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What does the new US political environment mean for boards?

The incoming administration's anticipated policy changes raise key considerations for boards and management teams



President-elect Donald Trump's second term promises major changes in tax policy, immigration, international trade, regulation and more — changes that could transform priorities and agendas in C-suites and boardrooms across corporate America. And, of course, change brings opportunities and risks. Boards will need to stay agile to keep up with their companies' strategic shifts in response to political developments, as Republican control of the White House and Congress could signal a sweeping reversal of the Biden administration's agenda.

Of course, no one knows for certain what will happen in the next four years, or even in the administration's first days. But there's no question that corporate decision-makers face a period of uncertainty and unpredictability. And if and when new policies and regulations necessitate decisions on investments and acquisitions, boards will bear the responsibility of helping management keep strategy on track. Here, we've laid out select areas of potential impact for companies, along with some suggested questions that boards should be asking.





The tax landscape

President-elect Trump has called for extending and expanding the provisions of the Tax Cuts and Jobs Act of 2017 — much of which is currently set to expire at the end of 2025 — including restoring an expired corporate R&D tax credit. Perhaps most notably for corporate decision-makers, President-elect Trump has proposed lowering the 21% corporate income tax rate to 15% for companies producing goods in the United States. During the election campaign, he also suggested exempting tips and overtime hours from taxes, either of which could have a real effect on operations and bottom lines in some industries.

Boards should look to get a comprehensive understanding of the potential tax policy changes and their impacts and management's plans and processes to adjust and respond.

- What is management's process for monitoring and modeling tax developments and their potential impacts?
- How do the potential tax policy changes affect the company's competitive position within the industry?
- What potential opportunities have been identified that could arise from the proposed changes?
- What is management's process to support compliance with any new tax legislation, including understanding anticipated costs?
- What impact would we see if President-elect Trump's proposed tax incentive for domestic producers goes into effect?



Tariffs and trade

During the election campaign and since Election Day, President-elect Trump has proposed levying significant new tariffs on foreign-made goods. Although the president-elect has acknowledged that he sees the figures discussed in the media as negotiating starting positions, executives are concerned: In our October [survey](#) (before the election), 75% agreed or strongly agreed that a universal tariff on imports would significantly hinder their companies' growth.

Boards should look to understand the extent to which new tariffs and other trade barriers might affect their companies' supply chains, cost management and competitive position.

- What is management's process for estimating the potential impact of proposed tariffs on the company's cost structure and supply chain?
- Has management considered adjustments to supplier relationships and sourcing strategies to mitigate the impact of tariffs?
- What is management's process to evaluate the impact of tariffs on the company's pricing strategy and maintaining market position?
- Is management considering potential operational adjustments to production or operational footprint in response to tariffs?
- What is management's process for evaluating competitors' strategic responses to tariff changes?
- What is management's process to support compliance with new trade regulations and any anticipated challenges?



Regulatory environment

President-elect Trump has been critical of what he deems over-regulation, and industries are looking for signs of what might be in store in the coming years. For instance, some banking leaders expect softer regulatory rules, with lower capital requirements. And the president-elect has pledged to reduce federal environmental regulations, lightening the burden on emissions, pollution, chemical safety and more. Former SEC commissioner Paul Atkins, his nominee to chair the body, has been noted as generally less skeptical of cryptocurrency and an advocate of common-sense market regulation.

Boards should look to get a sense of how expected regulatory changes might shift how the company does business as well as what those changes might mean for ongoing and future compliance. For example, companies may engage with industry associations or trade groups, monitor government websites, and monitor political developments and statements from administration officials.

- What is management's process for monitoring and evaluating the impact of changes in industry-specific regulations that might affect the company? What mechanisms are in place to keep the board informed?
- Is management considering potential operational risks resulting from regulatory changes, such as changes in production processes or supply chain disruptions?
- How is management confirming that processes and internal controls will be updated to meet new regulatory requirements?
- Have we discussed how to reconcile potentially incompatible state and federal regulations?



Energy and climate

The new administration is likely to take an approach to energy that promotes fossil fuels and nuclear energy while reducing support for solar and wind. It's unclear how much impact some of the moves might have, considering many companies have already built net-zero business models and often have reporting obligations outside of the US. The new administration may also consider curtailing tax incentives that the Inflation Reduction Act put forward to encourage electrification and sustainable business models.

Boards should look to get a sense of their companies' operational energy use, how the renewables mix might shift given different incentives, and how usage aligns with both strategy and stated sustainability goals.

- What is management's process for monitoring changes in energy policies, such as deregulation initiatives or shifts in subsidies and tax incentives, and assessing their potential impacts on the company?
- What is management's process for adjusting the company's energy strategy in response to potential policy changes? What specific initiatives are being considered?
- What are the key risks associated with potential energy policy changes, and what mitigation strategies are being considered?
- How is management considering potential effects of changes in energy policy on the company's financial planning, including potential impacts on capital allocation and investment?



Technology and AI

The Trump administration will likely promote artificial intelligence (AI) technologies and cryptocurrency more enthusiastically, and the White House could potentially shift cybersecurity leadership from federal agencies toward public-private partnerships. Federal regulatory enforcement could expand beyond antitrust concerns to include other potential administration priorities like online content moderation. And technology companies will need to align these new opportunities and national priorities with the realities and restrictions of doing business in Europe and elsewhere.

Boards should look to understand the ways in which potential AI and technology policy changes may impact operations, compliance requirements and strategic goals.

- What is management's process for confirming robust compliance frameworks are in place to adhere to new regulations and mitigate associated risks?
- How will management support the company's continued adherence to responsible AI use?
- Are we working to reconcile our technology usage in the United States and overseas?
- Is management considering shifting investment plans in AI and other technology to remain competitive and compliant with new policies?
- What is management's process for evaluating how resources are allocated to AI and other technology initiatives?

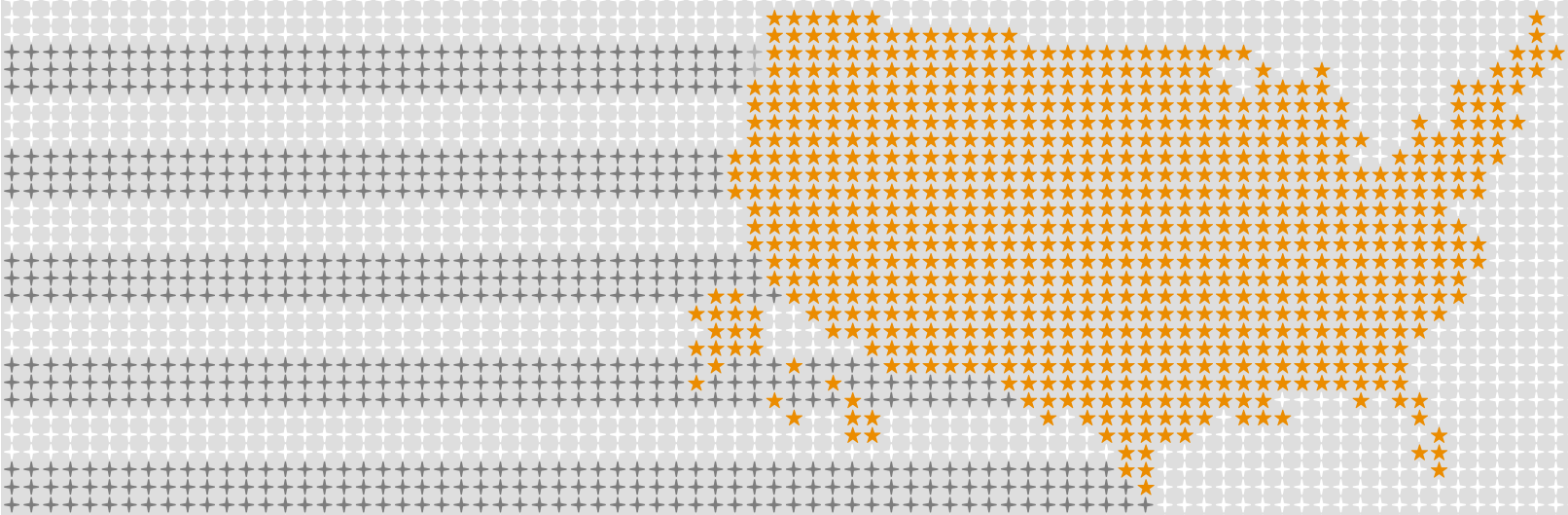


Geopolitical risk

With a new administration reexamining established alliances, companies may face a heightened possibility of major global disruptions. Many leaders need to examine their geopolitical assumptions — trading partners, sourcing from China, etc. — and draft contingency plans for if and when situations change as they did when Russia declared war on Ukraine and many US companies found themselves scrambling to rebuild their supply chains.

Boards should look to understand management's crisis-management guidelines and processes for responding to potential sudden disruptions, whether via scenario exercises or other methods. Boards will also want to understand how management assesses geopolitical risks that could affect the company, such as international conflicts.

- What is management's process for monitoring and assessing geopolitical risks? What does management consider the largest risks facing the company?
- What business continuity plans are in place to address potential disruptions from geopolitical instability?
- What is management's process for managing financial risks, such as currency fluctuations and market volatility, associated with geopolitical instability?
- What is management's communication strategy for keeping stakeholders informed about geopolitical risks and the company's response plans?
- What is management's scenario planning process to anticipate different geopolitical developments, and how do these scenarios inform management's decision-making?
- Is the board receiving usable information and insights on geopolitical risks?



Where to go for more information

PwC: [How the 2024 election will impact your business](#)

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