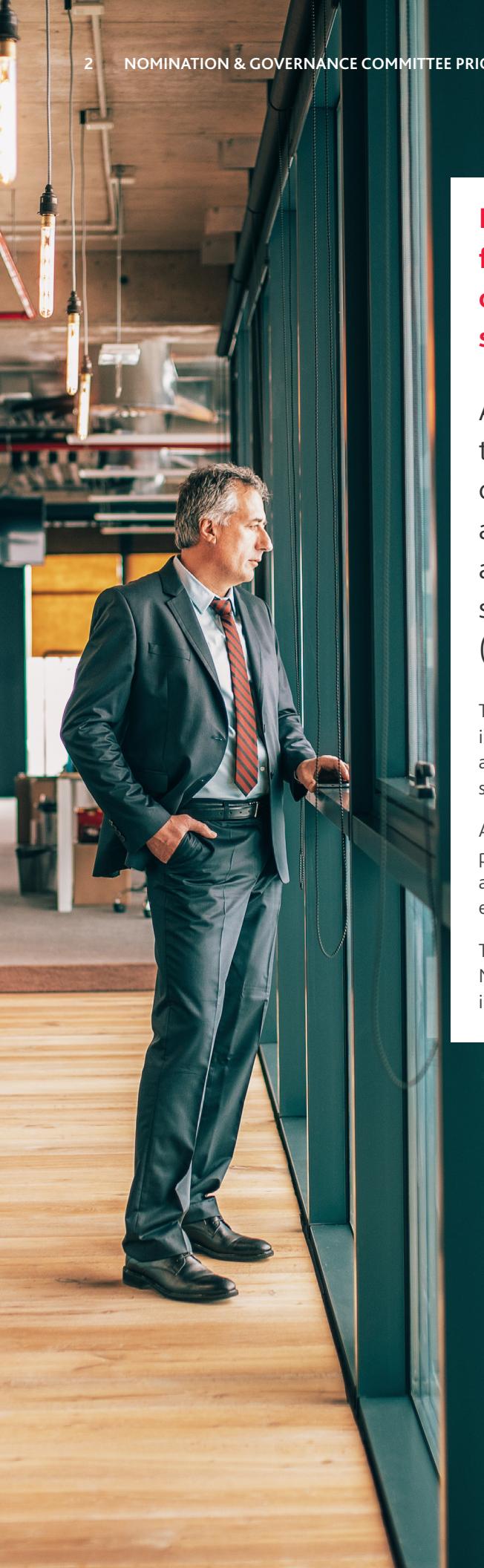




Nomination & Governance Committee Priorities for 2026

BUILDING BOARD RESILIENCE AND STAKEHOLDER
CONFIDENCE IN A TUMULTUOUS ERA

BDO
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In today's dynamic corporate landscape, boards face mounting pressure to demonstrate effective oversight, strategic agility, and proactive stakeholder engagement.

As expectations rise around governance, transparency, and accountability, organizations must continually refine their practices to remain resilient and forward-thinking. This requires a multifaceted approach across all committees of the board, spearheaded by the nomination and governance (N&G) committee.

Their task begins with robust board assessments that foster ongoing improvement and trust, extending to comprehensive CEO succession planning amid heightened turnover and activism — all while encompassing proactive shareholder engagement to anticipate and address emerging risks.

As activism and regulatory scrutiny increase, N&G committees must also be prepared with clear strategies and communication protocols to respond swiftly and effectively. Together, these pillars form the foundation for governance excellence and sustained stakeholder confidence.

The BDO Center for Corporate Governance has identified key priorities for N&G committees in 2026 to help boards operate effectively and efficiently in a tumultuous environment.

BOARD ASSESSMENTS AND GOVERNANCE POLICIES

The board assessment process is a foundational tool for fostering a culture of ongoing positive change. To support effective, high-functioning board governance, assessments should be conducted annually and framed around a three-part trust model: trust between the board and management, trust between the board and shareholders, and trust among board members.

Assessments may be facilitated in-house or through third-party experts and should address several core areas:

Board Composition and Structure

Boards should possess the right mix of skills and relevant experience to provide effective oversight. The N&G committee should evaluate whether directors are deeply conversant in the strategic areas most critical to the company, rather than only possessing a surface-level familiarity.

It's essential that directors' skills align with the company's evolving corporate strategy and risk profile. Identifying gaps in director skills is a critical element of a board assessment.

The 2025 BDO Board Survey highlights the top five most important skills sets and areas of experience needed to enhance corporate board composition:



Technology and innovation



Cybersecurity



Industry experience



M&A/transaction expertise



Operational transformation/change management

In addition to skill gaps, assessments should identify opportunities to strengthen the board's operating effectiveness. Gathering feedback on engagement and collaboration — among individual directors, between the board and management, and across committees — can guide continuing education and policy or process adjustments. Evaluation data also helps surface potential vulnerabilities that may attract activist attention. For more information on trends in how public company boards perceive their effectiveness, refer to the [2025 BDO Board Survey](#).

Board turnover remains consistently low, increasing only modestly over the past two decades from 6% in 2005 to 7% in 2025, [according to Spencer Stuart](#). Many U.S. boards do not set director tenure limits, and among those that do, 66% establish terms of 15 years or more. This reinforces the importance of intentional director refreshment strategies.

Director refreshment is an ongoing responsibility of the N&G committee. Thoughtful refreshment policies set a strong tone about the board's commitment to evolving business needs, introducing new perspectives and maintaining independence. By constantly evaluating director performance and relevance to strategic priorities, the N&G committee strengthens the board's ability to remain dynamic, effective, and aligned with the organization's future direction.

Boards should also consider broader structural shifts — including the trend from classified to declassified boards — and whether those changes support stakeholder expectations for accountability.

N&G committees must proactively build a pipeline of director candidates whose skills match both current and anticipated organizational needs. Proxy disclosures can further reinforce the board's narrative by clearly connecting director competencies to strategic objectives.

Continuing Education for Directors

To remain effective in a period of rapid technological and marketplace change, directors must continually upskill. N&G committees should champion ongoing director education, leveraging independent learning opportunities and programs by leading governance organizations. Despite widespread availability, the 2025 BDO Board Survey found more than a quarter of directors (26%) state that their boards were ineffective when it came to obtaining continuing education, highlighting the need for more deliberate oversight in this area.

Review of Governance Policies

While most N&G committees conduct annual reviews of governance policies, emerging risks increasingly require the development of new procedures. Recent areas of focus include cyber risk oversight, ethical AI use, diversity and inclusion practices, and stakeholder safety considerations.

As boards rely more heavily on technology — including near universal use of board portals — it is essential that directors adhere to clear, consistently applied technology use policies to mitigate confidentiality and security risks.

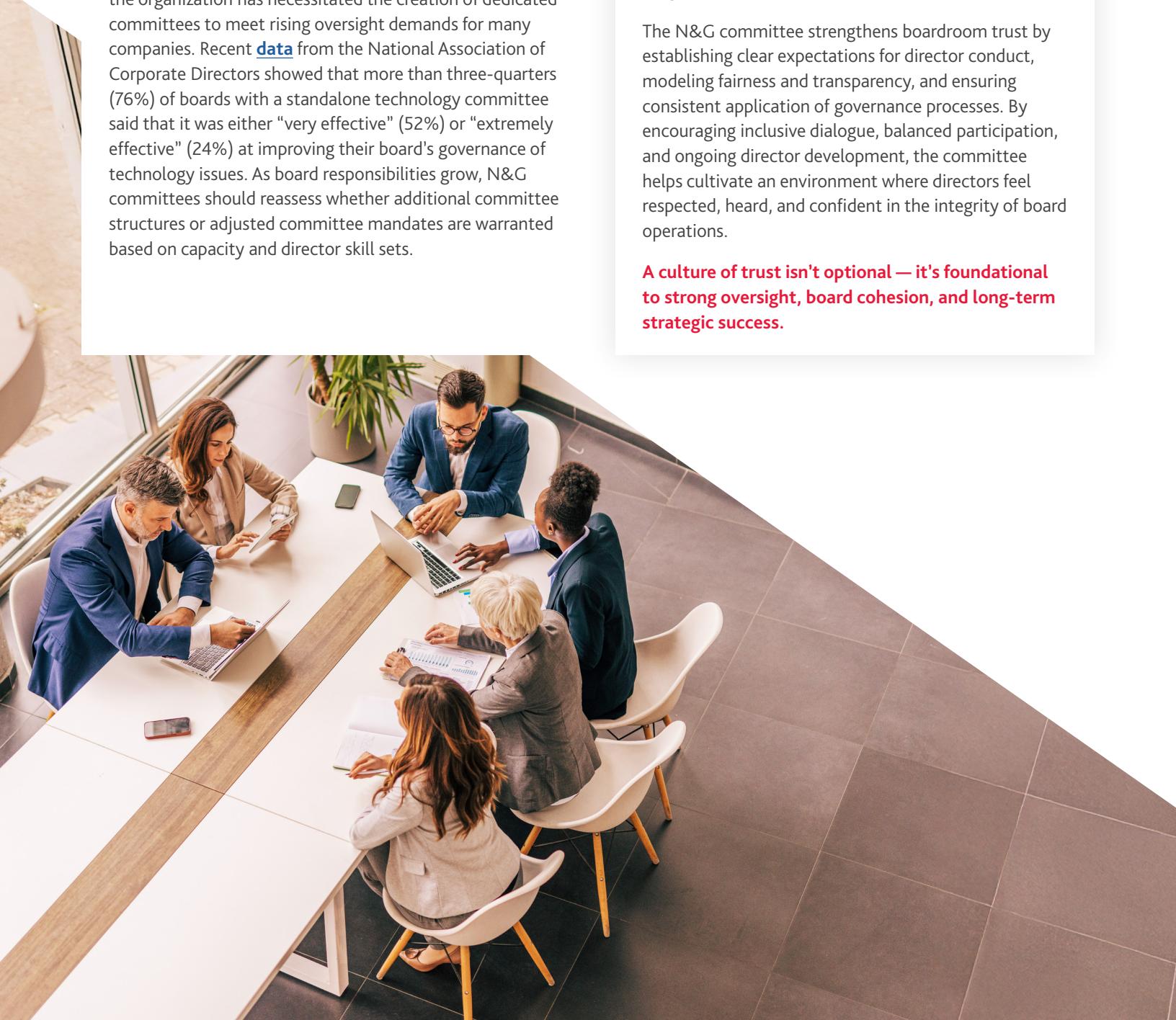
Extensive use of technology on a broader scale throughout the organization has necessitated the creation of dedicated committees to meet rising oversight demands for many companies. Recent [data](#) from the National Association of Corporate Directors showed that more than three-quarters (76%) of boards with a standalone technology committee said that it was either "very effective" (52%) or "extremely effective" (24%) at improving their board's governance of technology issues. As board responsibilities grow, N&G committees should reassess whether additional committee structures or adjusted committee mandates are warranted based on capacity and director skill sets.

Culture of Trust in the Boardroom

A healthy boardroom culture — rooted in respect, transparent communication, and constructive challenge — is essential for strong governance and sound strategic decision making. While 40% of directors [report](#) that their boards are highly effective at enhancing corporate culture from the top, most still see room for improvement. That belief is echoed in the broader workforce, with only 24% of individual contributors believing their companies effectively manage culture, according to [BDO's Winning on the People Side of Business](#).

The N&G committee strengthens boardroom trust by establishing clear expectations for director conduct, modeling fairness and transparency, and ensuring consistent application of governance processes. By encouraging inclusive dialogue, balanced participation, and ongoing director development, the committee helps cultivate an environment where directors feel respected, heard, and confident in the integrity of board operations.

A culture of trust isn't optional — it's foundational to strong oversight, board cohesion, and long-term strategic success.





CEO SUCCESSION PLANNING

High CEO Turnover

CEO turnover has reached its highest level among S&P 500 companies since 2005. By the end of Q3 2025, 50 S&P 500 CEOs had left their positions — surpassing full year totals for 2024. Concurrently, shareholder activism is influencing more CEO transitions, and boards are showing reduced tolerance for ethical lapses by senior leaders.

With these pressures, CEO succession planning is more critical than ever. While the full board holds ultimate responsibility, the N&G committee often leads the process. In a recent survey of more than 200 directors of public U.S. companies, 34% ranked succession planning for the CEO and other C-suite executives as a top priority for 2025 — above AI strategies (25%) and geopolitical risk (10%).

Effective CEO succession planning helps stabilize and strengthen executive pipelines. Key components include:

- ▶ Clearly defining the skills, experiences, and attributes essential for a future CEO
- ▶ Identifying and developing high-potential internal candidates well in advance
- ▶ Conducting disciplined, objective due diligence on external candidates
- ▶ Maintaining clear career-progression pathways and readiness plans
- ▶ Using a structured, multilayered evaluation framework, including emergency protocols and criteria for external search firms

Proactive planning fosters leadership continuity and builds confidence among stakeholders. Boards must regularly assess whether leadership continuity or new direction best meets the company's future needs. Internal CEO candidates often bring deep organizational knowledge and cultural alignment, but external leaders may be needed to accelerate transformation or reset strategy.

When external recruitment is appropriate, N&G committees should leverage reputable search firms to identify, evaluate, and vet candidates who meet the organization's strategic, cultural, and leadership requirements.



ESSENTIAL CEO LEADERSHIP SKILLS

N&G committees should prioritize candidates who demonstrate:

- ▶ Resilience and adaptability
- ▶ Confidence in leading digital transformation
- ▶ Strong stakeholder engagement capabilities
- ▶ Strategic thinking with clear goal-setting discipline
- ▶ Ability to foster collaborative, high-trust environments
- ▶ Clear and transparent communication

A prospective CEO's leadership profile should fully align with the organization's values, culture, and long-term strategic ambitions.

ACTIVISM PREPARATION

Shareholder activists secured 112 board seats at U.S. companies in the first half of 2025 — the highest since 2022 — with settlement activity also reaching a five-year high and campaigns resolving more quickly amid ongoing market turbulence, [according to Diligent](#). The [2022 universal proxy card \(UPC\) rules](#) are further reshaping proxy contest dynamics, increasing unpredictability and encouraging earlier settlements as a means of avoiding potential costs and disruptions.

N&G committees must ensure board members think like activists — anticipating vulnerabilities, understanding shareholder perspectives, and preparing response strategies well before a campaign emerges. A comprehensive activism playbook should outline messaging protocols; it's essential for boards to be organized, composed, and legally prepared through [proactive steps to address activism](#) rather than reacting with uncertainty in the moment.

How to Manage the Activist Environment

Boards can improve outcomes during activist situations by:

- ▶ Engaging early to understand activist concerns
- ▶ Communicating proactively with other shareholders to gauge alignment
- ▶ Executing an offensive media strategy to protect the brand and manage public perception
- ▶ Negotiating when appropriate to avoid costly, distracting proxy fights
- ▶ Maintaining unity and continuing normal operations despite external pressure



SHAREHOLDER ENGAGEMENT: PROACTIVELY PREPARING FOR THE FUTURE

To foster long-term shareholder alignment, boards must maintain continuous, structured engagement efforts beyond proxy season. Key practices include:

- ▶ Monitoring proxy voting trends to assess company-specific vulnerabilities
- ▶ Conducting regular outreach — investor days, town halls, and targeted meetings
- ▶ Soliciting early feedback through surveys or advisory panels

Boards should use insights from these interactions to evaluate alignment with industry expectations, competitive positioning, and evolving stakeholder priorities. As technology, social considerations, and regulatory expectations change, boards must be prepared to explain why certain policies or governance approaches are evolving.

Potential Roadblocks to Engagement to be Mindful of

Revised SEC [Schedule 13D and 13G guidance](#) has created uncertainty, prompting some institutional investors to scale back proactive outreach to avoid perceptions of exerting control. Companies should counterbalance this by maintaining their own year-round outreach efforts and ensuring proxy disclosures fully describe governance practices — including compensation programs — to reduce reliance on direct engagement for clarification.

- ▶ Leveraging digital platforms to broaden investor reach
- ▶ Clarifying next steps and timelines for strategic or governance enhancements
- ▶ Collaborating with investor relations to stay attuned to shareholder sentiment

Sustained engagement strengthens trust, enhances shareholder loyalty, and positions organizations to attract new investors aligned with long-term objectives.

Understanding Schedule 13D and 13G

Schedule 13D and 13G filings apply to investors holding more than 5% of a public company's shares.

- ▶ **Schedule 13D:** Intended for investors who may seek to influence or control the company; requires extensive disclosures
- ▶ **Schedule 13G:** Intended for passive investors; requires less detailed reporting

Shareholder response and outreach should be continuous, allowing boards to gain valuable insights into concerns, feedback, and expectations that extend beyond simply how shareholders voted. It also provides a view into shifting expectations, identifying changes in investor priorities so the company can take steps to address any issues. We invite you to attend our upcoming webinar [**"2026 Shareholder Meeting Agenda: How Can Directors Better Prepare?"**](#) for more information on shareholder engagement.

DEXIT CONSIDERATIONS

An emerging trend — referred to as **DExit** — pertains to companies reconsidering Delaware as their state of incorporation, with Nevada and Texas emerging as increasingly attractive alternatives. A 2024 Delaware court decision affecting director protections and compensation structures has prompted companies to evaluate states offering more favorable conditions. For management, this may be in the form of reduced liability risks, limitations on shareholder requests for books and records requests, potential tax savings, and management-friendly legal frameworks. The board of directors may experience stronger statutory director protections like the codification of the business judgment rule in state law rather than reliance upon case law that may result in heightened review scrutiny of fiduciaries.

Boards should work closely with legal counsel to understand state law differences and when reincorporation may be appropriate. Even absent a change, reviewing fiduciary duties, shareholder rights, and governance documents through this lens can strengthen oversight.



For N&G committees, 2026 will demand heightened foresight, discipline, and decisive governance. As boards confront shifting stakeholder expectations, rising CEO turnover, evolving governance norms, and accelerating risks, the committee's ability to strengthen board composition, reinforce a culture of trust, and ensure robust succession and refreshment planning will be central to organizational resilience. By sustaining rigorous oversight, shaping strong board dynamics, and guiding transparent shareholder engagement, N&G committees can position their organizations to navigate uncertainty with confidence and uphold the standards of governance that drive long-term value.

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