# In the hot seat

**The evolving role of UK boards**

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# Foreword

To better understand how boards are responding to today's volatile business landscape, we surveyed over 130 FTSE100 and FTSE250 board members. The results – supplemented with conversations with prominent directors – are informative and should give cause for careful reflection.

Our research finds that the pressures felt by directors – including a sense of rising personal liability – negatively impacts their ability to be as strategic as they (and shareholders) would like them to be. It also adversely affects governance and oversight, according to many.

The majority (81%) described today's regulatory environment as difficult, stressful or challenging; and nearly all (95%) said that regulatory responsibilities have increased markedly in recent years. Accountability to broader stakeholder groups and corporate reporting obligations were also key challenges that have grown dramatically in recent years. This rise in accountability and liability has stymied their ability to set business goals; and many said it had had a negative effect on their ability both to challenge and contribute to the development of company strategy.

There are more encouraging findings too. Directors remain passionate about their roles and it's clear that most take up a position on a board to add value in a company sector they know and understand. The desire to 'give something back' outweighs monetary incentives by more than three to one.

But while 6 out of 10 non-executive directors (NEDs) think director remuneration is fair and adequate to attract top talent, they acknowledge that this is based on proposed directors already being financially self-sufficient.

This, in turn, may be reducing the pool of candidates and, thereby the ability to diversify boards. Managing the twin pressures of increasing diversity while also keeping the right balance between broad skillsets and incorporating specialist expertise in areas like AI will be an ongoing challenge for boards in the future.

The rise of ESG continues unabated. Social issues such as environmental and human rights were 'always' considered by 23% of boards, and 'often' by 41%, according to those surveyed. A large majority (58%) believed boards would come under increasing pressure to take a proactive stance on social issues going forward.

These demands add to the strains felt by directors – and echo the findings of KPMG's recent CEO Outlook survey, in which a quarter of chief executives stated that failure to meet ESG expectations posed a serious threat to their continued tenure.

Overall, our feedback from both surveying and speaking with directors finds the expectations of regulators, and stakeholders more broadly, is lifting the level of intensity, expertise and time required to fulfil director roles.

While most directors still feel able to manage their workloads, there is a belief that this increased intensity could affect the attractiveness of listed boards and result in the desired skills moving towards roles in privately owned companies.

Our research seeks to capture the pressing issues faced by directors and how they feel these challenges can be best addressed as boards adapt for the future. We hope you find this paper thought-provoking.


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# Key findings

### Which best describes your view of how the current regulatory landscape impacts the experience of directors?

**40%** say it's increasingly challenging, but justifiably so.

**41%** describe it as a continually difficult and stressful experience.

### Which of these directors' duties do you think is being negatively impacted by an increase in accountability?

**43%** cite a negative impact on planning short and long-term goals.

**41%** cite a negative impact on the board's ability to challenge/develop strategy.

### Which of these challenges do you think has increased the most for boards and directors in recent years?

**95%** say it's regulatory responsibilities.

**86%** say it's accountability to non-shareholding stakeholders.

**82%** say it's corporate reporting obligations.

### What factors attract individuals to a board role?

**87%** cite an interest in the business/industry.

**59%** cite an interest in building director skills.

**49%** cite the opportunity to 'give back'.

### Do you think increased accountability and personal liability for directors has had a positive or negative impact on governance and oversight?

**40%** think this has a negative impact.

**30%** think this has a positive impact.

**30%** say it has had no impact.

# Key findings (cont.)

### What is the significance of remuneration?

**15%** say remuneration was key to accepting a board role.

**25%** say pay is fair reward for the risk.

**43%** say remuneration is a barrier to attracting top talent.

### Over the next decade, do you anticipate the boards of FTSE100/250 companies will be more or less likely to consider broader societal issues within their decision-making processes?

**31%** It will stay the same.

**47%** Somewhat more likely regulatory responsibilities.

**11%** Significantly more likely.

### Do you feel board members have, or have access to, the necessary skills to effectively navigate technological and regulatory disruption, and future macro trends?

**30%** Yes, to a significant extent.

**56%** Yes, to a moderate extent.

**11%** No, not at all.

### In the next decade, which of these do you think will impact FTSE100/250 boards?

**62%** foresee a mandatory cap on board roles.

**67%** Think technology will play a greater role in assisting boards.

**51%** Predict an increase in board size.

**28%** foresee a mandatory director qualification.

### To what extent do the boards you sit on consider broader societal issues within their decision-making processes?

**23%** Always.

**41%** Often.

**34%** Sometimes.

**2%** Rarely.

# Analysis

## How boards are evolving: Three key challenges

Using the survey responses, including open questions, and the views provided through our conversations with board members, this report seeks to offer key insights for boardrooms. We have identified three key challenges facing boards today that will impact their readiness for the future. These challenges are summarised here before being expanded on.

**01**

### The role of the board – Adapting to thrive.

Boards must adapt to thrive amid heightened regulatory scrutiny, changing stakeholder expectations, and the blending of social issues with corporate governance. Directors we spoke to floated the idea of exploring new governance models, which may include separating management and supervisory functions to ensure clarity in roles, amidst growing demands for accountability and transparency.

The feedback suggests that without this delineation; directors will become more risk-averse in the future as their personal risk appetites are challenged by changing stakeholder and regulatory requirements. There are concerns that this may affect the attractiveness of listed company boards, leading to a shift towards roles in privately owned companies.

**02**

### Cultivating agility – Building new skillsets and expertise.

The increasing complexity of risks and emerging technologies, including AI, necessitates boards to introduce further diversity in expertise while maintaining board cohesion. Succession planning and external advisory channels are key to keeping boardroom skillsets and knowledge relevant and sufficiently comprehensive. AI also introduces opportunities to assist directors in more quickly and better understanding complex information, enhancing data-informed strategic decision-making.

To support board access to new skills and experience – And guard against being left behind-some in the survey raised the issue of mandatory terms for NEDs, although there was also uncertainty about how this may be received by proxy advisers and institutional investors, who might favour seasoned professionals over less experienced individuals. But there was agreement by all on the importance of robust succession planning.

**03**

### Evolving directors' pathways, portfolios and compensation.

Directors are facing intensifying workloads and scrutiny, prompting a re-evaluation of their board commitments and the effectiveness of current remuneration. Experience on large corporate boards is valuable, but there is also a need for new thinking, diverse backgrounds and potentially revised compensation models to attract the range of future-skilled talent required to oversee emerging organisational challenges.

There is a general belief that diversity in board composition – Including age, gender, and skills – Will increase. However, there is also a concern that this might not necessarily translate into diversity of thought and background – Particularly if remuneration structures do not adapt to enable those who are less financially independent to take up NED roles.

# The role of the board Adapting to thrive

## Regulatory hurdles vs strategic oversight

Feedback from directors reveals there is an increasing expectation from regulators for the board to have greater visibility and detail across a range of compliance areas, in their view limiting the board's ability to engage in more strategic conversations.

With the ability to contribute to the strategic direction of organisations a key driver for individuals pursuing NED roles, the heavy compliance load risks director roles becoming less desirable.

### According to our survey

**95%** cited regulatory responsibilities as the challenge that has most increased for boards and directors in recent years.

**86%** of respondents indicated accountability to broader stakeholder groups had increased in recent years.

**41%** of those surveyed described the current regulatory landscape as a continually difficult and stressful experience.

**40%** of those surveyed described the current regulatory landscape as increasingly challenging (albeit justifiably so).

## Managing heightened expectations – Balancing shareholders and stakeholders

Survey answers indicate that the expectations of regulators are lifting the level of intensity, expertise and time required to fulfil director roles. Open responses in the survey highlighted concerns about the pressure boards are under to address short-term expectations while also seeking to grow sustainable shareholder value over the long-term. The need for boards to appropriately balance shareholder and stakeholder interests was undisputed and none of those responding to the survey made board decisions solely driven by shareholder interests.

### According to our survey

**98%** of boards consider societal issues within their decision making processes.

**34%** say that board decisions are predominantly driven by the interests of shareholders with some high level consideration of broader stakeholder concerns.

**60%** say that the interests of broader stakeholders are given equal or significant consideration when making board decisions.

**5%** say that board decisions are predominantly driven by the interests of broader stakeholders alongside consideration of shareholder interests.

Directors reflected that the increased regulatory load, combined with how boards respond to various important issues playing out on the public stage means that directors are becoming increasingly personally visible through the media cycle, government inquiries and social media. Nearly half (47%) cited 'personal liability' as a challenge that has increased in recent years.

Many of those interviewed shared a belief that there is a common misconception about the role of the board and that there needs to be a greater understanding of the limitations of what the board is, and is not, able to do. The delineation of what can be expected of non-executive directors vs executives was a concern for some.

## Reclaiming stewardship

Most directors we spoke to considered that radical changes to the current governance structures of large corporate organisations are unlikely. Instead, they believed boards will need to better understand the real drivers of their business, articulate their risk appetites, and turn these into a reality.

When asked how this could be achieved, many agreed that this would only be possible through a reduction in the time spent by the board on compliance. When considering the next decade and how boards could reclaim their role as stewards, some ventured that there would likely be a need to devolve authority so that much of the oversight taking place in board committees could be redistributed to management teams.

## Getting engaged on societal issues

Directors we spoke to agreed that over the next decade, boards will continue to see stakeholder pressure increase, creating challenges as they navigate conflicting perspectives. Many pointed to the importance of incorporating regular connection points with employees and community groups as a mechanism to get a greater diversity of views and inputs – And in this regard, the relatively recent practice of delegating to a non-executive director the role of 'workforce engagement' was seen as a positive development.

### According to our survey

**86%** of respondents indicated accountability to broader stakeholder groups had increased in recent years.

When considering the board's approach to social issues, directors agreed that while it was crucial to have regard to a wide array of stakeholder concerns, ultimately directors had the difficult role of deciding what steps would best promote the success of the company for the benefit of shareholders. If relevant, societal issues (and other stakeholder concerns) should be factored into decision making, integrated into the organisation's strategy, and tied to its potential for future success. This may require more work, but it probably leads to better decisions as a result.

Put another way, societal issues are both extremely important and nothing special. Extremely important because they are critical to long-term value and so should be taken seriously. Nothing special since such issues are no more (or less) important than a myriad of other issues that contribute to long-term returns, such as management quality, corporate culture, and innovative capability.

# Cultivating agility Building new skillsets and expertise

## Accessing specialist skills

Our conversations reveal a divergence in the views of directors concerning appropriate access to specialist skills. Many refer to the board's ability to appoint external advisers on specialist issues, while others saw value in having these skills reflected around the boardroom table.

There are challenges in the number of additional directors needed to appropriately represent all the issues affecting an organisation and that the pace of change we are experiencing would likely result in a higher turnover of directors as new issues emerge. This introduces fresh challenges, as boards look to maintain continuity and institutional knowledge.

### According to our survey

**11%** of respondents do not believe FTSE100/250 boards have access to the necessary skills to effectively navigate technological and regulatory disruption.

Many respondents considered the major skill gap to be around emerging technology - notably AI – Both in the executive and around the boardroom table.

Appointing deep domain experts can impact board dynamics as other members tend to defer to the expert on issues where they hold expertise, reducing overall engagement. Also, there is a risk that those with deep specialist knowledge may not have the broader knowledge and/or expertise needed for a board position, limiting the expert's contribution on other matters.

Other respondents went further and observed that – With the rate of change in how we do business and the type of business that is done – It is irrational to expect directors to have all the skills and knowledge required. Rather, what is required is access to subject matter experts that can guide and advise on the risks and opportunities that may be encountered. Key board skills include agility, open mindedness, the willingness to admit when you don't know something, and the willingness to listen and apply the years of business experience and decision making required to guide the business forward.

In any event, our survey and conversations with directors highlight the importance of both:

- Investing time in upskilling directors and ensuring succession plans are in sync with the company's strategy; and
- Building critical skills of the executive team and ensuring access to good thought-leadership and both third-party and dissenting views. Being aware of, but not necessarily beholden to, views from outside the organisation, goes to the heart of being a good board member.

## Balancing technology with the value of human conversations

When reflecting on the pandemic and the rapid adoption of virtual board meetings, directors interviewed said that in a post-pandemic world, their boards are increasingly exploring hybrid meeting models, which balance decision-making and dialogue.

Directors highlighted that the rise in regulatory responsibility, the adoption of technology enabled board packs, and management's appetite to escalate issues to the board, has led to more detailed board papers which demand an increase in directors' time to enable personal analysis and informed decision-making. Some of the directors we spoke to noted the benefits AI can have in analysing the papers, supporting data-based decision-making, and even assisting with the 'right' questions to ask management to allow more time for strategic thinking.

But they were concerned about bias and the need for this to be addressed before widespread use. When considering AI's role in decision-making, directors emphasised the importance of ethical and cultural considerations and agreed that while AI can be a valuable tool, human oversight is essential.

## Mandatory training

While it is considered good practice for board members to seek periodic continuing professional development, there are few rules or regulations specifying what skills/qualifications directors should have.

All the board members we spoke to strongly believe that aligning boardroom talent with company strategy – both for the short and long-term – Is paramount, but interestingly around a quarter of respondents to our survey did foresee a time within the next 10 years where some form of qualification or formal training would be mandatory for listed company directors. What such a qualification would be and the manifest practicalities involved remain to be determined.

# Evolving directors' pathways, portfolios and compensation Fulfilment and purpose

Our survey shows that the primary motivations for serving on a board are a connection to the company's ambitions, an interest in building board skills and experience, and a desire to 'give something back'. When deciding whether to join a board, individuals tend to consider several factors, including the opportunity to leverage their skills, and a sense of duty.

For 85%, remuneration was not a key factor in attracting individuals to NED roles. Our interviewees similarly emphasised that their financial independence is essential for maintaining objectivity and making decisions in the best interest of the organisation. Some interviewees mentioned that directors should not join a board primarily for financial reasons, as they must be prepared to make decisions that may potentially put their directorship and related income stream at risk.

## Managing the workload

The directors we talked to stressed the importance of all the work that occurs between board/committee meetings with some suggesting that up to 70% of the role occurs outside of the formal board meetings. Those interviewed referenced the additional commitment required because of growing regulatory demands and the rapid pace of change. Directors highlighted the importance of maintaining 'surge capacity' to navigate and respond to crises, major transactions, and periods of high activity.

While 40% of those surveyed rated their remuneration as being fair and attractive to future talent, 43% cited non-executive director remuneration as a barrier to attracting to talent – The general sentiment being that non-executive remuneration was not commensurate with the level of risk, responsibility, and time commitment associated with the role.

## Balancing risk and remuneration

Directors surveyed indicated that the growing regulatory burden, coupled with increased personal liability and reputational risk, is likely to make directors more risk averse in the future. Sentiment suggests that the appeal of listed boards may decline, leading to a shift towards roles on advisory boards, boards of private organisations, or unlisted companies.

### According to our survey

**43%** said remuneration can be a barrier for senior executives taking board roles.

## Diversifying perspectives and experience

Our conversations suggested that boards are increasingly open to recruiting directors from less traditional career paths. However, this pathway is not necessarily open to those who have not had the same financial success in their careers but still have the qualities and skills to be an effective director – Particularly younger individuals, technologists, and those from government, education, and not-for-profit backgrounds.

Directors we spoke with reiterated the need to enhance boards' diversity. Cognitive diversity – The range of perspectives, skill sets, experiences and ways of thinking – Was considered to be particularly important in the context of strategic thinking and decision making. Cognitive diversity can arise from differences in educational background, professional background, life background, cognitive style/personality and demographics.

Many directors we spoke with were in favour of bringing external executives on to the board in order to bring current, diverse and often younger, perspectives. They also agreed that they have seen benefits within their organisations where senior management gain external board experience. However, some had concerns regarding executives' ability to balance full-time executive careers with external board commitments, especially during times of crisis.

# A board of the future Focusing on the 'G' in ESG; and embracing the technology challenge

Reflecting on the evolving role of the board and its future trajectory, the insights gathered in this report underscore the pressing need for boards to adapt in response to an increasingly volatile business landscape.

The traditional board structure, while robust, is being challenged by heightened regulatory demands, the rapid pace of technological advancements, and shifting societal expectations. Directors are now expected to possess a diverse skillset that encompass not only strategic oversight, but also an understanding of emerging technologies such as AI and cyber security. This necessitates a re-evaluation of how we approach board composition and director pathways.

### According to our survey

Only **19%** of respondents believe that (board) committee structures are very effective in providing oversight of an organisation's risk and opportunities.

Around **one in ten** respondents consider that (board) committee structures are ineffective in providing oversight of an organisation's risk and opportunities.

In the boardroom, there is the potential to use technology to assist in creating more effective meetings and greater stakeholder transparency. Whether AI will be an active participant in the board remains to be seen. Currently, the view is that AI is a tool to be harnessed.

### According to our survey

**67%** believe technology will play a greater role in assisting boards discharge their statutory responsibilities.

**47%** believe technology will play a greater role in easing governance processes.

The technology revolution demonstrates how the diversity of skills and experience required to effectively govern and steward a modern organisation has grown. One of the most significant findings from our conversations is the growing importance of balancing specialist skills with the value of human judgement.

While AI and other technologies offer unprecedented opportunities for enhancing decision-making processes, they cannot replace the nuanced understanding and ethical considerations that human directors bring to the table. It is this blend of technological acumen and human insight that will define the board of the future.

More generally, increased regulation, stakeholder expectations, and the personal reputational risks faced by directors are reshaping the attractiveness of board roles.

Going forward, given the technological advances and existential threats facing most companies, it might be thought that there was a case for younger board members – Individuals whose youth, IT literacy, and concern for the planet, may be better placed to ask the hard questions necessary to shape today's strategies for tomorrow's success.

However, notwithstanding the arguments in favour of having younger directors in in the boardroom, respondents to our survey were split evenly on whether the average age of non-executive directors would rise or fall over the next 10 years.

### According to our survey

**34%** believe the average age of FTSE100/250 board members will be greater than 60 in the next ten years.

**34%** believe the average age of FTSE100/250 board members will be less than 60 in the next ten years.

By contrast, most respondents expected boards would increase in size over the next ten years – Primarily in response to many of the emerging risks and opportunities facing companies, and the ever-increasing pace of change.

### According to our survey

**51%** expected board size to increase over the next ten years.

**7%** expected board size to decrease over the next ten years.

Reflecting the investor/ proxy agency concerns regarding overboarding – The practice of individuals sitting on too many boards and thus diminishing their ability to contribute effectively – many respondents to our survey believed that the next ten years would see a mandatory cap on the number of board mandates an individual can hold.

Restrictions on board mandates are already de facto in place given that several large investors have voting policies that apply strict rules to directors serving on multiple boards.

Irrespective of mandatory caps, director responsibilities are increasing, and the need to keep up to date on issues like cyber security threats, cultural changes, technology and the effects of climate change (to name just a few) has created more pressure on directors' time.

# About this report

Between April and June 2025, we surveyed over 130 FTSE100 and FTSE250 board members with a view to uncovering insights into some of the current challenges corporate boards face in executing their duties, their motivations for building NED careers, and how the expectations of the board are evolving to meet future needs. These results were supplemented with conversations with leading board members to more deeply explore the main themes emerging.

# The KPMG Board Leadership Centre

The KPMG Board Leadership Centre offers support and guidance to non-executive directors, whether managing a portfolio non-executive career or embarking on a first appointment. Membership offers you a place within a community of board-level peers with access to topical and relevant seminars, invaluable resources and thought leadership, as well as lively and engaging networking opportunities. We equip you with the tools you need to be highly effective in your role, enabling you to focus on the issues that really matter to you and your business.

Learn more at www.kpmg.com/uk/blc.

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