges and make it difficult to know with real confidence what is happening across the organization. Boards should consider principles-based frameworks balancing global consistency with local adaptation, increasing their direct exposure to operations and simplifying entity structures (including ownership, organizational and capital arrangements).

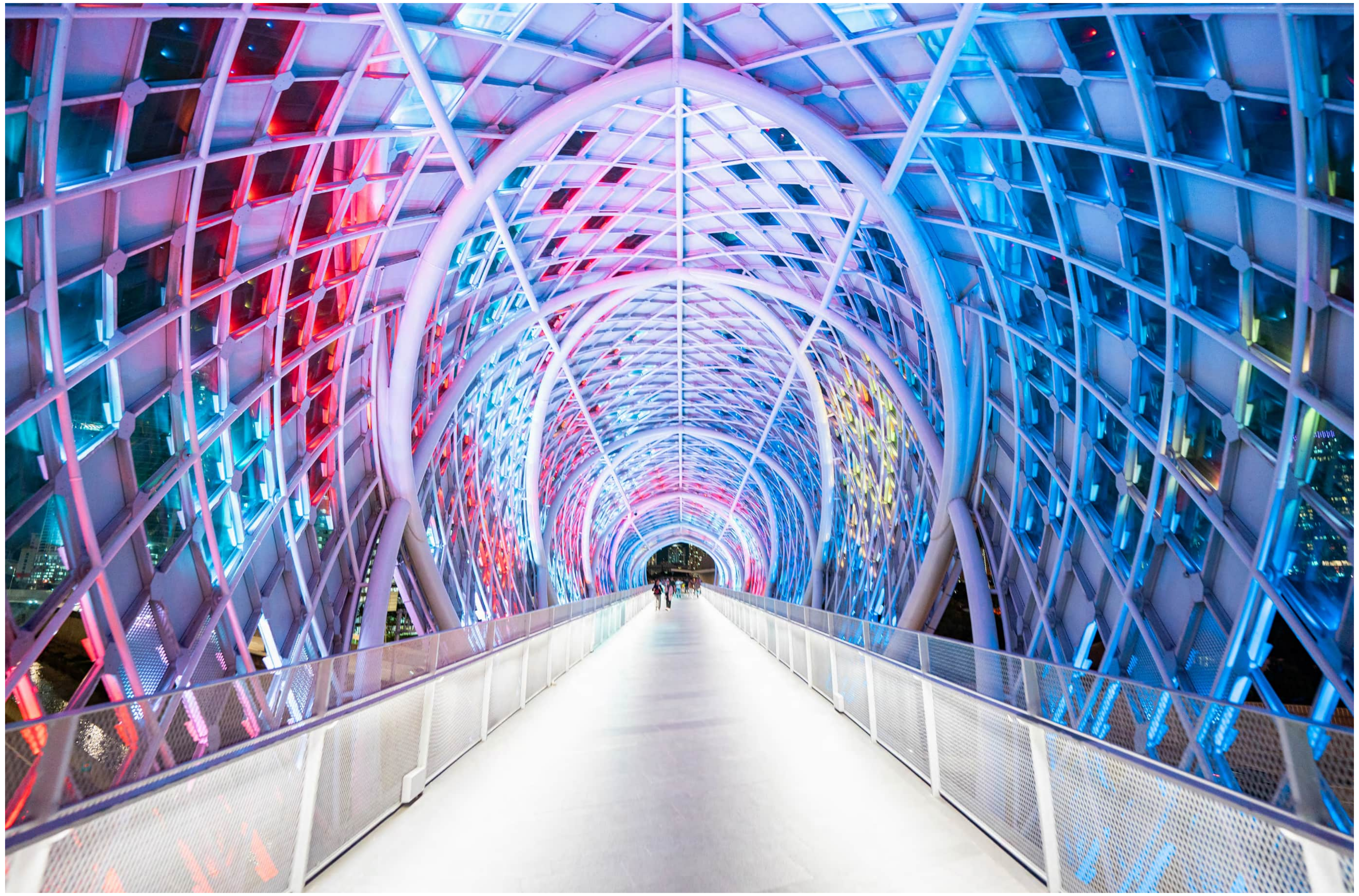
E6 **Employ AI:** Augment board capabilities as part of a broader enterprise AI strategy.

“

In my boardrooms, there’s really no access to data for asking “what if?” The use of data in the boardroom is very static, not dynamic.

Board director

Despite AI’s transformative potential, boards fully acknowledge that they are underutilizing the technology in relation to enterprise and governance matters. Boards should oversee the adoption of responsible AI frameworks and foster human-centric governance augmented by AI (e.g., utilizing AI for real-time, data-driven insights and predictive analytics).



Concluding thought: Seize the opportunity to reimagine

The prevailing sentiment from the interviews is a stark warning: the current governance model is under strain. Without adaptation and change, it is not a matter of if it will break, but when, and how boards choose to respond.

As one director grimly noted, "It will last until, like Rome, it burns up. It will last until there's an epic failure. And then all of a sudden, there'll be a depth charge, and all the fish will swim in another direction."

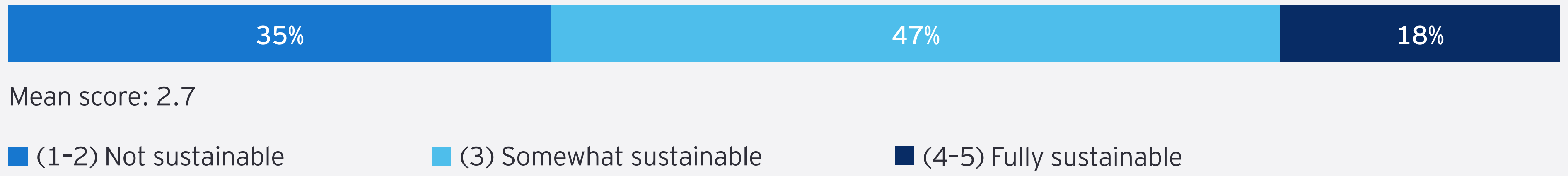
While not all directors feel the heat to this degree, the consensus among study participants is that boards must recognize that "What got you here, won't get you there," as paraphrased from Marshall Goldsmith, the American executive leadership coach and author. Figure 1 below shares the results of the Director pulse poll on the sustainability of current ways of governance – adaptation will be key.

By reimagining governance mechanisms and embracing technological and cultural shifts, boards can transform from sometimes reactive, oversight-oriented bodies into agile, forward-looking strategic partners, helping to create resilience and sustained value creation in a dynamic global economy.

Figure 1: Director pulse poll

We conducted a short verbal poll as part of our 21 board director interviews for this research, designed to provide directly comparable insights into the directors' feelings about the challenges of governing in the current model.

Q1 **How sustainable are the existing ways of governance likely to be in the future?**
Respond on a scale of one to five.



> Without adaption, this is probably a one, but if you adapt, you're going to be a five. But right now, without adaptation, you're going to be dead in the water.

Board director

E1

Elevate efficiency

Reduce burdens on directors and free up time to focus on the topics that matter most.

> I think the goal is to be constantly improving. How can we do this better the next time? How can we be intentional about looking at the agenda and saying we're going to spend 20% of the time on what happened last quarter and 80% of the time on what's going to happen in the next five years.
>
> **Board director**

A consistent increase in board time commitments, coupled with the rising volume of information, indicates that simply asking part-time directors to work harder is unsustainable. The emphasis must shift from adding hours to fundamentally redesigning how governance work is performed, where and by whom. Boards should not simply adopt new technologies but strategically rethink their processes and information consumption habits, consider auxiliary sources of assistance and modes of interaction to enhance overall efficiency.

A surge in workloads demands efficiency

Public company boards, particularly those in highly regulated sectors, contend with a surge in workloads and regulatory demands. Directors report being overloaded and faced with onerous time commitments extending "well beyond most people's expectations".

Naturally, much of the pressure depends on the reporting maturity and briefing capabilities of the C-suite and company secretary – and what the chair and board are willing to accept. One director described the volume of information as "extremely difficult to process and really overwhelming. I would say the amount of additional work and expectations placed on regulatory boards is enormous and very, very difficult to achieve."

The appetite for detail will inevitably vary from board member to board member, but at heart, it's a matter of volume versus time. One director offered: "I don't know that I believe any board member who said they read all the material. You can't do 1,500 pages of material and actually grasp it. You go through it trying to find the nuggets and trying to find the important matters."

Another felt, however, that "there is just no such thing as getting too much information. But there is the possibility of getting that information in too short a time frame."

Those comments notwithstanding, another director was more skeptical about the critiques of board workloads: "I kind of feel like it's a cop-out. You sign up to do the work, and the work is the work. So, you don't get to decide that it's only five meetings a year. It's whatever it takes."

Directors offered some key practices they had adopted. For example, a board chair instilled rigor and discipline in executives and other contributors, such as external and internal auditors, by limiting executive summaries to two to three pages with key takeaways, capping the number of presentation slides, and forbidding dense, unreadable charts. These measures allowed the board time to be used for strategic discussion and decisionmaking, rather than information review. To work, these kinds of practices require strong expectation setting and policing by the chair, with active collaboration by the CEO.

Ultimately, the crucial ingredients are mindfulness and intentionality. As one director put it: "The management board have to realize they need to inform in a proper way, and board members have to realize we are not just consumers." The Director pulse poll reflects the contrasting interviewee opinions on information assimilation and the needed push-pull of information flows – see Figure 2.

Resulting impact: diminished capacity for deep oversight and strategic engagement

The very effort of directors to mitigate personal liability through increased diligence can inadvertently create new vulnerabilities. As nonexecutive directors spend more time on regulatory adherence, their capacity for strategic foresight and a suitably deep operational understanding across the enterprise diminishes. In turn, the risk of unforeseen failures rises, amplifying liability concerns.

As a result, boards face the possibility of being held accountable for events they were not prepared for or were not given the opportunity to anticipate. This suggests a boardroom environment where nonexecutive directors take a defensive posture – focusing on risk mitigation through compliance rather than proactively seeking value creation and engaging in strategic dialogue and challenge.

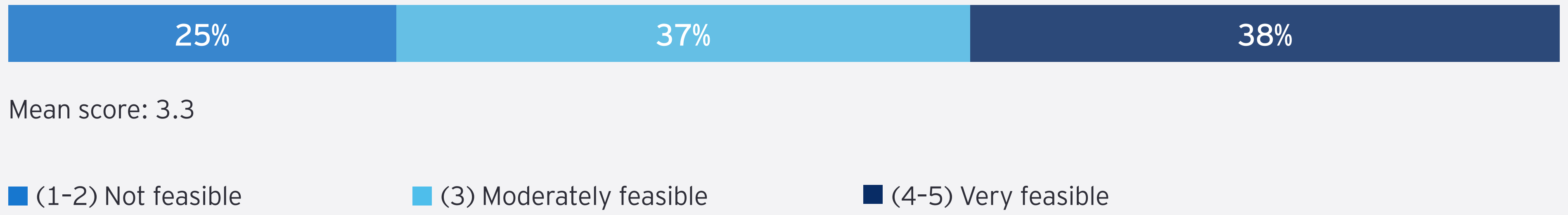
Director liability is a major factor in this, along with the risk-return payoff. Despite increasing workloads and personal risks, director compensation has hardly budged: The average board retainer for S&P 500 companies increased by only 1% in inflation-adjusted terms between 2014 and 2024, while average additional stock awards declined by 3%.[2]

These data points suggest that the escalating demands and liabilities may contribute to a perception that the burdens of a director role outweigh the benefits. The misalignment between compensation and workload could affect the attractiveness of directorships, potentially diminishing the future pipeline of qualified board talent.

Historically, directorships might have offered a more advisory and less scrutinized position. Today, it entails significant liability and a constant demand for more granular oversight. This shift has led one director to observe, "The golden age of being a nonexecutive director has passed. The joy has gone out of it." This transformation in the nature of the role raises a significant concern regarding the future ability to attract and retain top-tier talent for board positions.

Figure 2: Director pulse poll

Q2 **How feasible is it for today's nonexecutive director to stay informed and to make suitable inquiries over matters affecting their decision-making or oversight?** Respond on a scale of one to five.



> I would give it a two. I think it's super difficult. You're really dependent on the information the management wants to give you.
>
> **Board director**

> Five, highly feasible. You just have to care and you have to make an effort and you have to ramp up on what you don't know or find people you can trust.
>
> **Board director**

2. EY analysis of data in "2024 S&P 500 Director Compensation Snapshot," *Spencer Stuart website*, https://www.spencerstuart.com/research-and-insight/sp-500-director-compensation-snapshot, accessed 17 September 2025.

Actions to consider

To address what some consider to be an unsustainable workload and ensure that boards can effectively fulfill both their strategic and oversight roles, a recalibration in some areas and a more fundamental shift in approach in others are required:

1. **Redefine board management collaboration.** Boards should move from passive information reception to active pre-meeting engagement. Directors should raise their expectations on how meeting materials are produced and suggest topics they would like to discuss. Meetings should be refocused on discussing issues and advancing specific topics, rather than rereviewing materials that should have been absorbed beforehand. Chairs, CEOs and company secretaries have a critical role to play in preparing for and engineering these dialogues and conversation shifts. Where necessary, they should provide pre-meeting briefings, such as those that should happen between committee chairs and their executive team counterparts.
2. **Demand and develop the discipline and art of board packs that "cut through."** The discipline of board paper preparation should be improved by elevating the concision of writing, presentation and distillation of data into actionable insights. Teams involved in preparing board materials, including company secretaries, should be challenged in how they support the board and encouraged to utilize AI to prepare more insightful data and better highlight issues and discussion topics.
3. **Focus meeting agendas on fewer, higher-value topics.** Boards should proactively narrow their focus, moving away from reviewing voluminous data during meetings. One suggested approach is to divide board time into administrative meetings (i.e., procedural) and more exploratory ones. Administrative tasks could be handled virtually, freeing up in-person meetings for insightful discussion and assessment of the real risk environment.
4. **Use AI to free board bandwidth, remove procedural noise and focus on the highest-value activities.** Boards and management teams should utilize technology, particularly AI, to streamline board processes, reduce manual effort and augment directors' ability to assimilate insights from lengthy board packs (see Ch. 6 for further discussion of AI).

   By automating data processing, preliminary analysis and routine compliance checks, technology can liberate both management and board capacity for higher-order tasks requiring judgment and strategic thinking.

Where to start

Establishing a set of explicit guiding principles (and a pact) for board meetings and board paper preparation between executive and nonexecutive directors is a beneficial activity. Here is an example:

"Management papers will be no more than three pages long with a clear ask (e.g., for feedback, a decision or endorsement). Key messages and takeaways will be provided upfront with brief actionable insights. All supplemental materials will be in appendices and provided to enhance understanding and preparation of thinking by the boards. Supplemental materials will be taken as pre-reads by the board and will not be rebroadcast, save selectively to illustrate a critical point. Discussions in the boardroom will be driven by clarifying questions, testing and validating, and further ideas and suggestions from board members."

E2

Enhance effectiveness

Change ways of working to allow the board to deliver full value.

> Management teams view boards as a necessary evil, and boards don't feel that they necessarily have the opportunity to influence the operations and strategy of the company in a very meaningful way.
>
> **Board director**

Focusing on efficiency first, as discussed in the prior chapter, liberates scarce nonexecutive director time for enhanced effectiveness and dealing with the important drivers of long-term enterprise value.

The difference between what boards wish they spent their time on and how they actually spend it, along with the resulting outcomes, illustrates the impact on effectiveness:

- *The EY Global Board Risk Survey* shows that directors spend the most time on financial reporting and traditional risk and compliance but would ideally spend the most time on strategic decision-making, transformation planning, and atypical or emerging risks.
- Research indicates that 70% of directors desire to dedicate more time to strategy, but this often gets overshadowed by day-to-day operations.[3]

EY research indicates that institutional investors are becoming increasingly concerned about board effectiveness. According to the EY report, *What directors should know about the 2025 proxy season* via ey.com US, 40% of institutional investors are targeting board quality and effectiveness for engagement with companies in 2025, up from only 13% in 2024.[4]

For their part, the directors in our pulse poll are polarized regarding the suitability of the current model for effective decision-making, with a somewhat greater number leaning toward the positive side – see Figure 3.

Suboptimal board executive dynamics at the core of diminished effectiveness

The allocation of board time is only a symptom of the effectiveness gap. Fundamentally, suboptimal relationships between boards and management teams, characterized by a mix of disconnects (whether from a trust deficit, role clarity or boundary tensions), naturally impede board effectiveness. Overlay this with the part-time nature of the director role and information asymmetry, and one has a boardroom environment that one board member describes as "shadow boxing."

Some directors in our study doubt that management views the board as a source of significant value. One board member asserted: "There is a real opportunity and probably a necessity to relook at the relationship between boards and management teams. Management teams view boards as a necessary evil, and boards don't feel that they necessarily have the opportunity to influence the operations and the strategy of the company in a very meaningful way."

"Boards are viewed as a very formalistic thing that companies need to go through rather than actually taking advantage of the knowledge, the expertise and the mentoring that board members can provide," said another director.

This dynamic is reflected in the nature of information flow to the board. Directors often receive overly filtered information that limits the scope of board judgment or overly voluminous data that lacks actionable insights. "I walk away from board meetings thinking, what did I really learn? That's not good enough," commented one director.

Restrictions on access to management were also raised as a concern: "Every time a board member wants to interact with management, that interaction needs to go through the chairman. That obviously doesn't foster a level of collaboration."

These perceptions and practices hinder genuine collaboration and limit the board's opportunity to influence operations and strategy in a meaningful way.

Trust is an essential enabler

Effective governance depends on boards and management teams openly identifying problems and opportunities and jointly determining the best path forward. The directors in our study consistently pointed to trust as the key enabler.

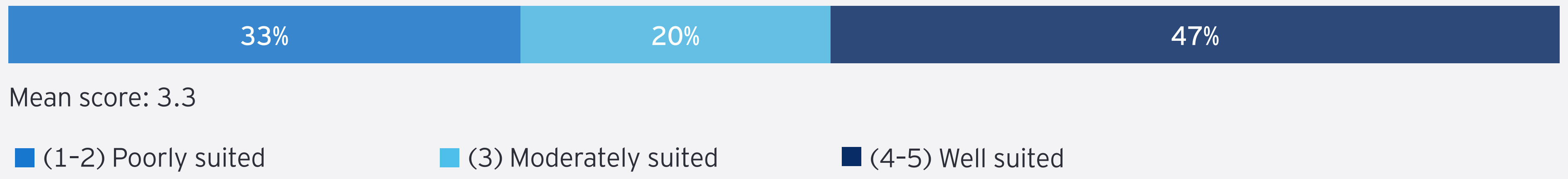
One director observed that trust is essential for surfacing critical issues quickly: "In this type of relationship, understanding and trust are, to me, at the center of effective supervision. Obviously, there's a lot of gray in that area, and that's where you need to be clear and honest with each other. Certainly, I can read the report of 150 pages, which I'm doing, but tell me the stuff between the lines. Tell me the stuff which is most critical to tackle now."

Trust also allows the openness needed for directors to understand the current situation in the organization: "We have here, but also on my other boards, a real openness. People can speak to whom they would like, and I challenge my board members, 'Please be in touch with the management board, discuss things and drive engagement, and please inform me.'"

Trust is also engendered by respecting clear role definitions. Independence cannot be sacrificed for good relationships. A prominent chair said: "From our governance understanding, there is more or less a red line between management and oversight. There has to be a clear understanding of who is on the control side and who is on the management side; and who is the executor and who is the supervisor. There has to be a critical distance."

Figure 3: Director pulse poll

Q3 **How suited is the current governance model to quickly making good, efficient and effective decisions where needed?** Respond on a scale of one to five.



> I'd say it's fully suited. The models are there to bring the material forward and boards are typically broad enough in experience.
>
> **Board director**

> Nimbleness is a really big problem. So, I'd say today's model is not very well suited.
>
> **Board director**

Resulting impact: failing to allow the board to deliver full value, which diminishes long-term value creation by the enterprise

The frequent absence of deep, collaborative engagement due to suboptimal dynamics and lack of trust means that executive teams miss opportunities to benefit from the wise counsel and strategic direction of their boards.

Many board directors are selected for their specialized expertise – e.g., in healthcare or sustainability – yet this expertise goes grossly underutilized when management confines them to traditional committee roles or doesn't treat them with trust and openness. The missed opportunity to gain strategic value from the board – insights, mentorship and coaching – becomes particularly acute when companies venture into new business areas where management may lack prior knowledge.

The costs of these gaps and missed opportunities accrue over time and build on each other, diminishing the organization's long-term value creation.

3. Spencer Stuart Director Pulse Survey: Time Commitment 2024, *Spencer Stuart website*, https://www.spencerstuart.com/research-and-insight/spencer-stuart-director-pulse-survey-time-commitment-2024, accessed 26 September 2025.

4. "What directors should know about the 2025 proxy season," *EY US website*, https://www.ey.com/en_us/board-matters/proxy-season-preview, accessed 30 September 2025.

Actions to consider

A recalibration and relationship reset may be required, involving improvements in trust, collaboration, conflict management and increased professionalization:

1. **Focus on trust building.** Trust provides the basis for open and candid discussion about the issues facing the organization. Chairs and CEOs should discuss trust proactively and explicitly outline mutual expectations. One board chair of a global enterprise said: "You need to have the respect and general trust in the board of management. That is essential in order to have effective and fruitful working relationships."

   Another interviewee, previously on the management board of a large listed organization, recounted his experience of a trusted relationship with a board chair: "He would reach out more frequently than the typical chair, and I always felt that his input was not only very relevant but also very mindful of the different roles. Having good examples of board members who effectively interact with management in a way that doesn't interfere with their daily jobs but provides guidance and mentoring is very valuable in terms of making that cultural change that is needed here."

2. **Reset board management dynamics.** Changes in human dynamics can drive institutional dynamics. The EY Global Center for Board Matters report, *How can boards bridge the gap between sustainability ambition and action?*, explores how to improve C-suite and board collaboration, and highlights two key dimensions:

   - Listening: Each role must understand the lens that the others apply to topics before them, what success means in their terms and speak a common language – then listen carefully to sometimes differing views on the path to achieve the same goals.
   - Silo busting and inclusion: The board's role is to ensure the right people, with the right information, are in the room and that every voice is heard when decisions are made.

   "If you don't have the feeling that people listen, if you don't have people calling you in order to ask once in a while for a perspective or advice or who are asking for a personal meeting just to have the exchange, then it's probably time to move on and leave the board," observed one director.

   Another director said: "Try not to make noise about each and every little problem or a miss, because they [management] have a heck of a job to do. Help give them the chance to resolve it, but if things are going bad, then obviously they need to be brought to the attention of the entire committee or the entire board."

3. **Promote director professionalization and senior executive board exposure.** To enhance the board's strategic contribution, directors need to be continuously educated on future challenges and adopt a prospective mindset. Ongoing professional and technical development for the board should be supported and reported. "If things are changing fast, boards need to improve fast," said one director, "because it's not about how much you know; it's about how fast you can learn today."

   Furthermore, encouraging senior executives to serve on external boards themselves can significantly change their perception of board value and give them new empathy for the work of their own boards. The experience of governance can make them much better executives and potentially drive greater board engagement within their own companies.

Where to start

Trust takes time to build, but it can be achieved more quickly with diligent and deliberate work.

Establish a memorandum of understanding (MOU) on mutual expectations. An expectations MOU is important because it makes what is too often implicit or unstated, explicit and stated. This could include a set of protocols on how to engage and preferred ways of working that define: What do we ideally expect, need or want from each other?

As one director said, "The relationship you need to develop is that you are very clear about where you expect a phone call on certain developments, certain issues, problems, critical issues, critical developments on major legal issues or whatever."

Use an organizational development professional or facilitator to work through how the board can operate as a high-performing team, and then, jointly with management when they interact. This should be undertaken as an independent exercise to supplement any periodic board effectiveness reviews conducted by third parties to assess the board's performance.

Careful pairings of directors and executives as mutual coaches can also help. At a personal level, it can be an enlightening and powerful conversation to talk about career aspirations with a management team member and how the board can help executives individually to be the best versions of themselves; and similarly, for the board members to talk about their fears, blind spots and other insights.

E3

Exercise foresight

Engage the ecosystem to improve foresight and sensing.

> Behaviors are in the way, and that’s what needs to change. I think many people are more comfortable with looking at last quarter’s results than trying to wade around in the uncertainty of next year or three years from now.
>
> **Board director**

Nonexecutive directors are deeply concerned about the lack of opportunities to exercise intellectual curiosity and exploration in the boardroom and to undertake strategic conversations focused on the long-term future of the organization.

They express a corollary concern about the lack of mechanisms for injecting fresh thinking. “I think anyone in any role for too long gets stale very quickly,” said a study participant. The absence of catalysts for fresh thinking means boards may not “get outside of our lanes,” in the words of an interviewee.

The current board model, often overly focused on backward-looking data and compliance, is ill-equipped for a future that is predicted to be faster, more complex and more fragmented. A director commented: “You can have all kinds of data, but if a week ago’s data is no longer relevant, so what? So, to me, it’s about trying to look around the corner, making sure you’ve got people around the table who understand how to operate within an increasingly complex world with flexibility and agility.”

This systemic failure to prioritize future-oriented thinking leads to reactive governance as the pace of change quickens. “It isn’t going to get easier or simpler, and therefore boards today, two years from now, three years from now, five years from now, are likely going to be dealing with increasing complexity,” said one of the directors in our study.

As another director put it: “Things are going to keep moving fast. And they’re going to move not in a straight line. So, what does that mean for boards? It means more contingency planning, more scenario analysis, more risk oversight.”

The consistent director’s lament about the lack of opportunity to engage in the future and the need for fresh perspectives points to a profound foresight deficit in boardrooms that stands in sharp relief to other parts of the organization. Corporate strategy, innovation, and risk teams have long embraced scenario planning and bringing in diverse external insights into their organizations by engaging with the broader business ecosystem, from investors and customers to partners and academics.

Figure 4: Director pulse poll

Q4 How effectively can today’s nonexecutive director form an unfiltered view of the changing needs, priorities, expectations or experience of shareholders and other key stakeholders?
Respond on a scale of one to five.

> If you can’t talk to shareholders independently, it’s not effective. But if you have open access and you can talk to customers and shareholders, it can be very effective.
>
> **Board director**

Resulting impact: impaired contribution and reduced board effectiveness

The lack of time dedicated to strategy and foresight significantly hinders a board’s ability to guide the company proactively, especially through dramatic shifts and emerging risks. Similarly, a lack of fresh, diverse perspectives and inadequate access to expertise on emerging topics limits the board’s ability to bring creative approaches to new challenges.

The consistent struggle with long-term strategic planning and the need to think long-term enough, coupled with shorter innovation cycles, points to a critical strategic time horizon gap. Boards are often trapped in a short-term, reactive cycle, hindering their ability to adequately prepare for disruptive trends or capitalize on transformative opportunities.

These are not problems the board can resolve on its own. A nonexecutive board member said: “We really [need to] consider the dynamic world changes. And this has consequences for how you work in boards: that you realize we need to speed up; there has to be much more interaction between the management board and supervisory board members to follow these dynamics.”

One director had a different perspective, suggesting that it is the board’s role to help management be more forward-looking: “The board doesn’t do the work for the future, at least in in my view; we ensure that it gets done. I think that there’s an opportunity for ensuring that management has the ability, time and space to do that.”

Actions to consider

To cultivate foresight and ensure boards are equipped for future challenges, a deliberate shift toward creating time and space for curiosity and strategic dialogue is essential:

1. **Engage and expand your business ecosystem.** Effective foresight involves actively seeking out external views (bringing the outside in) from people in the organization's ecosystem who can provide and help interpret both strong signals and weak signals of change. As reflected in our Director pulse poll, these kinds of unfiltered insights can be challenging for board members to obtain – see Figure 4.

   This should include key stakeholders, such as shareholders, customers, suppliers and partners, but also external groups that directors have less exposure to, such as innovators, civil society organizations and Gen Z. Frontline employees, who rarely have a voice in the boardroom, could also help bring the outside in. Audit teams are a latent resource that many directors value for bringing both on-the-record and off-the-record insights and concerns.

2. **Systematize exploration and challenge.** Boards should establish formal processes for frequent future scans and scenario analysis across multiple time horizons to identify emerging trends and potential disruptions. This proactive approach helps boards anticipate rather than react to change and better prepares them to engage in constructive challenges. "The management's role is to answer the questions. The board's role is to question the answers," said one of the interviewees.

3. **Compose boards more dynamically.** To inject fresh perspectives and systematically expand the number of participants in the governance ecosystem, boards and management should consider more dynamic approaches to rotation and composition. This would include giving certain board roles and tenures shorter durations to bring in new perspectives more frequently while maintaining governance continuity and institutional knowledge. It would also include establishing a system of rotating experts and advisory panels to supplement, not replace, the right blend of generalist and specialist expertise on the board. Additionally, boards should consider the use of "qualified persons," as in France, who are professionals in particular fields and provide ongoing expert support to the board. The objective is to recognize and address the shortening shelf life of certain expertise, not undermine the overall accountability of nonexecutive directors for medium- to longer-term outcomes.

4. **Work in sprints.** The limitations of the rigid committee structures of the existing board model become most apparent when put against the challenges of rapid technology and business model innovation, and the need to respond with agility to seemingly daily geopolitical and economic disruptions. The ability to create diverse teams quickly – whether in committees or in less traditional arrangements – for limited-duration sprints is essential to generating the creative collisions needed to address the disruptions and opportunities in the nonlinear, accelerating, volatile and interconnected (NAVI) business environment.

5. **Harness AI for enhanced questioning and scenario planning.** AI can serve as a catalyst to human curiosity and critical thinking. Directors can prompt AI to generate and refine questions, helping to ensure better questions and better answers. AI can also help directors make connections across disparate information sources, providing competitive insights and identifying emerging trends that might otherwise be missed. This allows experienced directors to look at the outcomes and drive important conversations based on their experiences. (See Ch. 6 for further discussion of AI).

Where to start

Bring new voices into the boardroom with intention, considering not necessarily who is most important but who could bring a surprising, provocative or little heard point of view. Invite external stakeholders or experts to offer a "firestarter" perspective to kick off discussions on high-priority board topics.

Work with the management team to create a process for jointly identifying and addressing the key long-term strategic questions facing the company.

E4

Encourage independence

Prevent governance failures with critical challenge.

> The role of the director is not just to have read the documents and have an opinion; it's to be able to challenge the thinking. So, how good are you at challenging thinking?
>
> **Board director**

The effectiveness of a board hinges on its members' ability to exercise independent thought and provide critical challenges and differing perspectives. Research indicates, however, that boards face subtle yet powerful social and time pressures that can lead to conformity and groupthink. For example, the need to achieve unanimous voting can create a cultural penalty for dissent. This environment stifles genuine debate, even when there are varying views across the board.

This pressure for consensus often brings with it a lack of critical challenges that can lead to institutional ignorance and ethical blind spots, significantly increasing the risk of corporate failures. Boards might be held accountable for something they were not equipped to see coming because they failed to raise the right questions or were not educated on a certain number of topics.

A board member said: "You almost have to systematize a contrarian view, not necessarily from being crazy disruptors all the time – that way you don't get anything done – but more from pushing our thinking. So, scenario analysis on an ongoing basis with a contrarian view."

This critical thinking is particularly relevant for nonfinancial risks and complex legal and ethical decisions, such as those involving environmental performance and the potential for greenwashing charges, where boards may struggle to determine the right thing for the company. Our Director pulse poll underscores the challenge of these risks, with only a minority saying that directors can easily form a reliable view of enterprise performance on nonfinancial drivers – see Figure 5.

For example, the EU has instituted penalties for greenwashing, and European companies are increasingly taken to court by shareholders and civil society for inaccurate environmental claims. A director observes: "We are at the beginning of this. Once there are a certain number of litigations, this might end up with a big impact for companies."

One interviewee observed that they had rarely seen a situation where boards or board chairs chose to be innovative; and that without something burning or something catastrophic happening, there's very little impetus for change. This suggests that even successful companies and their boards can become complacent, resisting self-disruption until a major crisis forces their hand.

There is no shortage of historical "horror stories" that underscore the severe consequences of compromised board oversight and independence. Failures related to financial trading, safety oversight, fraud, bribery and corruption, to name a few, have led to catastrophic outcomes, both financially and reputationally. These failures often stem from prolonged periods during which the board's independent oversight and challenge function was insufficient, allowing unaddressed risks and ethical lapses to accumulate.

This highlights a critical need for boards to cultivate a culture of continuous self-assessment and proactive change before external pressures or failures demand it. As one director put it: "You need to learn to live in a state of chronic unease."

Recognition that diverse mindsets are as important as observable diversity

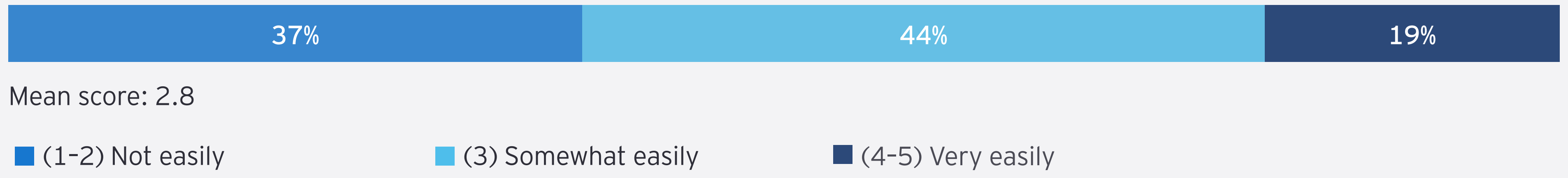
Boards have made necessary progress in improving observable diversity around the table. At the same time, it is clear that visible diversity is only part of the answer when the objective is to avoid groupthink and be equipped to respond to a NAVI business environment.

One director recounted: "Every single person was diverse by color and gender, and yet they were completely un-diverse. They were all superstar ex-CEOs. And that told me you don't have real diversity. If you have only CEOs, that's a big problem. If you only have non-CEOs, a different set of problems."

Another said: "If you're in a very linear world, you can have a board composed of people who have the same kind of background and who are good at finding solutions to problems they've already seen. I think we're heading into a world where the rationale is completely different – less structured, less organized and in a way, less disciplined than before."

Figure 5: Director pulse poll

Q5 **How easily or efficiently can today's nonexecutive director form a reliable view of the nonfinancial drivers of performance and understand and interrogate how key drivers are performing across entities and geographies?** Respond on a scale of one to five.



> I would give it a two. It's pretty harsh, you know — climate change, safety of the products, quality of the products and so on. And I seek a lot of feedback on things which I wouldn't see in the board because they're not financial.
>
> **Board director**

Resulting impact: greater risk for compromised oversight and optics on ethics and behaviors

Internal cultural pressure is often a barrier to addressing the right topics in a timely manner. The pressures to conform and the fear of litigation can lead boards to shy away from uncomfortable truths or deeper inquiries. While going deeper may be a natural (and desirable) reaction on certain topics, directors may be reluctant to open the door to more and more information, or new areas of governance, accountability or responsibility, fearing additional duties.

This reluctance can prevent boards from delving adequately into critical areas like corporate culture, beyond superficial inquiries, which was described by an interviewee as something boards "should be really tackling" but "are not tackling enough."

Evaluating management's judgment and effectively monitoring corporate culture without direct, unfiltered access remains a significant challenge.

The ability of the board to fulfill its fiduciary duty relies on its capacity to obtain and critically assess information that may be uncomfortable or challenging. This requires a proactive stance against complacency and conformity, and "remoteness," ensuring that the board has the most accurate and comprehensive understanding of the enterprise's true state.

Actions to consider

To uphold independence and enhance accountability, boards must implement mechanisms that foster critical challenges and provide unfiltered access to information:

1. **Cultivate a robust view of risk.** Boards should move beyond reliance on the chief risk officer's opinion and advocate for direct, unfiltered data-driven insights, which can be enabled by AI (see Ch. 6 for further discussion). This approach can help boards identify predictive patterns in risk modeling and understand "where the real risks are" without depending wholly on management's interpretation.
2. **Enhance internal audit's role.** Internal audit should be strategically positioned as a critical, independent set of eyes and ears for the board. This requires expanding internal audit budgets and ensuring direct reporting lines to the audit committee, bypassing management filters. A robust internal audit function with sufficient resources can provide a comprehensive view of internal controls and risk exposures, allowing the board to pay "a lot of care and attention to the quality of the internal control as the first, second and third line of defense."
3. **Prioritize corporate culture and director stakeholder feedback.** Boards must make independent inquiries into corporate culture (including risk culture) with greater focus, actively inquiring into how it is built up and nurtured.

   This should involve seeking feedback directly from a broad range of stakeholders to gain unfiltered feedback on the organization's culture and operations. Boards should question whether they are engaging with a "restricted list put together by local management" or if they are "enlarging the scope of the stakeholders," as one director said. This direct engagement can provide invaluable insights into ethical conduct, operational realities and potential risks that might otherwise be obscured.
4. **Widen the nonexecutive director pool.** Look harder for diversity of age and cognitive styles. As one director noted: "You need to have people that are very diverse because they will be the ones able to explain to you all the things that can be done in the current status." The perspectives of "next-gen" directors can also be brought into the fold via shadow boards composed of young people from across functions who meet regularly with the senior team.
5. **Engineer a contrarian mindset and cultivate the ability to handle conflict constructively.** Utilize techniques to create and give permission for constructive debate. One method, based on the work of Nobel-winning behavioralist Daniel Kahneman, designates teams to argue the different sides of a decision – the "red team" model used by some companies before major investments or transactions to consider counterfactuals.

   Being on one of the teams forces directors to find and voice concerns and arguments. This helps to prevent groupthink and the Abilene paradox, a group dynamic where the collective agrees on a path of action that none of the individual members want to pursue for fear of seeming in disagreement with the group.

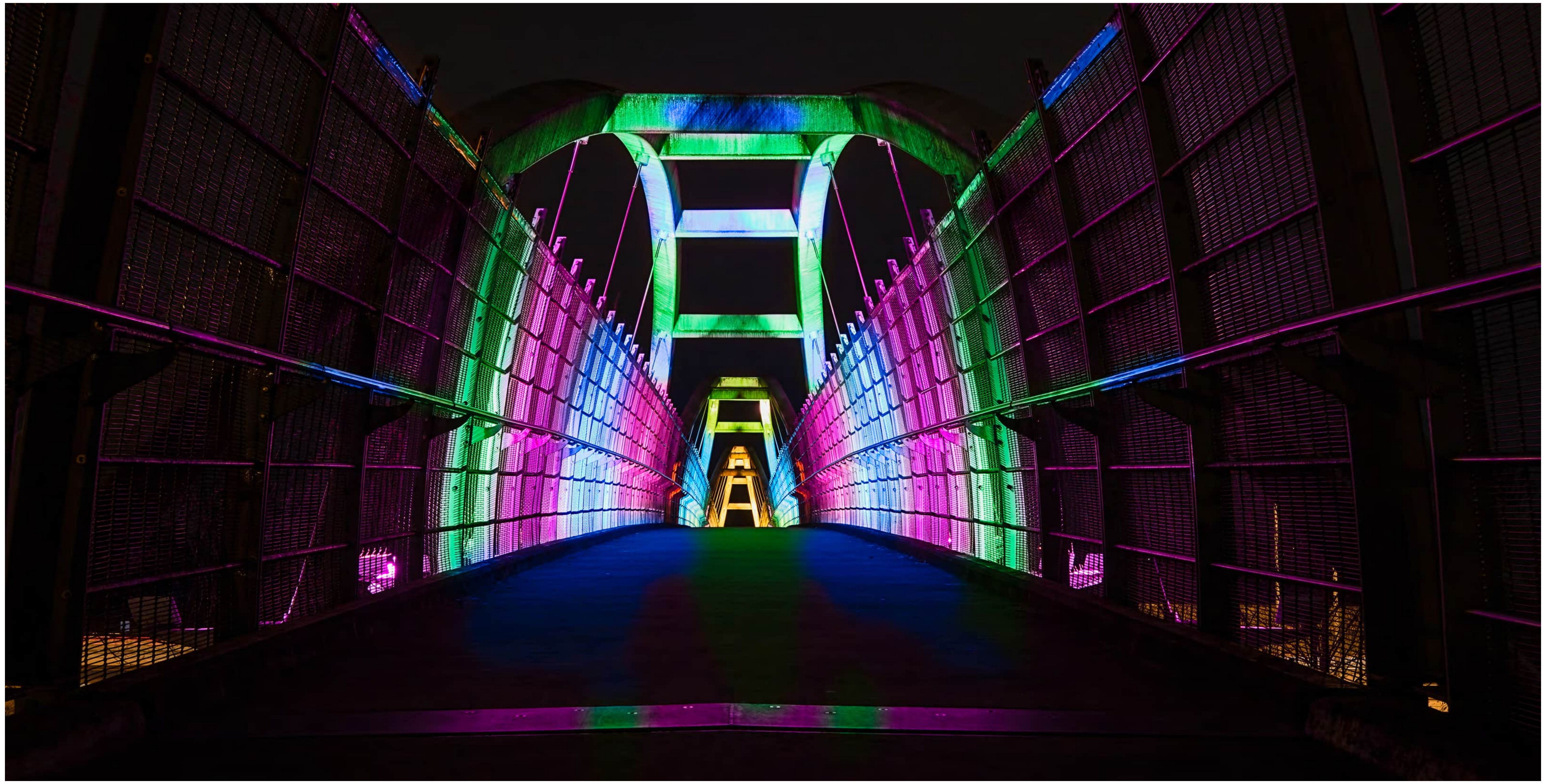
   As one director noted: "If there's [only] a debate, you can end up with a bad decision. Another way to do it is to say, 'you're the team against, and you're the team in favor. And find me all the arguments and let us have a debate. You do that systematically."

Where to start

Appoint a "chief provocateur" from among the board as a rotating yearly role, with the responsibility and express permission to test conventional wisdom and beliefs, ask (and sometimes say) the unthinkable, and request "red team" counterfactual reviews over major decisions. This role doesn't absolve others on the board of speaking up and thinking critically, but it does help to ensure that at least one board member won't be automatically shut down when they do so.

Discuss how other mechanisms – internal and external, human, and technological – should supplement the board's ability and responsibility to make independent enquiries and to be suitably informed. Given the support of and easy access to independent auditors and risk and compliance functions, this is particularly important regarding nonfinancial drivers of value such as culture (behaviors and ethics), brand, and key supplier and partner relationships.

Ask: How can boards best obtain the necessary nonfinancial information, where or if necessary, independently of management, to conduct suitable sense-checking?



E5

Engineer simplicity

Give directors greater confidence in their governance of the global enterprise.

> “With an increase in complexity, having consistency and standardization in a global organization is really important, provided you understand and appreciate what potential limitations that could impose.
>
> **Board director**

> “The problem is when you’re sitting in a global organization, if you don’t have that degree of consistency, it becomes really difficult to govern and as a board to say, “Let me understand, what’s my degree of comfort around the infrastructure in place.”
>
> **Board director**

The dispersed global operations, complex group structures and organizational arrangements of large public companies present significant governance challenges. Operating across many different jurisdictions and views of governance creates a constant struggle at the top of the house to bring this all together. This inherent complexity makes it almost impossible to know with real confidence what is happening across the breadth of the enterprise – see Figure 6.

And of course, the greater the number of moving parts, the greater the potential fault lines and points of failure:

- Vertically, between the board and CEO or executive team, between head office and regional executives, between regional executive teams and regional management, and between management and operators
- Horizontally, across markets and geographies

Any number of “dual disconnects” can occur between the following axes:

- Detection and interpretation of signals (trends, events and performance) and the resulting decision-making
- Between the decision-making and the resulting action-taking

These fault lines and possible disconnects make it far harder for a board to achieve justifiable confidence that they aren’t about to be badly surprised. Optimizing transparency and reducing exposure related to the most material drivers of value becomes particularly hard to do in a multilayered, multigeography enterprise.

A proliferation of subsidiaries reduces risk transparency

A major contributor to this dual disconnect is the proliferation of subsidiaries. For instance, a director mentioned being the chair of a large charitable foundation with “100 subsidiaries” that made it “very difficult to know what’s there and know where the real risk is.”

This is not an isolated instance or observation. The scale of this complexity is evident from data on the number of subsidiaries held by large global enterprises. The mean number of subsidiaries per company among the top 50 multinationals is 200, with some having over 1,000 subsidiaries. Some have as many as 100 production sites and a presence in 80 countries. All employ hundreds of thousands of individuals. The vast number of investment and tax subsidiaries contribute further complexity.

By another measure, leading multinational companies have created over 200,000 subsidiaries.[5]

Figure 6: Board member areas of enterprise visibility

Most board members lack operational visibility.

In which of the following areas of your company do you have direct visibility?

Source: 2025 EY Risk Transformation Study

Moreover, many of the directors interviewed prioritize simplifying and streamlining governance mechanisms. They see value in implementing principles-based governance frameworks that balance global consistency in policies, standards, processes, and organizational and governance control mechanisms with necessary local adaptation.

The costs and practicalities of doing so are an impediment, but improving board confidence in the uniformity of control mechanisms reduces the continuous “back of the mind worry” about how much to rely on systems and processes. It further allows directors to focus more on the substance of the problem (or perhaps the people-related issues of reliable reporting and disclosure) than continually second-guessing whether the system is reliable.

The desire for global standardization of governance systems and the need for flexibility to adapt to local regulations and conditions are in constant tension. Too much flexibility can lead to a disparate organization, making central governance difficult. Conversely, imposing rigid central controls can stifle local responsiveness and innovation. One board member advocated for “a nuanced approach – standardizing functions like ethics globally while allowing local differentiation in areas like consumer preferences.”

Growing risks in a NAVI business environment

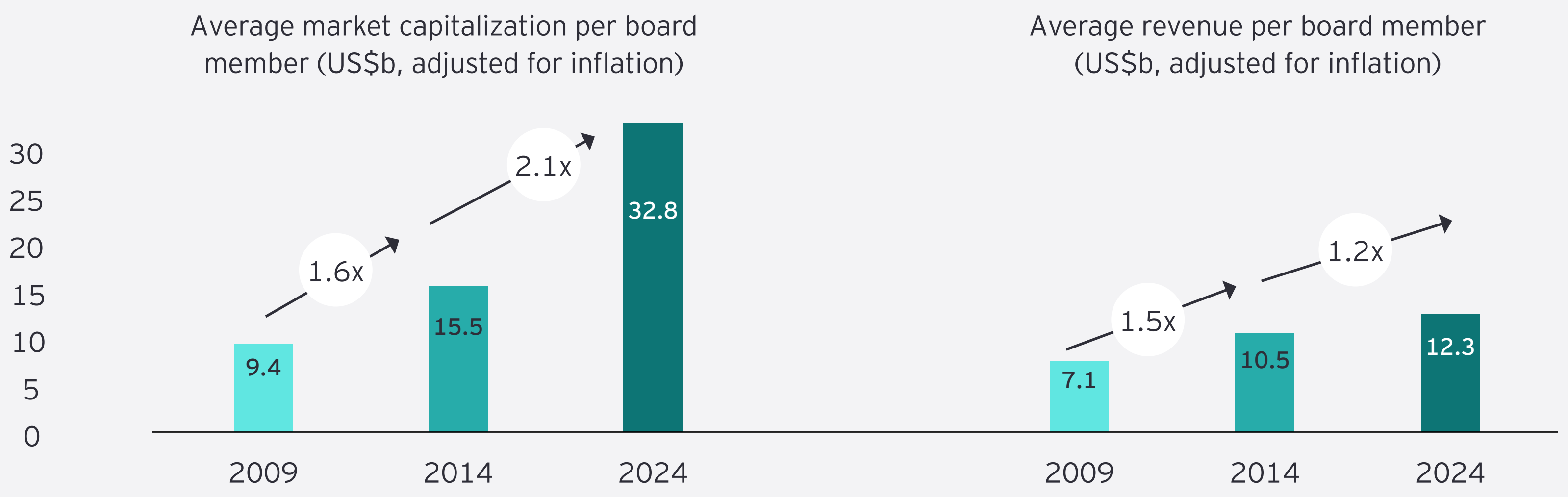
It has always been the case that a company will eventually experience a governance “outage” of some kind that the board (and quite possibly, the executive) did not foresee or could have detected earlier.

As one director said: “Look, I ran a company. We did business in 100 countries. I had 70,000 people. There was no way every single person was going to do everything right. There isn’t a company on whose board I’ve served that hasn’t had bad stuff happen.”

Boards of the largest companies confront this risk in the NAVI business environment, with faster, more interconnected disruptions. The constellation of subsidiaries maintained by global companies creates myriad exposure points to this risk. In addition, the “value at risk per director” has soared, with the weight of responsibility continually increasing on the same number of shoulders – see Figure 7.

Figure 7: Directors represent a growing quantum of value at risk.

Average market capitalization and revenues per director of the top 50 companies in the Forbes 2000



Source: EY analysis of Refinitiv data

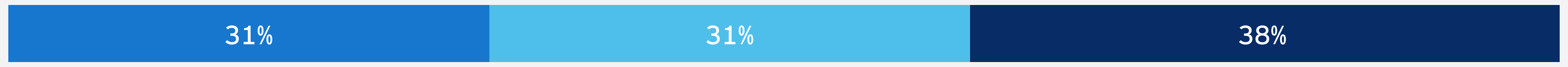
5. ‘Where are the global hotspots for MNC subsidiaries?,’ *Investment Monitor*, 28 January 2021, https://www.investmentmonitor.ai/uncategorized/where-are-the-global-hotspots-for-mnc-subsidiaries/, accessed 23 September 2025.

But the risk isn't only on the downside. Companies with the most effective boards – the ones contributing strategic insights and providing constructive challenges – will be better positioned to seize the upsides of a disruptive business environment. Figure 8 indicates that the views of the study interviewees are evenly split on the suitability of the classic board construct to respond to these kinds of fast-moving challenges and opportunities.

"Uncertainty and volatility feel to me like they've just become the norm," observed one of the directors in our study. Even board members who assert having a sufficiently robust governance structure in place, cite the challenge of an increasing number of issues simultaneously on the board table in a very unpredictable world.

Figure 8: Director pulse poll

Q6 **Given the speed or pace of change, how suited is a classic centralized group board construct to sensing, interpreting and responding to fast-moving trends and events?** Respond on a scale of one to five.



Mean score: 3.0

(1–2) Poorly suited
(3) Moderately suited
(4–5) Well suited

> "Some are poorly suited because they don't have the right people around the table. They don't have an open dialogue with the CEO. They're not asking deep enough questions. They're not getting transparency. Boards that are, I'd put them in the three-to-four range.
>
> **Board director**

Resulting impact: growing risk of impaired oversight and inconsistent governance

The challenges of achieving a reliable line of sight into risks, opportunities and performance issues across different business units, operating divisions and multiple geographies create a governance dissipation effect.

As an enterprise expands across numerous jurisdictions and legal entities, central board oversight becomes diluted and fragmented, a situation compounded by an admitted lack of direct inter-board liaison with these subentities across global operations. This makes it nearly impossible for the corporate board to maintain a consistent lens on strategies, key operations and risks across the entire breadth of the enterprise.

For instance, an interviewee noted that it is "hard to hold a board member that sits at the corporate headquarters [in the US] accountable for what happens in Germany." This structural fragmentation severely hampers the board's ability to exert meaningful, unified governance, increasing the risk of localized failures or inconsistent adherence to corporate principles.

This complexity leads a heavy reliance on local management for guidance, resulting in information asymmetry and potential board blind spots. Boards often lack direct familiarity with and access to local stakeholders, making it difficult to understand ground-level realities. The reliance on filtered management reports further compounds this issue, creating a significant gap in real-time, ground-level understanding of operations and risks.

Actions to consider:

Addressing the complexity of global enterprises to achieve greater risk transparency requires a multipronged approach that balances simplification with strategic adaptation:

1. **Adopt principles-based governance frameworks. Rather than rigid rules, boards should adopt a mix of "principles versus rules."** This approach allows for necessary local adaptation while ensuring adherence to core corporate values and global consistency. For example, while ethical guidelines should be standardized globally, their execution might differ based on local jurisdictions. This balance is crucial for maintaining global strategic alignment without stifling local responsiveness.

2. **Obtain independent insight into local operations.** To gain independent insights into local operations and mitigate information asymmetry, boards should strengthen their internal audit functions. Internal audit can serve as a critical and independent set of eyes and ears for the board, with expanded budgets and direct reporting lines. As one observation noted, external auditors can be a catalyst for certain aspects because they have such a wide-angle lens and see so much. Additionally, boards could consider involving specialized external investigators or "governance as a service" organizations for certain types of regulations or routine activities, particularly for nonfinancial governance aspects.

3. **Get closer to key stakeholders and material operations.** Boards should explore mechanisms for directors to gain closer exposure to operations outside of formal board meetings or curated site visits. For example, this could involve embedding directors in a different organizational geography or business unit for one intensive week a year and sharing notes. Increasing the frequency of interactions and going deeper into specific topics can enhance the board's understanding of global operations.

4. **Consider opportunities for strategic simplification of entity structures.** Boards should lead efforts to reevaluate and possibly simplify corporate and ownership structures. This might involve reducing the number of legal entities where possible, moving toward fewer, more transparent arrangements. The aim is to reengineer enterprise governance arrangements and mechanisms: first, to simplify ownership arrangements and the entity structures themselves (organizationally); and second, to standardize and harmonize governance arrangements wherever possible (global policies, standards, frameworks and responsibilities, processes, systems and data, etc.).

The tension between central control (tight) and local autonomy (loose) is a critical and recurring challenge for multimarket enterprises. The analysis indicates that the solution is not simply more centralization or more decentralization, but a nuanced approach that clearly defines what must be consistent (e.g., core principles, ethical guidelines and global standards) and where flexibility is necessary (e.g., local regulatory adaptation and operational execution).

In regard to the question of tight-loose governance arrangements, a director commented: "As an accountant, I don't like anything that's a loose system. I think there's a balance. You have to empower decision-making locally, and you have to enforce oversight controls around it centrally."

This global-local or tight-loose governance tightrope demands sophisticated governance design that enables global strategic alignment without stifling local responsiveness. Leveraging technology to monitor adherence to increasing principles-based rules while allowing for local operational discretion is key to navigating this balance effectively, helping to promote both compliance and agility across the enterprise.

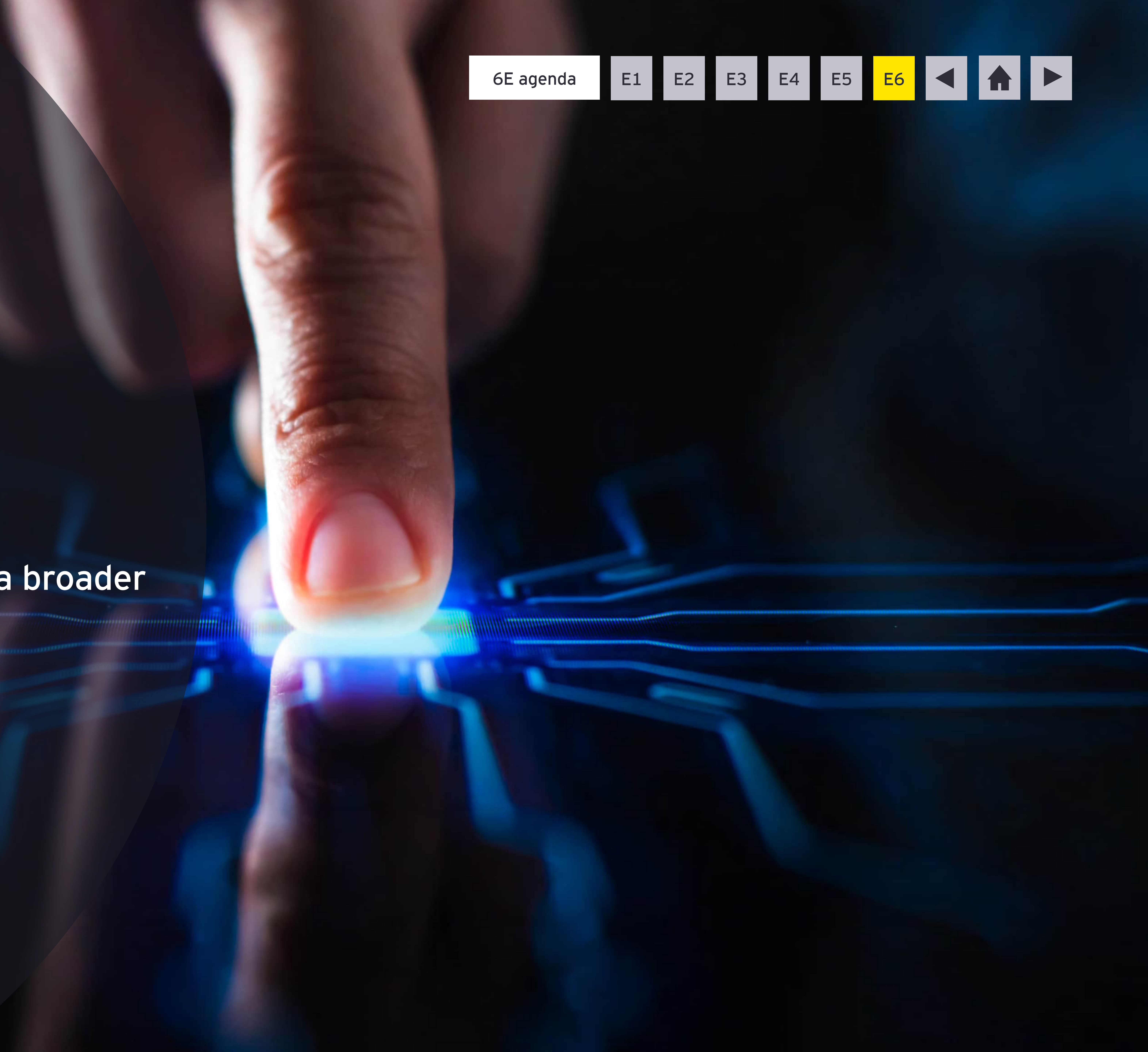
Where to start

Discuss with management their views on standardization and harmonization versus localization of governance mechanisms for oversight or compliance and strategic decision-making.

Ask: What are the determinants and guiding principles for this? What are the risks and benefits (e.g., adaptiveness and speed, consistency and clarity, and fit-for-purpose controls)?

Then, agree between the board and the executive on the optimal mix of "tight-loose" governance arrangements that give both parties confidence related to:

- Suitability and reliability of the controls
- Added efficiency
- Improved line-of-sight transparency
- Centralization of oversight versus devolution of oversight to subsidiary or geography-based subboards



E6

Employ AI

Augment board capabilities as part of a broader enterprise AI strategy.

> In my boardrooms, there's really no access to data for asking, "what if?" The use of data in the boardroom is very static, not dynamic. I think boards need to move to using data dynamically.
>
> **Board director**

AI developments are emblematic of the NAVI business environment. Adoption rates of this foundational technology have been exponential rather than linear. The autonomous learning, decision-making and creation capabilities of the technology accelerate its own capabilities while speeding innovation and transformation across industries. We are only in the early days of AI-driven disruptions, but it is clear that they will be highly interconnected, shaping culture, work, sustainability and the operations of every sector.

CEOs recognize the threat and opportunity of AI. They view emerging technologies such as AI as the number one disruptive force and are prioritizing leveraging them to build an innovative edge and build new ways of working, according to the *EY CEO Confidence Survey*. Ninety-nine percent of CEOs reported adopting GenAI in their organizations in the *EY CEO Imperative Survey*.

Yet, boards of even the largest companies lag in AI focus and expertise. One director in our study was "blown away by how little that board really understands about AI," despite its potential to "change absolutely every single job on the planet."

The board's AI gap extends to its enablement of enterprise governance. A lack of uptake of AI in the boardroom to enhance efficiency and effectiveness stands in sharp contrast to the technology's adoption elsewhere in the organization. All the participants in our study view AI as an enormous game-changer that could significantly enhance board functions – and some see AI as the only solution to board challenges. Despite this, participants observed that companies "haven't harnessed the power of technology to make the process more efficient, to deal with repetitive tasks, to make it faster and more transparent, and to enable us to focus more time on the actual conversation and the decisions being made," in the words of one director.

The observed lack of understanding of AI's potential among board members and its limited use in the boardroom represents a fundamental deficiency in strategic vision for how AI will transform every aspect of business, including governance itself. Without a foundational understanding of where and how AI can help or should be deployed in the enterprise, boards cannot adequately fulfill their oversight duties in an increasingly AI-driven world.

Resulting impact: missed opportunities for efficiency and effectiveness in enhanced oversight

The AI gap means boards are missing immediate opportunities for enhanced efficiency and deeper insights into enterprise governance and operations. They are also ill-prepared to effectively oversee the enterprise-wide risks and opportunities that AI's rapid evolution presents in a NAVI business environment.

The underutilization of AI in the boardroom could result in significant missed opportunities for boards to operate more efficiently and make more informed, timely assessments and decisions.

A director describes their unease and the opportunity they see for AI augmentation:

"By the time you meet, the information is stale. It isn't real-time, and that honestly scares me. There's huge potential in getting real-time, data-driven insights and really enhancing our governance through technology. I'd like a connecting-the-dots [application], not just for summarizing competitors' earnings calls but for broader insights into what competitors are doing and saying."

As another director observed: "If you have sufficient rigor in internal systems and processes, AI can potentially help. Then you can use AI to determine other risks as an adjunct to internal systems and mechanisms. What are the IT risks, the cyber threats that we haven't perhaps identified?"

Beyond leveraging AI to augment their own capabilities, boards must have a strategic understanding of AI to be able to fulfill a critical role in guiding the organization's response to the technology in three areas:

- Business models: elevating and expanding management's perspective on AI to ensure that experimentation takes place within a long-term and strategic perspective on business model transformation
- Operating models: helping management to prioritize AI opportunities and ensure a tight relationship between operational gains and organizational strategy
- Risk management: pushing management to establish a responsible AI risk management framework that balances the risks and rewards of AI, considers needed culture shifts, and addresses impacts on stakeholders

The use of AI by the board and the establishment of an enterprise responsible AI framework are not separate, but integral. The well-documented risks of AI – such as reliability, explainability, compliance, ethics and transparency – exist as much in the boardroom as in the broader enterprise.

Increasing focus on AI governance

EY research reveals a growing focus on how AI is governed and the capabilities of directors.

The percentage of institutional investors prioritizing responsible AI for engagement rose from 19% in 2024 to 36% in 2025, according to the EY report, *What directors should know about the 2025 proxy season* (via ey.com US).

Proxy statements of Fortune 100 companies show that nearly half cited competencies in AI in their descriptions of director qualifications, up from 26% doing so in 2024, according to the *EY Center for Board Matters 2025 proxy season review* (via ey.com US).

Actions to consider

To leverage the full potential of AI and technology, boards must move beyond passive observation to strategic integration, augmenting human capabilities rather than replacing them:

1. **Establish a responsible AI framework for the enterprise to increase confidence in the technology.** *The EY Responsible AI Pulse survey* reveals that organizations have strong controls in place for only three out of nine responsible AI principles. Most C-level executives plan to adopt new AI models over the next year but are unfamiliar with their specific risks. Over half (51%) of C-level executives agree that it is challenging for their organization to develop governance frameworks for current AI technologies, and the governance of emerging AI technologies is even more concerning to them.[6]

   Establishing an organization-wide framework based on the principles of responsible AI will help increase board and management confidence that the risks accompanying the implementation of the technology are being adequately addressed. This confidence, in turn, will help free the organization to pursue AI initiatives at speed.

2. **Set the board's adoption within the responsible AI framework**. The principles of responsible AI apply just as much to the board's work as to the operations of the broader organization. As individual directors and the board collectively take up AI to augment governance efficiency and effectiveness, responsible AI considerations, such as data protection, reliability, explainability and compliance, come to the fore.

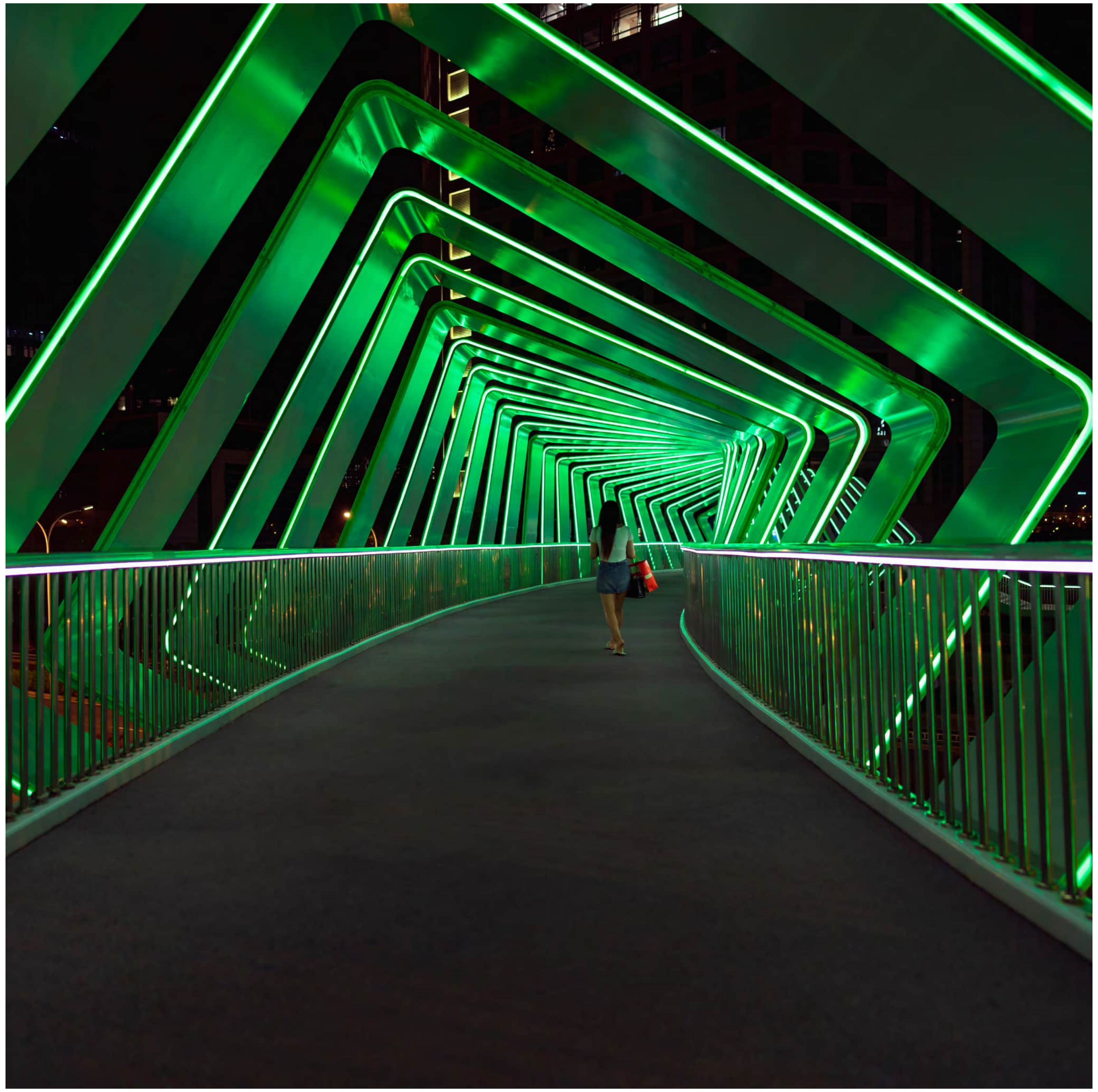
3. **Harness AI as a catalyst for human-centric governance.** The aim is to use AI to augment, not replace, the inimitable human traits of curiosity and wisdom on the board. AI's strategic role is to liberate board members from rote or routine tasks and information overload, allowing them to focus on uniquely human contributions: judgment, strategic discussion, ethical considerations and deep engagement.

   Boards should demand and implement AI-powered systems that provide real-time, data-driven insights. This capability enables exception-based analysis, trends and outliers, benchmarking against either peers or other absolute benchmarks. Beyond reporting, it could apply equally to monitoring compliance, standards, risks and performance, providing alerts and recommendations where key internal or external indicators are moving outside of agreed parameters (or if agentic AI becomes utilized, taking action itself within guardrails).

Where to start

Commence a conversation with the executive on how to utilize AI for governance functions on both sides of the boardroom divide. Key starting questions and actions include:

- Does our organization have a transparent and well-communicated responsible AI framework? How was it developed, and what principles does it prioritize?
- How do we leverage this framework to identify the pain points and opportunities to improve efficiency, effectiveness and foresight for the board? Consider how would AI augment director capabilities in areas such as:
  - Risk and compliance monitoring
  - Dynamic risk modeling
  - Business analytics and reporting
  - Insight synthesis, board paper drafting and fact-checking
  - Sense-checking and dynamic decision-making in the boardroom
- Develop the AI use cases and the boardroom roadmap. What can be put in place now safely versus what needs to be invested in for further development?
- Discuss and define what responsible AI in the boardroom looks like. What cultural and behavioral factors might the board need to overcome behaviorally? Conversely, what must the board defend as its prerogatives?
- What additional competencies does our board need to provide effective oversight on AI? What is our plan to boost these capabilities?
- How is the board structured to oversee AI? What information do the board and key committees receive about the use cases and potential of AI?
- Establish a safe sandbox for AI experimentation and incentivize innovation among board members and committees.



6. "Responsible AI Pulse survey: How responsible AI can unlock your competitive edge," *EY website*, https://www.ey.com/en_gl/insights/ai/how-responsible-ai-can-unlock-your-competitive-edge, accessed 23 September 2025.

Seize the opportunity to reimagine

The prevailing sentiment from the interviews is a stark warning: the current governance model is under strain. Without adaptation and change, it is not a matter of if it will break, but when, and how boards choose to respond.

As one director grimly noted, "It will last until, like Rome, it burns up. It will last until there's an epic failure. And then all of a sudden, there'll be a depth charge, and all the fish will swim in another direction."

While not all directors feel the heat to this degree, the prevailing sentiment among study participants is that boards must recognize that "What got you here, won't get you there," as paraphrased from Marshall Goldsmith, the American executive leadership coach and author.

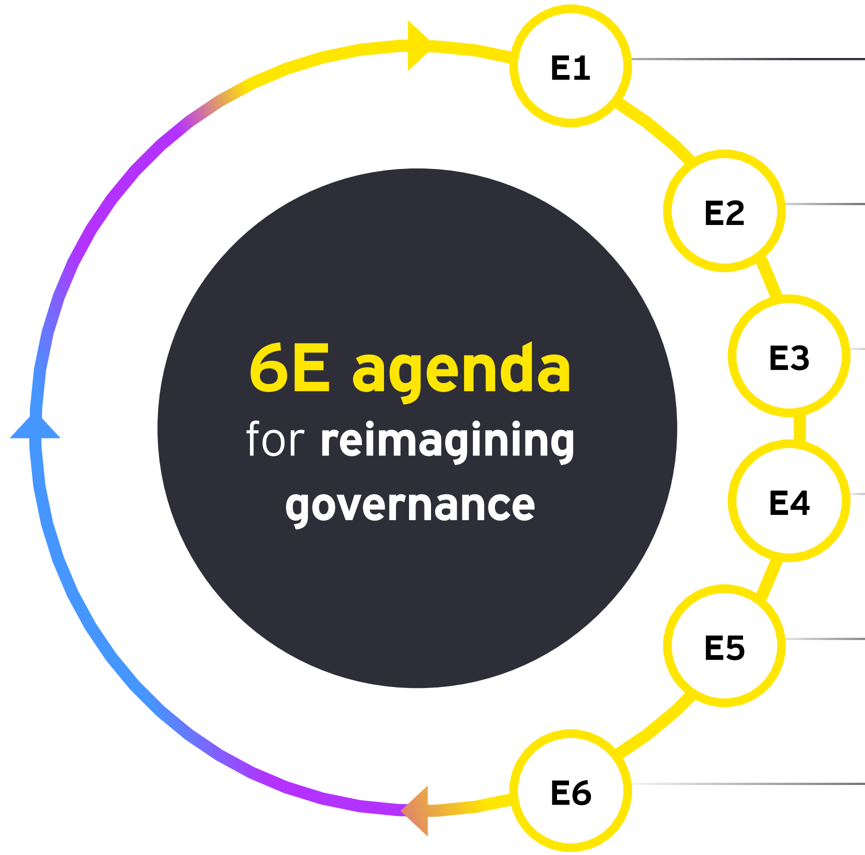
For instance, meetings should be designed for velocity, not rituals (and to be clear, this is not a call for boards to work harder but to change ways of working to allow the board to deliver full value). Build the board for where the strategy is going to take the business in five years' time (i.e., bring people on to the board that can help because they have already done it). Think systemically and move from easy, isolated fixes to something more resilient, scalable and a true value creating governance.

Recognizing the risks and doing something about them are not the same thing. Without a breakdown or catastrophe, there's often little impetus for change. It falls on the shoulders of board chairs and board members willing to challenge the status quo and highlight the dangers of inertia. This necessitates embracing continuous self-examination and adaptation before a crisis demands it.

It also requires a willingness to pursue a phased, multiyear governance program that moves beyond incremental change and considers more significant reform or even fundamental transformation where needed.

By reimagining governance mechanisms and embracing technological and cultural shifts, boards can transform from sometimes reactive, oversight-oriented bodies to agile, forward-looking strategic partners, helping to create organizational strength and sustained value creation in a dynamic global economy.

A virtuous cycle



E1	Elevate efficiency	Reduce burdens on directors and free up time to focus on the topics that matter most.
E2	Enhance effectiveness	Change ways of working to allow the board to deliver full value.
E3	Exercise foresight	Engage the ecosystem to improve foresight and sensing.
E4	Encourage independence	Prevent governance failures with curiosity and critical challenge.
E5	Engineer simplicity	Give directors greater confidence in their governance of the global enterprise.
E6	Employ AI	Augment board capabilities as part of a broader enterprise AI strategy.

Afterword: an agenda for future board leadership

Adopting the virtuous cycle of the 6E agenda requires leadership and, arguably, some acts of bravery. This starts with chairs in their current roles and future, next-gen chairs "stepping up."

Interestingly, in our interviews, there was much discussion about how chairs play an important role in fostering positive cultures within their boards. Whether chairs take a leading role in implementing the 6E agenda or setting the conditions for its achievement, they will be essential to reimagining governance.

It is at times more important to work on the system rather than the parts, the root causes rather than symptoms. This is how we can effect change in complex adaptive systems, such as large global organizations or the governance arrangements between them and their stakeholders.

No matter who takes the lead – chair, director or company secretary – we hope this report galvanizes a discussion about how fit-for-purpose their governance systems are.

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