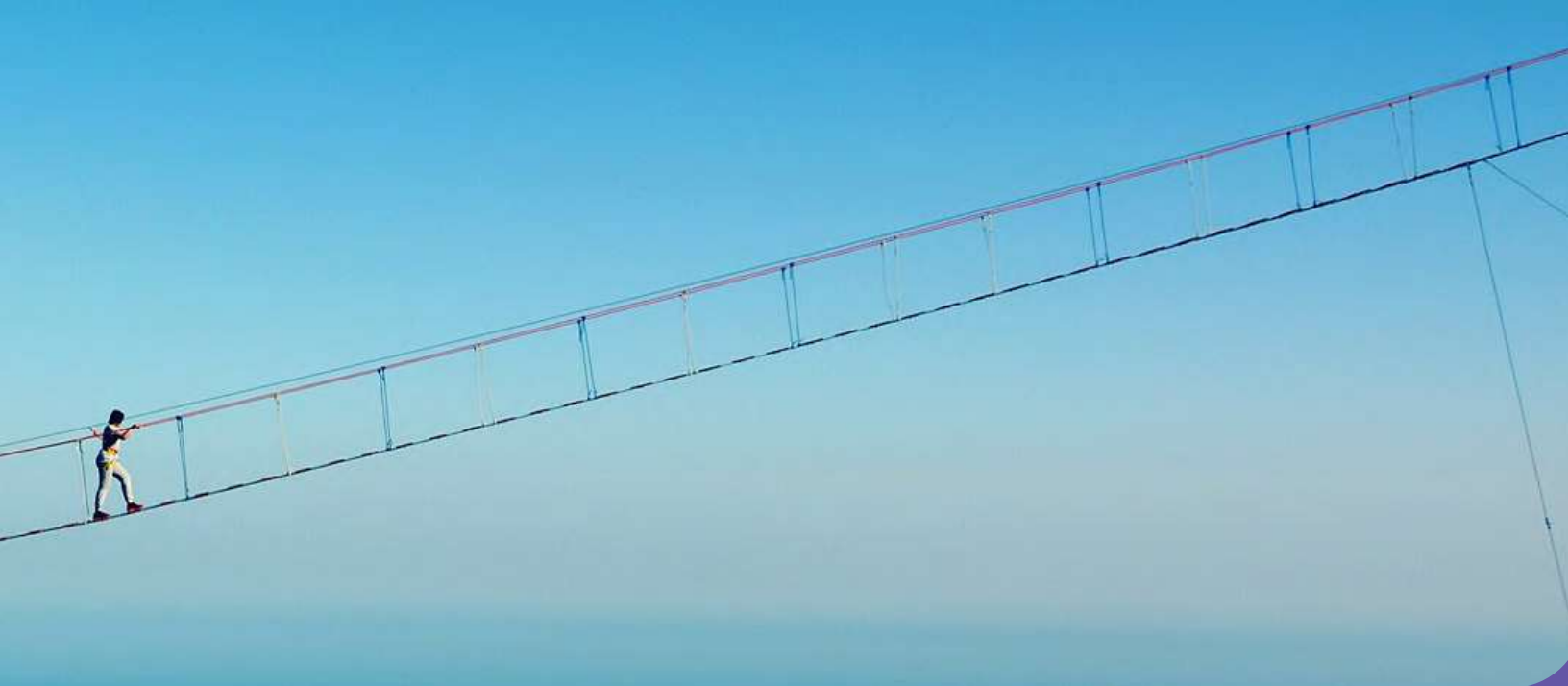




13 CRITICAL COMPLIANCE CHALLENGES IN #2025 — AND HOW TO TACKLE THEM.





From the rise of artificial intelligence (AI) to geopolitical tensions and biodiversity loss, businesses in 2025 face a mounting list of compliance challenges that will test their resilience and adaptability.

Tackling these challenges will require compliance teams to stay agile and strategic. Amid these shifts, however, lie new opportunities — particularly through 'friend-shoring' strategies and a reimagined approach to business operations.

By embracing change, businesses can unlock fresh avenues for innovation and tap into the growth that has remained out of reach since the pandemic.



BIODIVERSITY LOSS AND NATURAL CAPITAL.

The introduction of the Taskforce on Nature-related Financial Disclosures (TNFD) framework in 2023 is pushing companies to assess and disclose their nature-related dependencies and impacts.

The TNFD has already gained significant traction, with over 300 companies from 46 countries committing to align their reporting with the framework.

Sectors such as agriculture, forestry, fisheries, and mining are particularly exposed to biodiversity-related risks. Supply chain disruptions caused by ecosystem degradation, increased operational costs due to water scarcity, and reputational damage from poor environmental practices are becoming more common.

Key Compliance Considerations:

- Integrate biodiversity risks into corporate risk management frameworks.
- Align reporting with the TNFD framework and assess nature-related financial dependencies.
- Collaborate with suppliers to address biodiversity-related risks in the value chain.
- Implement conservation and restoration initiatives to offset environmental impacts.
- Develop strategies to mitigate supply chain disruptions caused by ecosystem degradation.

ARTIFICIAL INTELLIGENCE AND GENERATIVE AI.

2025 is shaping up to be a defining year for AI and Generative AI (GenAI). After years of experimentation, businesses are now moving toward large-scale implementation – but this shift brings considerable challenges.

Deloitte projects that global data centre energy consumption will reach 1,065 terawatt-hours (TWh) by 2030 due to the rising demand for AI and GenAI. That's more than the energy consumption of most major economies. With sustainability targets tightening, companies will face pressure to find more energy-efficient AI solutions. Bias and trust also remain major hurdles.

Despite growing adoption of GenAI among women – tripling in 2024 – the technology still reflects gender and racial disparities. Companies will need to strengthen oversight and ensure AI-driven decisions are fair and transparent.

Key Compliance Considerations:

- Develop a comprehensive AI policy, covering usage, oversight, and accountability.
- Assess AI-driven decisions for potential bias and discrimination.
- Ensure AI models comply with privacy and data protection laws.
- Establish human oversight for AI-driven decisions with significant personal or financial impact.
- Prepare for new AI regulations, including the EU AI Act.



CIRCULAR ECONOMY AND WASTE REDUCTION.

The Ellen MacArthur Foundation estimates that adopting circular economy principles could generate \$4.5 trillion in global economic benefits by 2030, while significantly cutting carbon emissions and reducing pressure on natural resources.

The EU's Ecodesign for Sustainable Products Regulation (ESPR), set to take effect in 2025, will impose stricter product sustainability requirements. Under the ESPR, companies will be required to improve product durability, repairability, and recyclability. The introduction of Digital Product Passports (DPPs) will further increase transparency by providing consumers and regulators with detailed information about a product's environmental impact and material composition.

Industries such as fashion, electronics, and automotive are already under pressure to reduce waste and improve resource efficiency. Fast fashion brands, for example, face mounting criticism over textile waste and unsustainable production methods, leading to increased regulatory oversight and consumer activism.

Key Compliance Considerations:

- Develop product lifecycle strategies to enhance durability and recyclability.
- Align supply chains with circular economy principles by reducing waste and increasing material recovery.
- Prepare for the introduction of Digital Product Passports under the ESPR.
- Establish systems for product take-back and recycling.
- Monitor compliance with national and regional waste reduction targets.

GEOPOLITICAL INSTABILITY.

Trade wars, armed conflict, and political instability will shape the business landscape in 2025. Rising tensions between the US, EU, and China over trade and technology are expected to escalate, with retaliatory tariffs and sanctions already in the pipeline.

The conflict in Ukraine continues to fuel uncertainty, while tensions in the Middle East and political instability in Europe add to the volatility. Businesses will need to assess how shifting alliances and trade barriers could affect their operations.

"Friend-shoring" — relocating supply chains to politically stable regions — is becoming a strategic necessity. Apple, for example, has already begun shifting production from China to India to mitigate geopolitical risks.

"Businesses have been blindsided by a cascade of disruptions...forcing a fundamental reset of longstanding strategies."

— Reema Bhattacharya,
Verisk Maplecroft Consultancy

Key Compliance Considerations:

- Conduct real-time monitoring of geopolitical developments.
- Strengthen supply chain diversification to avoid over-reliance on politically unstable regions.
- Update risk assessments to reflect changing trade and tariff policies.
- Build flexibility into contracts to accommodate sudden political shifts.

WATER SCARCITY AND MANAGEMENT.

Water scarcity is becoming a critical business risk as global freshwater supplies come under increasing pressure from climate change, pollution, and overuse. The United Nations predicts that by 2030, global demand for freshwater will exceed supply by 40%, putting strain on businesses that rely on large-scale water use.

Industries such as agriculture, food production, textiles, and energy are particularly vulnerable. According to the World Resources Institute (WRI), over 25% of the world's population already faces "extremely high" water stress, with key production hubs in India, China, the Middle East, and parts of the United States at risk of supply disruptions.

Regulators are responding with stricter water usage and pollution controls. The EU's Water Framework Directive and the US Clean Water Act are being reinforced with tighter limits on industrial water withdrawal and discharge. Companies are also facing growing pressure from investors and stakeholders to disclose water usage and implement conservation strategies.

Key Compliance Considerations:

- Conduct water risk assessments across operations and supply chains.
- Implement water recycling and reduction initiatives.
- Improve wastewater management to meet local and global regulatory standards.
- Monitor and report water usage under frameworks like CDP Water Security.
- Collaborate with local communities and governments on sustainable water management.

CYBERCRIME AND THIRD-PARTY RISK.

Cybercrime is projected to cost businesses \$10.5 trillion annually by the end of 2025, making it one of the most pressing threats for companies worldwide. State-sponsored attacks, ransomware, and AI-driven hacks are becoming more sophisticated, targeting critical infrastructure and sensitive data.

The July 2024 global IT outage, caused by a faulty CrowdStrike update, highlighted the vulnerability of interconnected systems and the risks posed by third-party service providers.

Cloud services, payment platforms, and AI systems are now key entry points for cybercriminals.

The EU's Digital Operational Resilience Act (DORA) and the UK's Critical Third Parties (CTPs) regime, both coming into effect in early 2025, will require companies to strengthen cyber defences and enhance oversight of third-party providers.

Key Compliance Considerations:

- Conduct comprehensive risk assessments for third-party vendors and suppliers.
- Establish clear security requirements and monitoring protocols for external partners.
- Implement a zero-trust security model to limit access vulnerabilities.
- Provide ongoing cybersecurity training to employees and contractors.
- Align cybersecurity strategies with DORA and CTPs requirements.

GREENWASHING AND SUSTAINABILITY CLAIMS.

Making exaggerated or false environmental claims — is under increased regulatory scrutiny as governments and consumer protection bodies clamp down on misleading sustainability messaging.

The European Commission found that 42% of green claims made by companies are exaggerated, false, or deceptive. This has led to the introduction of the Green Claims Directive in the EU, which will require companies to provide scientific evidence and third-party verification for any environmental claims.

US Federal Trade Commission (FTC) is currently updating its Green Guides to strengthen oversight on environmental marketing. High-profile cases have already made headlines — in 2022, H&M faced a lawsuit over allegedly misleading claims about the sustainability of its "Conscious Collection." The fashion, automotive, and food sectors are under particular pressure, as consumers and environmental groups increasingly challenge corporate claims.

Key Compliance Considerations:

- Ensure all environmental claims are evidence-based and independently verified.
- Review product labelling and marketing materials for compliance with the Green Claims Directive and Green Guides.
- Establish internal guidelines for sustainability messaging.
- Train marketing and product teams on the risks of greenwashing.
- Prepare for increased oversight from regulators and consumer advocacy groups.

MODERN SLAVERY AND FORCED LABOUR.

Modern slavery and forced labour remain significant global issues, with around 49.6 million people estimated to be living in conditions of modern slavery, according to the International Labour Organisation (ILO).

The problem extends deep into supply chains, often without companies realising it. New regulations are raising the stakes. The EU's Forced Labour Regulation, coming into effect in late 2025, will ban products linked to forced labour from entering the European market. Similarly, Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act introduces steep fines for non-compliance.

High-profile cases, such as allegations of forced labour in Shein's supply chain, have put companies under increased public and regulatory scrutiny. Businesses will need to enhance supply chain visibility and due diligence to avoid legal and reputational fallout.

Key Compliance Considerations:

- Map and assess supply chains to identify potential forced labour risks.
- Introduce supplier codes of conduct with clear anti-slavery clauses.
- Conduct regular audits, including on-site inspections of high-risk suppliers.
- Train procurement teams to recognise and address forced labour indicators.
- Prepare for the EU Forced Labour Regulation and similar global standards.

SUPPLY CHAIN DECARBONISATION.

According to the Carbon Disclosure Project (CDP), Scope 3 emissions (the indirect emissions produced across a value chain) account for up to 70% of a company's total carbon footprint, making them a key focus for regulators and investors.

The EU's Corporate Sustainability Reporting Directive (CSRD), which takes effect in 2025, will require large companies to disclose Scope 1 (direct), Scope 2 (indirect from energy), and Scope 3 emissions. The Science Based Targets initiative (SBTi) is also driving momentum, with over 4,000 companies now committed to setting emission reduction targets aligned with the Paris Agreement.

High-impact industries such as manufacturing, retail, and transportation face the toughest challenges, as supply chain emissions often stem from complex networks of suppliers and production facilities. Companies will need to collaborate with suppliers to introduce carbon reduction strategies, invest in renewable energy, and switch to low-emission transportation and logistics solutions.

Key Compliance Considerations:

- Conduct full value chain emissions audits to identify Scope 3 hotspots.
- Work with suppliers to establish carbon reduction targets.
- Shift to renewable energy sources and low-emission transportation.
- Align with CSRD disclosure requirements for Scope 1, 2, and 3 emissions.
- Develop supplier engagement programs to monitor and drive progress.

ETHICS AND ORGANISATIONAL CULTURE.

Ethics and workplace culture are under greater scrutiny in 2025, with rising reports of misconduct, bullying, and discrimination putting pressure on companies to strengthen their internal frameworks.

The UK's Worker Protection Act, introduced in late 2024, requires firms to take proactive steps to prevent sexual harassment – setting a higher bar for accountability.

The Financial Conduct Authority (FCA) has also highlighted non-financial misconduct as a growing concern, with whistleblower reports increasing year over year. Companies that fail to address these issues risk legal action, reputational damage, and declining employee morale.

Creating a culture where employees feel safe to speak up – without fear of retaliation – is becoming essential. Transparency, accountability, and consistent enforcement of ethical standards will be critical to maintaining trust and stability.

Key Compliance Considerations:

- Review and update internal codes of conduct to reflect new legal requirements.
- Strengthen whistleblower protections and reporting channels.
- Train employees and managers on handling workplace misconduct.
- Encourage psychological safety to promote open communication.
- Monitor and address patterns of non-financial misconduct proactively.



FINANCIAL CRIME.

The United Nations Office on Drugs and Crime (UNODC) estimates that between \$800 billion and \$2 trillion is laundered globally each year — equivalent to 2–5% of global GDP. Despite enhanced regulations, only 1% of laundered funds are currently being intercepted.

The EU's new Anti-Money Laundering Authority (AMLA), set to begin operations by the end of 2025, will introduce a single AML rulebook to harmonise standards across member states. The Fifth Anti-Money Laundering Directive (5AMLD) will also extend reporting requirements to new sectors, including virtual assets and high-value art and collectibles.

In the UK, the Economic Crime and Corporate Transparency Act (ECCTA) will introduce stricter due diligence requirements and give regulators greater enforcement powers. Non-compliance could result in heavy fines and criminal liability for senior management. Industries including financial services, real estate, and luxury goods face the highest exposure, but businesses across all sectors are increasingly targeted.

Key Compliance Considerations:

- Strengthen Know Your Customer (KYC) and due diligence processes.
- Monitor cryptocurrency transactions for potential laundering risks.
- Use AI-driven tools to identify suspicious activity.
- Prepare for stricter reporting requirements under AMLA.

EXPANDING AND CONFLICTING REGULATIONS.

The regulatory landscape in 2025 will be marked by increasing complexity and divergence across key markets.

The EU is introducing several major regulations, including the AI Act, the Corporate Sustainability Reporting Directive (CSRD), and the Corporate Sustainability Due Diligence Directive (CSDDD) — all of which will impose stricter standards for transparency, ESG reporting, and AI governance.

Meanwhile, the UK is rolling out its Critical Third Parties (CTPs) regime to strengthen operational resilience and align with the EU's Digital Operational Resilience Act (DORA). Financial firms will also face tighter anti-money laundering (AML) requirements under the Economic Crime and Corporate Transparency Act (ECCTA).

In the US, regulatory uncertainty looms as the Securities and Exchange Commission (SEC) pushes for stricter climate disclosures, but potential political shifts could reverse some of these efforts. The clash between the US, EU, and UK on regulatory priorities is likely to create compliance headaches for global businesses.

Key Compliance Considerations:

- Monitor regulatory changes across key markets and adjust internal policies accordingly.
- Establish cross-border consistency in compliance strategies.
- Prepare for increased ESG disclosure requirements under EU and UK frameworks.
- Develop training programs to keep staff informed of changing regulations.
- Strengthen operational resilience to meet new AML and financial crime standards.

POLARISATION AND WORKPLACE TENSION.

Political and social divisions are spilling over into the workplace, driving conflict over diversity, equity, and inclusion (DEI) policies. In 2024, several major companies — including Target and Bud Light — faced public backlash and boycotts over their DEI strategies, and this trend is expected to intensify in 2025.

Social media is amplifying these tensions, turning corporate decisions into flashpoints for political and ideological battles. High-profile rollbacks of DEI and environmental, social, and governance (ESG) commitments — such as Unilever's scaled-back climate targets — are adding fuel to the fire.

This polarisation risks creating division and hostility within teams, undermining trust and productivity. Businesses will need to balance employee expectations with public and political pressure while maintaining a respectful and cohesive work environment.

Key Compliance Considerations:

- Promote open dialogue and psychological safety to encourage respectful communication.
- Provide training on conflict resolution and de-escalation techniques.
- Align DEI and ESG strategies with business objectives and stakeholder expectations.
- Monitor social media sentiment and employee feedback to anticipate flashpoints.
- Establish clear policies on acceptable workplace conduct and communication.