Raconteur

July 2025
#0938
raconteur.net

An independent publication in association with THE TIMES

The C-suite Agenda

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Distributed in THE TIMES

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POLICY

Inside the industrial strategy

Energy subsidies for heavy industries, new skills initiatives and a renewed focus on improving home-grown tech expertise form part of the strategy document

Tamlin Magee

In June, the Labour government revealed its long-awaited industrial strategy. Included in the white paper are several flagship, interventionist policies, such as subsidising energy bills for businesses, as well as proposals to invest in the national grid and boost home-grown technical skills.

The government says the strategy will support some of the UK's highest-growth sectors. Eight in particular are set to benefit: advanced manufacturing, clean energy, creative industries, defence, digital and technology, financial services, life sciences and professional services.

Energy is central to the industrial strategy and action on this front will be welcome news for resource-intensive industries. Wholesale electricity costs in the UK are high, especially compared with the US and other countries in Europe. To address this and boost domestic manufacturing, the UK will subsidise energy costs for firms in the automotive, aerospace and chemicals industries, among others, starting from 2027.

Through a new industrial competitiveness scheme, such costs will be cut by £40 per megawatt hour. Other energy-intensive sectors will enjoy reduced electricity network charges via the so-called British industry supercharger. This mechanism will grant a 90% discount to such charges. These businesses will also be exempt from paying certain energy levies.

The government also intends to speed up grid connections for heavy industries through the connections accelerator service, which enables projects of "national interest" to book energy capacity in advance. Further details on eligibility will be announced pending an upcoming consultation, but the announcement has proved popular with both Labour's traditional support base and industry.

Gary Smith, general secretary of the GMB union, called the focus on energy a big step forward. "This is a great opportunity to rebuild our industry, save iconic home-grown sectors and bring good jobs home," Smith said. "The devil will be in the detail, but at long last we have a grown-up strategy that will allow industry to thrive."

Michael Moore, chief executive of the British Private Equity and Venture Capital Association (BVCA), agrees. "Energy is a significant cost of doing business for many sectors and weighs heavily on private capital firms in deciding where to invest. Action that addresses the UK's competitiveness in this important area is positive."

Andy Wasley via Getty Images

Since taking office, the Labour government has worked to position the UK as a leader in AI and emerging tech. The industrial strategy provides further details on Westminster's plans to make this ambition a reality.

Key to achieving this goal is the development of regional clusters, which will support existing regional expertise. Clusters may boost semiconductor research in Wales or quantum R&D funding in Scotland, for instance. Details of this initiative can be found in the digital and technologies sector plan included in the industrial strategy.

Technical skills are also central to the industrial strategy. Working with big tech companies including Nvidia, Google and Microsoft, the government aims to train 7.5 million workers in "essential AI skills by 2030. This is in addition to the previously announced tech-first skills programme, which will provide £187m for better digital-skills education in classrooms and upskill 4,000 graduates, researchers and innovators in AI, cyber and computer science.

The strategy outlines an AI adoption fund, which will facilitate the development of cutting-edge AI in firms that display high-growth potential, as well as a sovereign AI unit, which will work with the British Business Bank to invest in data, compute and talent for UK AI capabilities, partnering with both start-ups and larger organisations. It also commits £600m to speed up the development of AI growth zones, areas where planning restrictions are relaxed for data centres.

Lastly, the government will establish quantum hubs in Glasgow and Edinburgh to help ready the country for quantum computing, and provide funding for skills related to semiconductor design and production to boost the domestic industry and create resilient supply lines.

Industry partners, such as the Quantum Strategic Advisory Board, AI Energy Council, and Cyber Growth Partnership, will play an important role in the development of cyber, AI and quantum planning, the government says.

The strategy highlights the strength of the UK's cybersecurity industry, calling Darktrace, NCC Group and BAE Systems exporters of world-leading cyber solutions and services. The country must work to maintain its edge here, the report suggests, through regional investments, including to establish a National Cyber Innovation Centre in Cheltenham, near the headquarters of the UK's signals intelligence agency, GCHQ.

The strategy signals a clear commitment from the UK government to fund key research areas and encourage the adoption of innovative tech and tooling.

For UK businesses, the white paper shows the government is willing to work closely with industry and accelerate collaboration between the public and private sectors in procurement. Big tech will be ecstatic that it has Westminster's ear in shaping the AI skills curriculum. For smaller firms, meanwhile, the creation of expertise clusters will likely be encouraging sign for regional development.

The industrial strategy is ambitious. As with every manifesto, the tricky part is not the planning, it's the execution. ●

£8.5bn the annual increase to profitability in UK industry if digital skills were improved

25% of working age adults cannot complete basic digital tasks that are essential for work

Futuredotnow, 2025

EDITORIAL

'B Corp doesn't need to be perfect – just principled and persuasive'

Businesses are withdrawing support for the certification. Can B Lab tighten its standards without losing its community?

In July 2024, four Havas agencies had their B Corp status revoked thanks to their parent company's work with the oil and gas giant Shell. Even though the agencies didn't directly work with Shell, B Lab insisted that the brand association was enough to pull the plug.

The message was clear: performative eco-credentials will no longer cut it. Fast-forward 12 months and the picture couldn't be more different. Two high-profile B Corp exits at the start of 2025 have renewed the debate about whether B Lab is sticking to its original purpose. And questions have again started circling about the future of B Corp.

Dr. Bronners, the organic soap company widely considered the highest-scoring B Corp globally, announced that it would not renew its certification. It criticised B Lab for not strengthening standards for multinationals such as Unilever, Nespresso and Nestlé, which have all come under fire in recent years for greenwashing. Scrumbles, a UK pet food brand, also stepped away at the start of the year, claiming that the certification had become a "marketing badge… rather than a true mark of an ethical business".

B Corp was created to redefine business success and prove that companies can prioritise people and planet alongside profit. But as the community has grown, so too has the complexity of certification. Today, the B Corp landscape includes everyone from scrappy, climate-first startups to global conglomerates with huge supply chains. That diversity is a strength, but it's also proving to be a challenge.

B Lab is battling competing priorities. On the one hand, it must stay open and inclusive and welcome legacy businesses that are genuinely trying to transform. On the other, it must take steps to ensure its certification remains meaningful and does not become a tool for corporate virtue signalling.

This risk is compounded by the structure of B Corp scoring. To achieve certification, a company must score at least 80 points on the B Impact Assessment, a holistic tool that measures impact across five categories: governance, workers, community, environment and customers. Businesses don't need to perform strongly in all five areas. A high score in one category can offset weaker performance in another, which creates inconsistencies in defining what it means to be a B Corp.

B Lab is not blind to these issues. A major overhaul of the certification framework is underway, with the existing points-based system being phased out. Companies will instead be assessed against minimum standards across seven core areas, from environmental stewardship to human rights.

The hope is that this shift will produce more consistent standards for B Corps by creating entry barriers for businesses that have major weaknesses in particular areas.

But even the most robust framework won't save B Lab if it can't get its community on side. B Lab must explain how the new standards work, how they're enforced and what happens when companies fall short. Case studies, third-party audits and impact reports must become central to the story, not buried in footnotes.

Certified companies also have a role to play. They must embrace the spirit of the B Corp movement, not just its branding. That means telling richer, data-driven stories about their sustainability journeys. The public is no longer swayed by vague commitments or glossy marketing. They want substance and proof.

B Corp doesn't need to be perfect. But it does need to be principled and persuasive. Credibility is a communications issue. It's not just about what B Lab does next, but how well it tells the story of why it matters. ●

Helen Salvin
Head of sustainability, The PHA Group

Commercial feature

Why payment security should be a leadership imperative

Payment security is now a strategic leadership priority, essential for building trust, ensuring compliance, preventing fraud and unlocking long-term growth in digital marketplace environments

Digital marketplaces have evolved beyond simple buy-and-sell activity. Today, they are complex ecosystems handling diverse payment methods and transactions, which must be properly secured to drive customer loyalty and growth.

"Part of this effort includes the collection and analysis of a greater amount of customer data to better understand and predict potential security threats," says Bartosz Skwarczek, founder of G2A.COM and president of the supervisory board at G2A Capital Group.

Marketplaces are also investing additional legal and technical resources into security strategies to stay on the right side of regulation.

"This is critical to ensure compliance with rapidly changing laws and regulations regarding payment security and data protection," Skwarczek explains.

The combination of complex transactions, rising threats and a rigorous regulatory environment means that payment security is no longer just a back-end technical concern; it's a strategic imperative that requires the full attention of the leadership team.

Comprehensive security strategies that are robust, adaptive and anticipatory must be developed.

"These strategies not only protect customers, users and their transactions, but also paves the way for marketplaces to thrive in a competitive and highly regulated environment," says Skwarczek.

There's real urgency around this task. In an age where scams, phishing and identity theft are increasingly prevalent, customers demand rigorous security standards from the marketplaces they engage with – and will quickly switch to other providers if these standards aren't met.

Marketplaces must also counteract growth in first-party fraud, where legitimate customers fraudulently reclaim funds.

With fraudsters now using AI to enhance their attacks, AI-powered security tools are increasingly essential. "The effectiveness of one's AI versus that of potential attackers becomes crucial," says Skwarczek.

G2A.COM, for example, has deployed Forter to block fraud and optimise payments for its 35 million users globally.

The solution uses AI to detect patterns across vast datasets and make real-time identity-based decisions for known and unknown forms of fraud, helping to secure transactions while minimising friction for customers.

Achieving robust security

To effectively embed payment security into the company's wider governance and decision-making, leaders will need to take a series of strategic steps.

Firstly, they need to conduct a comprehensive analysis of the current security landscape within the organisation.

"Understanding existing strengths and vulnerabilities provides a clear picture of where the company stands and what needs improvement," says Skwarczek.

Leaders should then establish specific security objectives and identify the pathways to achieve them, including the tools required for implementation.

"This involves setting measurable targets and determining metrics for monitoring progress," says Skwarczek.

It's crucial that they also select and deploy the right tools to safeguard transactions, including anti-fraud solutions, chargeback recovery systems, and bot and DDoS blockers.

The final and perhaps most critical step is building a dedicated team that prioritises security and platform development.

"Having a core group of skilled individuals committed to fostering a secure environment is vital for executing security strategies effectively and ensuring continuous improvement," Skwarczek explains.

By following these steps, leaders can embed payment security deeply into organisational governance, making it a central consideration in decision-making processes and aligning it with broader business objectives.

This reduces the chance of customer trust loss and reputational damage, and protects against costly penalties from data breaches and regulatory non-compliance.

A secure, scalable environment is now a crucial differentiator in an increasingly competitive marketplace, attracting both retailers and customers to the platform.

"For G2A.COM, prioritising user security is vital," says Skwarczek. "This focus on security not only helps protect users but also enhances the platform's reputation and fosters trust among users."

Creating an environment where customers feel safe is a powerful way to drive repeat business, he explains. "When users are confident in the security of a platform, they are more likely to return for future purchases and recommend the platform to others.

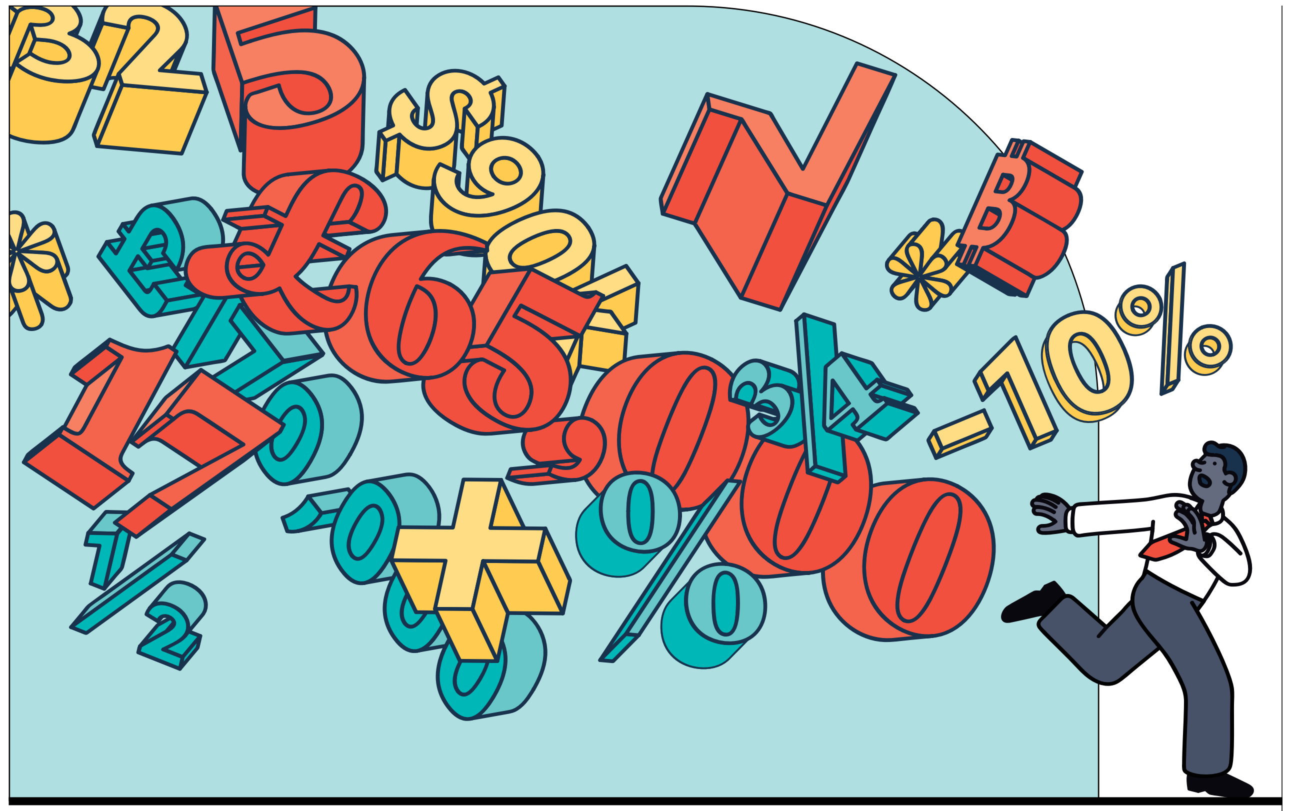
"This trust translates into enhanced organic growth and improved customer loyalty, both crucial aspects for the sustainable development of any business."

Ultimately, robust payment security is no longer just a technical safeguard – it's fast becoming a leadership decision that underpins trust, growth and long-term competitive advantage.

> When users are confident in the security of a platform they are more likely to return

For more information please visit g2a.com

G2A.COM



FINANCE

Audits on autopilot

New evidence suggests that auditors are using AI systems they cannot fully control or explain. This threatens to erode the credibility of the auditing profession

Sam Birchall

AI is revolutionising the audit sector. Over-worked accountants are using the tech to scan transactions to identify anomalies, summarise board minutes and extract information from complex contracts.

But too many firms are rushing to implement AI without first developing proper frameworks to evaluate its risks and benefits. According to a recent review by the Financial Reporting Council (FRC), none of the six biggest accountancy firms have any formal process to monitor or quantify the impact of AI on audit quality, despite adopting the tech widely.

"Without clear metrics, it is difficult to know the extent to which AI is improving the quality of audits, increasing efficiency or just adding complexity," says Akber Datoo, chief executive of D2 Legal Technology, a data and governance consultancy.

"Paradoxically, AI can turn the audit into a black box," he adds. Humans are often unable to determine why AI systems produce the outcomes they do. And if auditors cannot explain an AI's decisions, then they do not truly have oversight over the audit process. The quality and trust of the audit is therefore undermined.

Concerns about biases and other ethical pitfalls are growing. AI tools can reflect or even amplify biases present in training data. And, because tech users who rely heavily on AI often fail to sufficiently critique its outputs, such errors or biases can easily make their way into the final audit report.

"The adage 'garbage in, garbage out' still applies," Datoo notes. "AI can process flawed inputs at speed, producing incorrect results with a veneer of legitimacy. Worse still, such errors can quietly cascade across multiple audits before anyone notices."

The audit partner and the sign-off team are ultimately responsible for any mistakes made by the AI tools they use. Auditors must scrutinise not just the numbers but also the data and assumptions behind the AI. When professional scepticism gives way to a blind acceptance of AI outputs, audit quality will suffer. "A fool with a tool is still a fool – only faster and potentially more dangerous," Datoo says.

To use AI safely and effectively in audits, accountants must understand how these systems arrive at their conclusions and verify their reliability. Auditors must test their tech in different situations, control the data it uses, review its assumptions and track any discrepancies.

"Too often, firms have implemented AI with scant training on how to evaluate its outputs," says Dr Clare Walsh, director of education at the Institute of Analytics. Accountants, she explains, must identify performance metrics and test whether new solutions developed by third parties work with their firm's data.

No two machine-learning algorithms work in exactly the same way. Some tools, such as unsupervised AI, are relatively easy to understand but unreliable for spotting unusual activity, Walsh says. Others, such as deep-learning systems, are great at identifying problems but present significant challenges for explainability.

Often, these tools are built with parts from different teams or companies, which makes it difficult to judge their reliability. Although audit teams typically do not programme these algorithms, they should have basic theoretical knowledge of how the systems work and the risk factors, Walsh says.

"It is unclear at the moment whether companies using AI audit tools could ever prove that an AI tool can detect all the areas that regulatory bodies expect to be picked up," Walsh notes.

> A fool with a tool is still a fool – only faster and potentially more dangerous

Most accounting teams do not have the technical expertise to evaluate machine-learning models. Reviewing financial reports produced or influenced by AI requires working knowledge of data science and algorithms – areas that most auditors are not trained in. Similarly, many AI developers have little knowledge of accounting standards. The human-in-the-loop model is critical, Datoo says, but not easily achieved without proper training.

"The challenge for the accounting industry is to build the relevant AI knowledge and expertise in trainee auditors," says Phil Broadbery, head of technology at PKF Littlejohn, an accountancy and audit firm.

But, as AI automates more basic tasks, many accountancy firms are cutting junior roles. KPMG, for instance, has slashed its graduate cohort from 1,399 in 2023 to just 942 in 2025. Broadbery argues that, by doing so, the industry is undermining its future.

Although AI can perform many tasks handled by junior employees, entry-level roles help young professionals build the foundational knowledge needed to progress to more complex tasks. "It's a very short-term decision to cut hiring of future talent because AI is doing the work," he says. "The consequences of that will become very apparent in five to 10 years time."

Instead, Broadbery emphasises the need for earlier exposure to judgement-based tasks for junior auditors, as well as training on how AI works, its limitations and how to interrogate its outputs. Soft skills are equally important, he adds. "As AI handles the mechanical tasks, human auditors must double down on professional scepticism, communication and ethical judgement."

Algorithmic audits are emerging as a way to hold AI to account. Just as financial audits examine books and records, AI audits evaluate an algorithm's data, design and decisions, checking for flaws, biases or compliance risks.

Deloitte, EY and PwC are developing AI-assurance services to help assess whether AI systems perform as intended and to meet growing client demand for trustworthy tools.

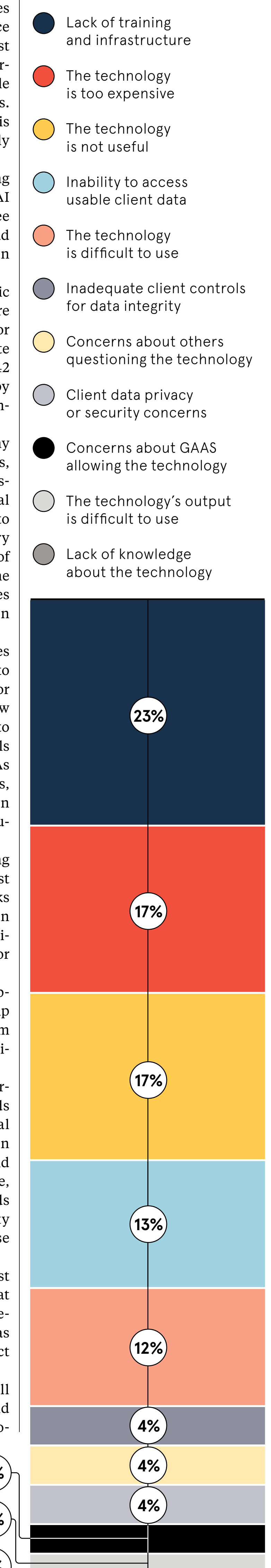
Efforts to make AI more transparent are underway. Global standards bodies such as the International Organisation for Standardisation and The Institute of Electrical and Electronics Engineers, for instance, are developing technical standards for AI governance. However, clarity and wider consensus on these guidelines are still needed.

"It's something of a Wild West right now," Datoo says, adding that audits for high-risk AI uses will likely become mandatory, especially as regulation such as the EU AI Act comes into effect.

Keeping the tech in check will require more than governance and reporting frameworks. Audit professionals at all levels must be trained to interrogate AI and identify errors in its outputs. The industry must act quickly to adapt to the increased use of AI in financial reporting – its credibility is at stake.

AUTOMATIC AUDITS

Top reasons that firms do not use AI in their audits



AICPA, 2024

Commercial feature

Why resilience is the defining trait of tomorrow's CEO

As businesses grapple with intensifying pressures and unpredictable change, resilience has evolved from a desirable leadership trait to an essential attribute

From geopolitical instability to rapid technological change, today's CEOs must navigate countless challenges. But growth remains a constant area of focus, even in the face of external volatility.

It's the main priority for leaders across all ownership types, according to Eton Bridge Partners' inaugural *Board & CEO Insights Report*, which examines how senior leaders are responding to an increasingly complex business landscape and what this means for the CEO role.

"It's reassuring to see that, despite ongoing uncertainty, business leaders are still strongly focused on this core objective," the report notes. "The commitment to expansion speaks to a sense of resilience and ambition that continues to shape today's executive agenda."

Over 100 UK CEOs, chairs and non-executive directors from the Eton Bridge Partners' network were surveyed for the report. And in a world defined by constant flux, one quality stood out above all for achieving growth: resilience.

Between 34% and 42% of respondents across both executive and non-executive roles identified resilience as the non-negotiable characteristic for CEOs. The fact that it was consistently cited across listed companies, PE-backed firms and privately owned businesses also highlights that boards across all ownership types increasingly value it in their CEOs. As economic uncertainty was a top concern across all ownership types too, this strong focus on resilience is understandable.

"In successful organisations, resilience is embedded in the operating model in a structured and systemic way, as well as being a key leadership characteristic," says Paul Eastwood, partner in executive search, CEO and board practices at Eton Bridge Partners and author of the report. "Organisations that have resilience as a core and continuous theme allow it to influence strategic and operational choices and invariably have more robust approaches to agendas such as business continuity, reputation management and financial stability."

Courage, curiosity and empathy

So what are the key characteristics that define a resilient leader today? The report notes: "The ability to maintain focus and pace in testing times, and to adapt and pivot in a calm and well-communicated way are amongst the behaviours that are now absolutely non-negotiable."

Leading CEOs also look to foster a calm, reassuring organisational culture that gives employees breathing space from the demands of the outside world, enabling them to focus and do their best work even during periods of external volatility. The report adds that resilience is also "more powerful in organisations where trust is high and collaboration and communication are valued, as resilience comes more naturally in those situations and from leadership teams that have fostered that cultural norm."

While this applies across all business types, there are, however, subtle differences in terms of the complimentary traits valued in CEOs of listed, PE-backed and privately owned businesses.

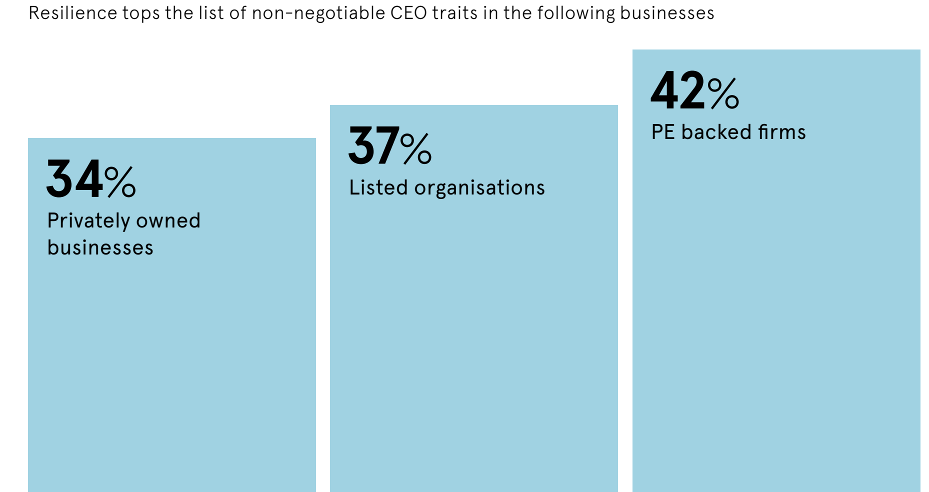
In listed companies, for example, courage emerges as an important trait, highlighted by 34% of respondents – somewhat higher than the 16% in PE-backed firms and 18% in privately owned businesses. While all business types value a blend of complementary traits, there are subtle differences in emphasis depending on ownership structure.

> Resilient leaders must have the ability to maintain focus and pace in testing times

STAYING THE COURSE

Eton Bridge Partners, 2025

Resilience tops the list of non-negotiable CEO traits in the following businesses



"We see this as being influenced by the disclosure requirements and the level of public scrutiny that comes with being a listed company," Eastwood explains.

Leaders of PE-backed companies, which often have accelerated growth targets and shorter success cycles, are also under scrutiny. The report found that leaders in PE are adapting to a reshaped definition of value, with a broader set of stakeholder considerations now of increasing relevance.

As with firms across other ownership structures, resilience also sits alongside a broad range of complimentary traits, including courage, empathy, opportunism and transparency.

"Curiosity also emerges as a shared priority in privately owned and PE-backed businesses, each at 16%, and it is notably higher among non-executives," the report notes. "In environments where agility is key, leaders who remain open, ask better questions and engage with what they don't yet know are more likely to drive meaningful progress."

Interestingly, non-executives also tend to value curiosity and empathy more than executives, with the report defining curiosity in a business context as the "insatiable appetite to be interested in all opportunities for the organisation." The findings indicate that CEOs with "low ego and high humility" are in demand, as these can be "really powerful" complementary traits to resilience.

Personal resilience routines

To ensure organisational sustainability, CEOs across all ownership types need to have a deep commitment to personal sustainability. "Many CEOs I've spoken to have fairly strong routines around mental, physical and emotional health, and creating time out as well as time in," says Eastwood. "Resilience isn't about doing more. It's actually about creating the brain space and diary space to be able to step in with a fresh mind when unplanned scenarios occur."

Along with developing a healthy approach to resilience, leaders also need to demonstrate a more accessible and hands-on style. Indeed, there's an increasing expectation for a CEO to be more directly involved in day-to-day operations, decisions and 'rhythm' of the organisation. "One of the characteristics that people look for is that ability to effectively glide between a strategic viewpoint and execution," the report notes.

Many of the best CEOs engage in continuous conversation both internally and with external stakeholders too, often including the savvy use of social media. This helps to create a sense of confidence that supports long-term resilience.

The most successful leaders will embed resilience across people, processes, systems and structures, creating rhythms that not only withstand disruption but also enable sustainable growth. They demonstrate a personal ability to look around corners, anticipate headwinds, and spot opportunities, keeping their organisations one step ahead in an increasingly volatile world.

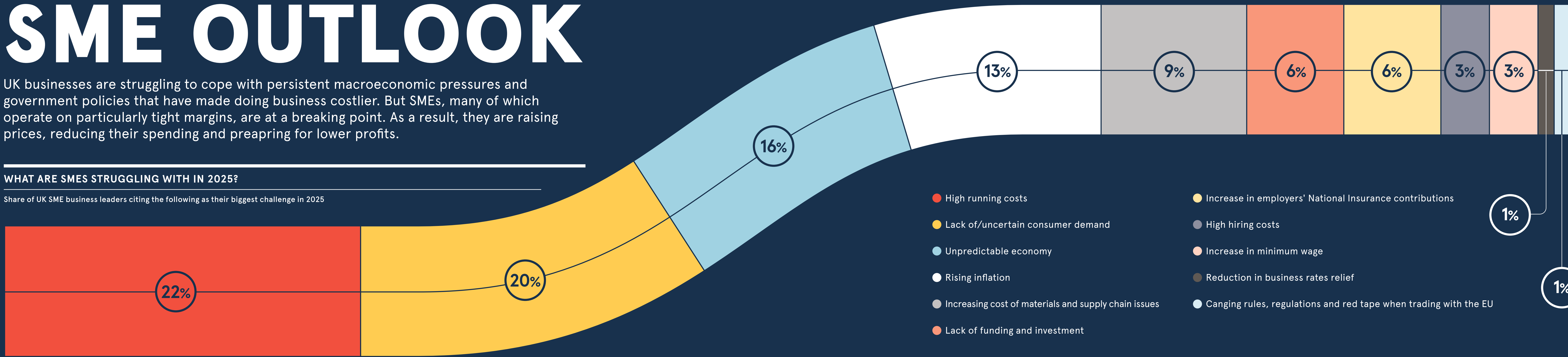
As the business landscape continues to evolve, the role of the CEO will only grow more demanding and more human. Resilience, once seen as a personal trait, is now a strategic foundation for long-term growth. Tomorrow's most effective leaders will unite strategic foresight with emotional intelligence, balancing risk with opportunity to navigate complexity and lead with lasting impact.

SME OUTLOOK

UK businesses are struggling to cope with persistent macroeconomic pressures and government policies that have made doing business costlier. But SMEs, many of which operate on particularly tight margins, are at a breaking point. As a result, they are raising prices, reducing their spending and preapring for lower profits.

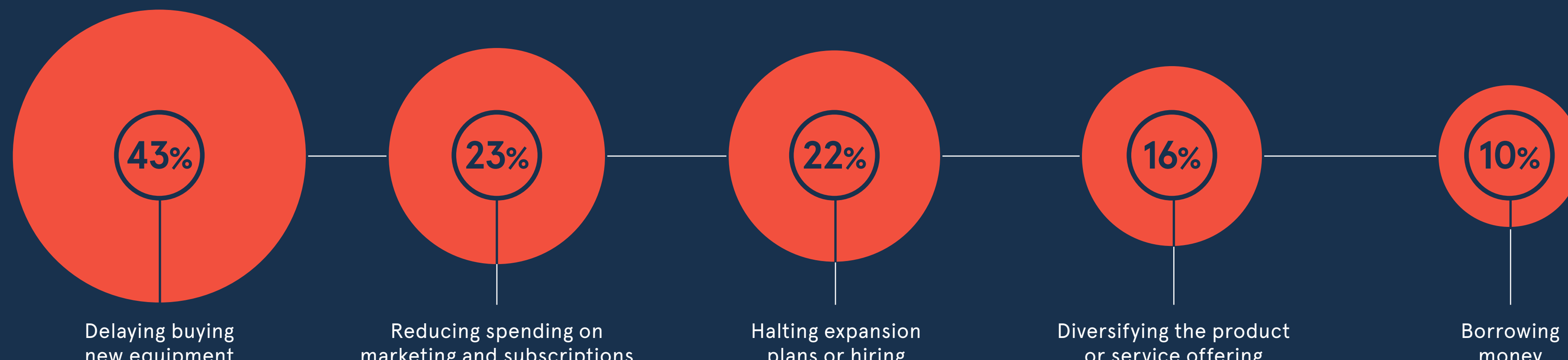
WHAT ARE SMES STRUGGLING WITH IN 2025?

Share of UK SME business leaders citing the following as their biggest challenge in 2025



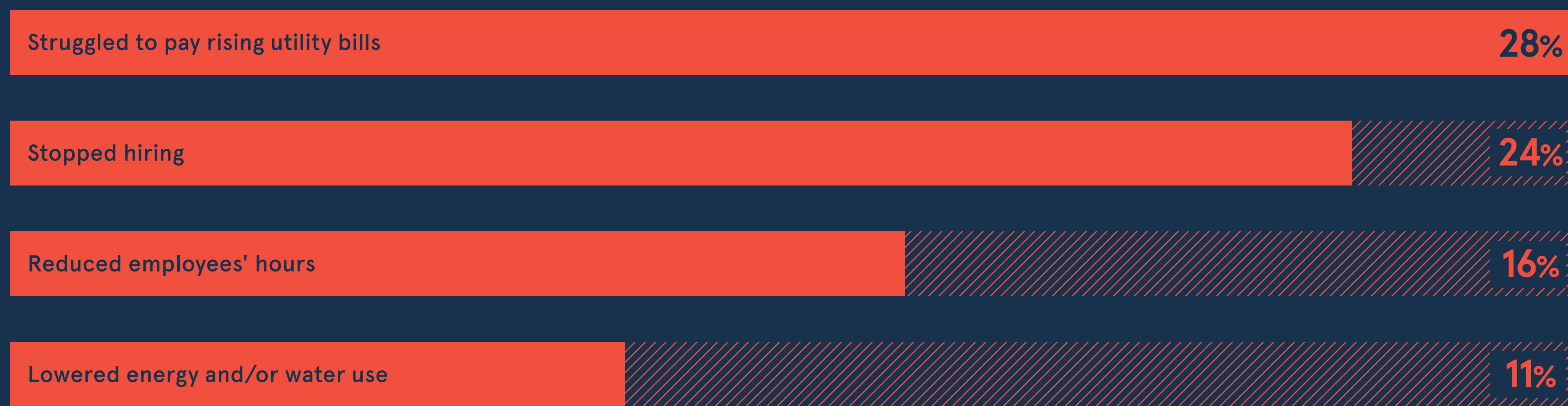
HOW ARE SMES ADAPTING TO ECONOMIC CHALLENGES?

Share of UK SMEs that have taken the following steps in response to macroeconomic challenges



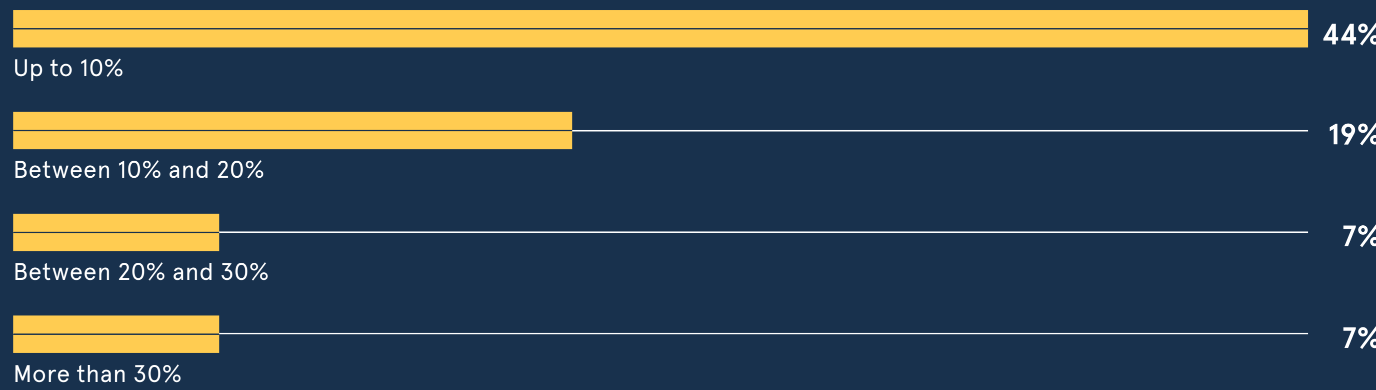
HOW HAVE RISING BUSINESS COSTS IMPACTED OPERATIONS?

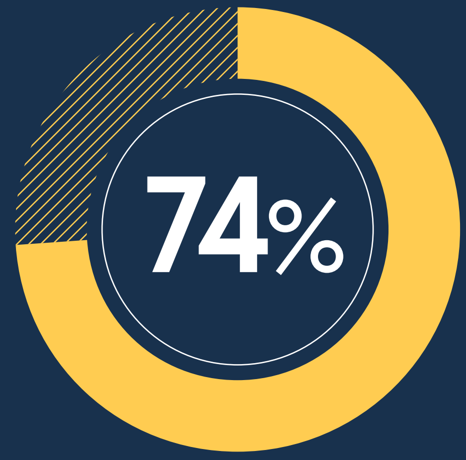
Share of UK SMEs impacted by macroeconomic challenges in the following ways



PRICE RISES ON THE HORIZON

Share of UK SMEs planning to raise prices

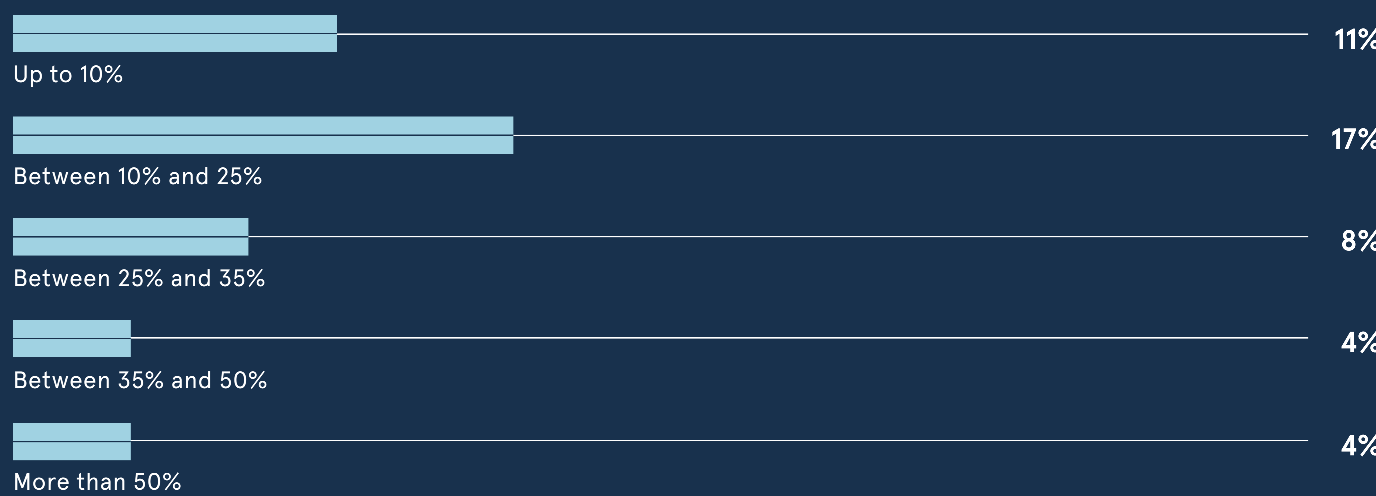


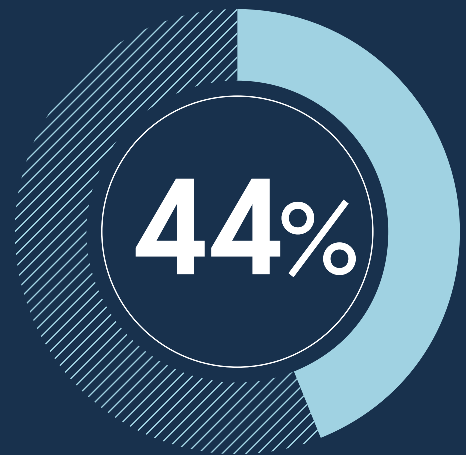


of SMEs plan to increase prices in the next 12 months

PROFITS IN DECLINE

Share of UK SMEs expecting profits to decline





of SMEs expect their profits to decrease in 2025, up from 28% in 2023

Commercial feature

How smart water stewardship is redefining sustainability leadership

At a recent roundtable hosted by Culligan and Raconteur, sustainability leaders gathered to discuss the future of water stewardship in the UK. With more than 2 billion people lacking access to safe drinking water globally, the responsible management of water resources has become the new frontier for sustainable businesses

The UK finds itself in deep water when it comes to sustainable hydration. While the nation enjoys some of the world's safest tap water, new Culligan UK research reveals a striking paradox: 85% of Britons own reusable bottles, but 66% cannot name a single local refill station. This disconnect between abundant supply and patchy access reveals why water stewardship is emerging as sustainability's next battleground.

Unlike carbon-reduction initiatives, which are largely invisible to the public, water infrastructure creates immediate and tangible community value. England faces a projected daily water shortfall of 5 billion litres by 2055, yet 19% of the current supply leaks away before reaching consumers, according to the Environment Agency.

Michael McAuley, marketing director at Culligan UK, observes a generational shift driving infrastructure requirements. "Young people have different water bottles for different occasions," he explains. "The sustainable-hydration movement is starting. Consumers are moving, but the infrastructure isn't keeping pace."

Culligan's research suggests that more than nine in 10 gen-Z and millennial consumers own reusable bottles, compared with 75% of baby boomers. Yet infrastructure hasn't caught up, creating what McAuley calls "bricks in backpacks": expensive bottles rendered useless by access gaps. With gen Z set to comprise 30% of the workforce by the end of the decade, the infrastructure deficit threatens to become a significant issue in talent retention.

"The micro can change the macro," says David Palmer, water group director at Buro Happold, which has worked on some of the UK's most significant water infrastructure projects, including the Twin Rivers Diversion at Heathrow Airport's terminal five. "Behaviours are changing, as they often do with the younger generation. We saw the same cultural shift with health and safety in the 90s – it was an afterthought for many but by the end of the decade attitudes had changed completely and now we're seeing water stewardship following a similar trajectory."

Tomorrow's leaders embrace one-water thinking

Forward-thinking organisations are positioning water stewardship as both a means of climate adaptation and a source of competitive differentiation. This approach mirrors what Rodrigo Fernandes, director of sustainability at Bentley Systems, refers to as one-water thinking: managing all water sources as an integrated resource rather than separate systems – because every drop counts, every use matters and every return is a resource.

Fernandes champions integrated water management across complete life cycles. "Climate change equals water change," he explains. His global perspective reveals infrastructure innovation already underway. With support from advanced digital technologies, Tanzania can now serve 2 million people using groundwater located through repurposed oil exploration, while Egypt delivered the world's largest wastewater treatment plant for agricultural irrigation.

This movement towards 'systems thinking' extends to corporate strategy. Mat Roberts, climate resilience lead at SLR Consulting, notes that water footprinting is increasingly mirroring carbon accounting, with scope-one, two and three frameworks. "We've started looking at water stewardship in terms of direct costs, but that's not the full value," he says. "When you include environmental and societal impacts, you can make more informed investment decisions."

Technology accelerates this evolution. Smart-water platforms and digital twins enable real-time monitoring and leak detection, and support the planning of sophisticated infrastructure.

Building resilient infrastructure now

Research from Culligan indicates that 30% of young people in the UK purchase items in cafes solely to request water refills, while 20% admit to using the toilet sinks for this purpose. Moreover, 7.7 billion plastic bottles are purchased across the UK annually, with 16 million ending up in landfills, rivers and oceans every day.

> **The sustainable-hydration movement is starting. Consumers are moving, but the infrastructure isn't keeping pace**

L-R: Mat Roberts, Rodrigo Fernandes, David Palmer, and Michael McAuley discuss water stewardship with moderator, Oliver Pickup

Yet corporate water stewardship is different to carbon reduction, as impacts depend heavily on local scarcity and ecosystem conditions. Roberts observes that traditional accounting methods undervalue water by excluding indirect costs, including societal health impacts and ecosystem services.

Where UK organisations have acted decisively, results prove compelling. Network Rail's partnership with Culligan has eliminated more than 3 million plastic bottles through station refill points. Elsewhere, Thames Water has installed more than 100 fountains in London, which have dispensed 2.8 million litres while preventing an estimated 5.6 million bottle purchases.

However, international comparisons hint at the UK's potential. Although research comparing jurisdictions is lacking, McAuley suggests that Australia may currently have a lead over the UK in refill-culture development, thanks to climate factors and public health advocacy. Elsewhere, Paris operates more than 1,000 publicly owned refill stations, including options for sparkling water, and Scotland's 'Find My Tap' website demonstrates effective public-sector coordination.

Practical implementation requires treating water as strategic infrastructure rather than an operational overhead. McAuley advocates moving water provision "from seamless utility to conscious choice" by integrating access throughout workplace and public environments. He adds that hydrated employees demonstrate better concentration and productivity, while visible sustainability infrastructure supports talent retention among younger generations who expect environmental leadership. Water provision also advances ESG objectives and supports B Corp certification processes.

Fernandes emphasises efficiency before expansion, highlighting crucial trade-offs in water management. "I don't like starting conversations around the need for new desalination plants without understanding and mitigating the inefficiencies and water losses we already have," he says, noting how avoiding plastics has, in some cases, inadvertently increased PFAS (per- and poly-fluoroalkyl substances) contamination through paper alternatives.

Technology partnerships are essential for scaling solutions. Water-efficiency labelling on appliances will mirror energy ratings, says Roberts, who adds that smart metering drives behavioural change. For instance, studies show an almost 50-litre per person daily difference between metered and unmetered usage. Additionally, Palmer emphasises retrofit opportunities, including integrating sustainable, urban drainage systems with green infrastructure provides multiple benefits beyond water management.

Practical steps for leaders

For immediate action, leaders should conduct water-risk assessments, including climate projections, and evaluate retrofit possibilities. Start with efficiency: audit current water usage, identify leakage points and implement smart-monitoring systems to optimise water usage.

Engaging younger employees in water-stewardship initiatives is also recommended, as their enthusiasm will drive organisation-wide cultural change while supporting retention strategies.

Progressive organisations treat water access as a visible demonstration of sustainability leadership, showcasing environmental commitment to customers, employees and communities.

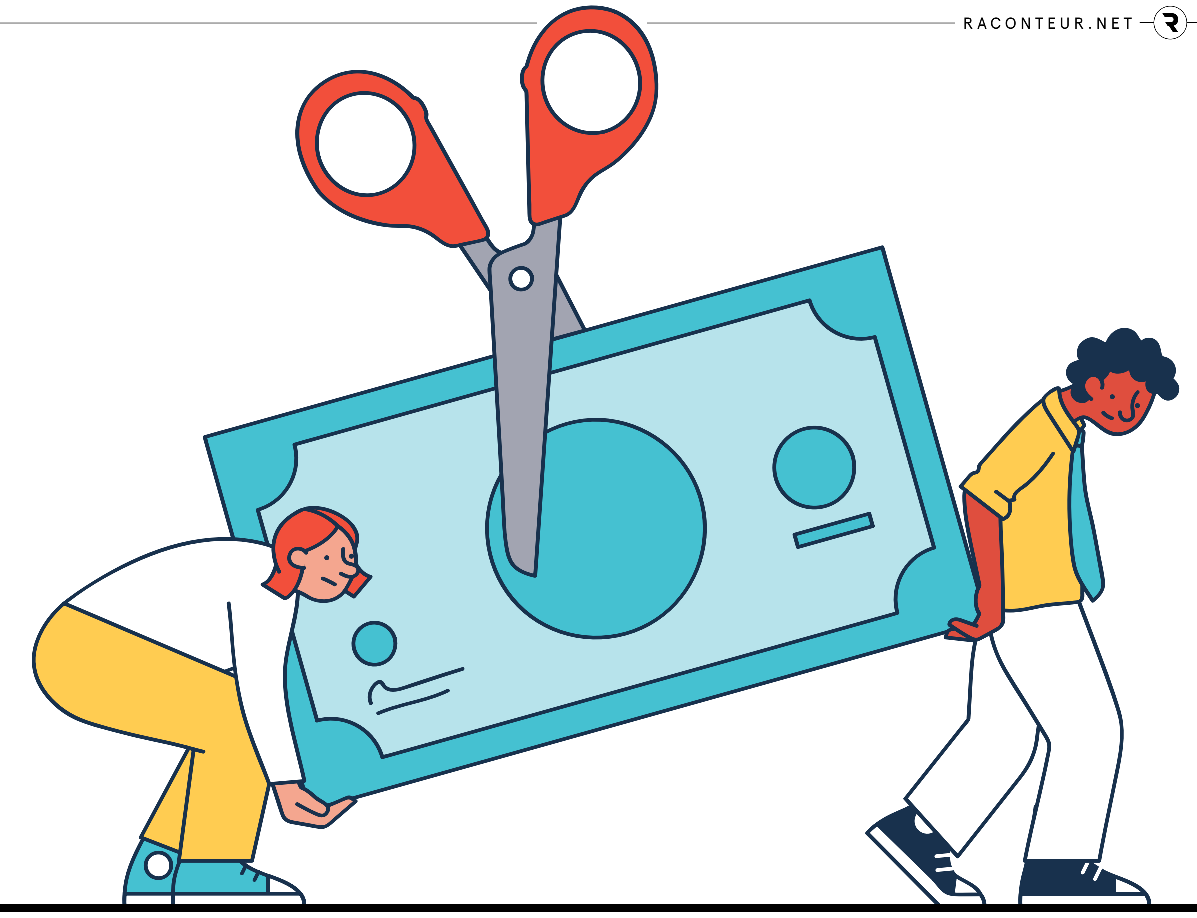
McAuley's vision extends beyond individual organisations. "Water should be part of the ecosystem where people stay, work and spend leisure time," he says.

Water stewardship offers sustainability's most visible win for business leaders. While carbon reduction remains abstract, water stewardship creates immediate community value while building climate resilience.

For organisations still finding themselves in deep water over their sustainability strategy, the solution is refreshingly clear: those who act decisively will keep their heads above water while competitors sink under the weight of yesterday's thinking.

REMUNERATION

Tariffs upset pay packages for top earners



Remuneration committees must consider how ongoing economic challenges will impact executive compensation – or risk internal and external backlash

Sam Birchall

When Donald Trump imposed sweeping tariffs on most countries in April, UK firms were left scrambling to assess and offset any impacts on trade or revenue.

Business leaders correctly predicted that the move would lead to supply chain disruptions and inflationary pressures. But the changes to US trade policy have also produced many unintended consequences. For one, the uncertainty brought by tariffs has led UK businesses to reconsider their approach to executive compensation.

Most remuneration policies are ill-suited to rewarding executive performance during black-swan events. Executives could be unfairly penalised (or rewarded) during these times for company performance that is largely determined by factors beyond their control. To address this concern, many UK firms are adjusting their executive pay practices to fit an operating environment tarnished by tariffs.

"We're witnessing first-hand how remuneration committees across the energy, industrials, defence, aerospace, transport and supply chain sectors are adapting their strategies to balance performance incentives with economic realities," says Amy Speake, chief executive at Holmes Noble, a talent advisory and executive search firm.

Executive pay is becoming a strategic tool to help firms navigate persistent economic uncertainty, Speake stresses. "The businesses weathering today's challenges most effectively are those using compensation structures to drive specific leadership behaviours that are needed in volatile environments."

Speake expects businesses to further refine their compensation strategies as the business impacts of US tariffs evolve. "The most forward-thinking remuneration committees are already planning for different tariff outcomes and building flexibility into compensation structures to adapt quickly to changing economic conditions."

Thanks to mounting cost pressures, many firms are rebalancing executive pay schemes to increase the proportion of performance-based pay, Speake says. "Companies are becoming more cautious about raising base salaries," she explains. "Instead, they're focusing on variable pay that avoids fixed costs but still rewards leaders when performance goals are met, even in tough economic conditions."

Incentive timeframes are also changing. Global trade tensions have undermined investors' confidence in short-term financial forecasting. As a result, remuneration committees are turning to long-term incentive plans (LTIPs) tied to transformation success and operational resilience, rather than basing rewards on quarterly or annual financial metrics.

"Supply chain re-design and resilience has become a central focus, with executives rewarded for maintaining on-time delivery performance despite logistics challenges," Speake explains. "Successful localisation and reshoring initiatives are now directly linked to compensation, as are innovation and cost-reduction programmes."

By focusing on these metrics, companies can reward their leaders for mitigating the impacts of tariffs, rather than simply maintaining profit margins. Satisfying the performance conditions of LTIPs will not be easy, however. In the current operating environment, executives may struggle equally to hit long-term or short-term targets.

Executive pay has always been a matter of debate. But the issue is increasingly contentious in times of economic difficulties, when so many employees face stagnant wages and job insecurity.

According to John Dady, associate partner specialising in executive compensation at Aon, a consultancy, businesses affected by US tariffs should consider adjusting pay rewards or making the calculations of those rewards more transparent. "Boards must be vigilant about the optics of executive payouts," he says. "They will want to avoid handing big bonuses to bosses while the rest of the workforce suffers from layoffs or cost cuts. It's all about ensuring that executive pay aligns with what everyone else in the company is experiencing."

Problems can arise when remuneration committees become misaligned with investors. Take the English Rugby Football Union, for instance, where executives recently received significant payouts from an LTIP at the same time that the organisation was making staff redundant. The payouts may have been based on reasonable metrics, but a lack of communication about the process led to backlash from fans and employees.

"The days of opaque executive compensation decisions are over," says Speake. "Today's boards recognise that clearly communicating how executive pay decisions reflect both company performance and broader economic realities is essential for maintaining the confidence of investors and stakeholders."

Boards often struggle to adjust executive pay schemes during periods of economic uncertainty. But Dady says that remuneration practices are less flexible now than during other black swan events, including the Covid pandemic.

"This is because there is no clear direction – the tariff situation could change overnight," he says. Businesses cannot know with certainty what will happen in six months, let alone in three years – the typical length of LTIPs.

Economic uncertainty aside, altering executive reward practices is always fraught with difficulties, Dady adds. "While boards can adjust payouts when LTIPs vest, this must not be perceived as moving the goalposts. That could lead to both internal and external backlash."

Publicly listed companies are particularly vulnerable to public criticism of their pay practices, as they are required to disclose extensive information on their executive's remuneration. Private companies on the other hand can more easily adjust their incentive plans without public or investor scrutiny but may still face internal backlash if .

Boards should also take care when granting new shares to executives in periods of economic uncertainty. If a company's share price drops, executives under a share-award scheme may receive additional shares to meet a monetary award target agreed in their remuneration package. If the share price rebounds, however, those additional shares could bring huge payouts, thus perpetuating the perception that executives are overpaid and opening the company to criticism.

Companies must tread carefully, Dady warns, and undertake a comprehensive review of any new pay structures and bonus awards before they are introduced. "Balancing the need to retain and motivate top talent with the pressure to control costs and avoid public criticism requires careful judgement and clear communication," he says.

Economic volatility typically increases the risk of leadership attrition. Companies must remain conscious of how their executive pay schemes are perceived by investors and other stakeholders in the face of rising costs. However, they cannot allow their pay practices to become uncompetitive, lest they lose their top brass.

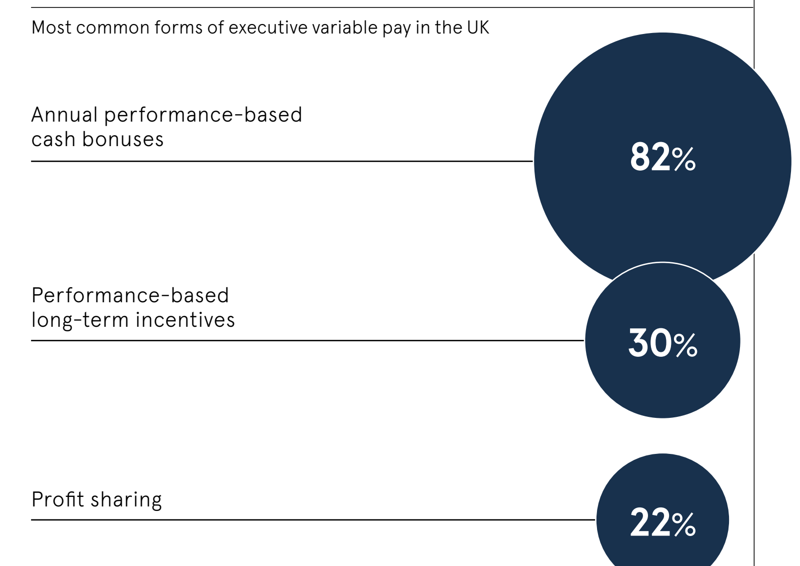
Speake notes: "Boards might choose to strengthen retention mechanisms through deferred bonuses, equity incentives and targeted retention awards, particularly for executives with critical transformation expertise or supply chain knowledge."

Over the years, UK boards have faced relentless pressure to match the outsized salaries offered in the US as a way to retain top talent. But Dady believes that the UK market is increasingly attractive given the political environment in the US. Boards therefore might feel less pressure to use high pay to attract and retain talented leaders. ●

> **The businesses weathering today's challenges most effectively are using compensation structures to drive specific leadership behaviours**

MOST EXECUTIVES RECEIVE ANNUAL CASH BONUSES

Most common forms of executive variable pay in the UK



Page Executive, 2025

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ARTIFICIAL INTELLIGENCE

Can AI be trusted to write our laws?

Countries aren't just regulating AI, they're using it to write laws and regulations. This practice might already be more common than many realise

Tamlin Magee

Governments everywhere are debating how best to regulate generative AI – or, indeed, whether it should be heavily regulated at all. But, in some jurisdictions, AI systems are not merely the targets of policies and regulations; they are the drafters and interpreters of laws. Such developments raise questions about the allocation of power and legal decision-making between humans and machines.

In October 2023, Porto Alegre, the capital city of Brazil's southernmost state, introduced a bill to exempt citizens from paying for a new water meter in the event of theft. It passed the city council unanimously. Six days later, its chief sponsor, Ramiro Rosário, revealed that the bill had been drafted entirely by ChatGPT. This sparked a heated debate in the country about AI's role in society.

Speaking to the Washington Post, Rosário explained that the bill was created in a matter of seconds rather than days, as is standard. It was partly intended to make a point – that citizens must ready themselves for an AI-powered future. Other legislators have taken similarly symbolic steps. For instance, Costa Rica's congress used ChatGPT to draft a law on regulating ChatGPT, and Ted Lieu, a US senator, introduced a congressional resolution drafted by AI to highlight his concerns about the tech.

But some countries are more ambitious about the use of AI in legal processes. In April this year, the United Arab Emirates unveiled plans to implement an AI-driven legislative system, overseen by a 'regulatory intelligence office'. The system will use AI tooling to both draft laws and review and amend existing ones. It will also analyse court rulings and the application of laws and even propose amendments in real time.

AI has been causing a stir in the world of law for some time, says Charlie Bromley-Griffiths, senior legal counsel for Conga, a compliance automation company. In 2023, two AIs successfully negotiated a legally binding non-disclosure agreement without any human involvement. "It was completed in a matter of minutes and the only human requirement was a signature at the end," Bromley-Griffiths says. And interest in the tech among businesses and governments has increased markedly since then.

There are many benefits to an approach such as the UAE's, adds Greg Francis, the CEO of Access, a global tech-policy consultancy. "There would certainly be lower legal fees, you could get legislation done much faster and, as the UAE intends to do, you could use AI to update laws much more quickly."

Francis says that AI could also be used to collect more granular data from law enforcement. For instance, an AI system could spot whether the wrong people were being picked up in wide-reaching law enforcement dragnets. Then, the law could be tweaked just enough to "make sure it was applied to real offenders versus those that transgressed unknowingly and were punished unnecessarily".

When Francis first settled in the UK, Gordon Brown's government had recently decreed that terror suspects could be held in detention for 40 days without trial. AI, he says, might have helped to prevent such illiberal legislation.

In the fog of war or a state of panic, legislators can easily overreach, Francis notes. Even if it is not used to draft laws directly, AI may be able to steady the "direction of travel for laws, regulation and policies". AI systems could help governments to course-correct, either through parliament or an executive body, when ordinary legislative processes fail or become vulnerable in the face of extraordinary circumstances.

Like legal systems, AI systems are imperfect. Some critics argue that because they are susceptible to errors, hallucinations and biases, AI systems should not be trusted to draft laws or regulations. Bruce Schneier is a public-interest technologist and the author of an upcoming book, Rewiring Democracy, which investigates how technology and civics interact. He argues that AI could help policymakers, many of whom are chronically under-resourced, to create smarter and more effective laws. Crucially, it could help to lessen the influence of lobbyists in the legislative process.

> Legal systems reflect cultural values, political structures and risk tolerance – and harmonising all of that isn't easy

Laws are typically written by a paid intern or based on model legislation provided by lobbyists aiming to influence policies in their favour, Schneier explains. Both of these are flawed processes. "This is just another flawed process," he says. "It has pluses and minuses. But the lobbyist feedback loop is so disgusting, it's hard to do worse."

He adds: "The downside of [using AI to draft policy] is that it could make a mistake that no one notices – but that's the downside of the fully paid intern as well."

Francis says that AI can be used in adjudication, as well as legislation, but applications might differ depending on the legal system in use. Judges in common law jurisdictions, such as the UK and the US, rely on previous court decisions and legal precedents to interpret or evolve the law. In civil law jurisdictions, such as the UAE, judges systematically apply written statutes to the facts of a case, with little emphasis placed on legal precedent.

AI systems might be most effective in civil law jurisdictions, says Francis. Algorithms can easily be trained to apply rigid, codified rules to a legal case. But adjudication in a common law system requires nuanced legal interpretation that balances statues with practice and precedent. Here, AI systems might struggle.

Yet it is possible and, in Francis's view, desirable for AI to be used in both types of legal systems. In common law countries, especially those with "sclerotic or backed-up caseloads", AI could speed up judgments. A machine-based approach could sharpen needlessly long and process-heavy adjudication, where the potential biases of judges might obstruct the fair application of law. "There would still be biases with AI," he notes. "But you could eliminate bribing, favours, electioneering and not-so-subtle personal biases."

Despite the techno-positive sentiment, the use of AI in legal processes could create significant challenges in the complex, global commercial landscape. Inconsistent approaches across countries could cause headaches for lawmakers and lawyers, for instance.

Imagine an AI used for loan approvals, says Bromley-Griffiths. Thanks to biases, an AI system might reject applications from certain demographics. And while some countries might have regulations to prevent such discrimination, others will not.

> The downside of [using AI to draft policy] is that it could make a mistake that no one notices – but that's the downside of the fully paid intern as well

Common legal standards are needed to ensure fairness and ethical treatment across borders, he adds. But creating such standards would be complicated. Consistency around the world would be desirable, but law is inherently local. What one country views as fairness, another might see as overreach, he explains.

"Legal systems reflect cultural values, political structures and risk tolerance – and harmonising all of that isn't easy," Bromley-Griffiths says. "But we can and should strive for the baseline principles of transparency, accountability and non-discrimination. We won't get perfect uniformity, but we can build a shared foundation that respects local nuance while protecting human dignity everywhere AI is used."

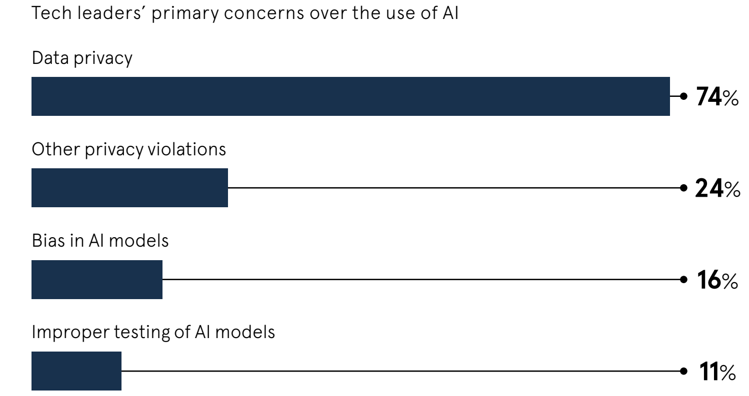
Many legal startups are already using AI tools to write briefs, research jurors, test court arguments, conduct mock trials and provide feedback on delivery, says Schneier. When the technology is used well, it can be hugely beneficial. But, without effective governance and training, "the tech becomes the one in charge".

"Will AI make the average attorney better? Does it increase access to justice? If so, that's fantastic," Schneier says. "Or, does it make the best attorneys better, which further divides rich and poor? Is technology democratising justice or exacerbating inequality? There's never one answer for that."

As Rosário's Port Alegre experiment suggests, AI might already be used in lawmaking more than anyone realises. What matters now are the guardrails erected around it to ensure that AI is increasing justice, rather than eroding it.

EXPERTS WORRY ABOUT THE MISUSE OF AI

Tech leaders' primary concerns over the use of AI



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