

A photograph of two business professionals, a woman and a man, walking down a set of modern, dark stone stairs. The woman is wearing a tan trench coat over a green top and light-colored trousers, holding a smartphone. The man is wearing a dark blue suit and holding a laptop. They are both smiling and appear to be in conversation. The background shows a modern building with large glass windows and a cityscape.

2026 SHAREHOLDER MEETING AGENDA

# **Forces of Influence: Factors Shaping the 2026 Proxy Season**

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The 2026 proxy season once again arrives amid heightened complexity as boards face converging influences: changes in shareholder scrutiny and engagement, evolving proxy advisory standards, accelerating technological disruption, and shifting regulatory attention. At the same time, macroeconomic factors, ROI expectations for AI investments, escalating cybersecurity concerns, workforce transformation, and board member relevance are putting increasing pressure on governance and risk oversight.

This agenda is designed to help boards navigate these dynamics with clarity, confidence, and discipline. It draws on lessons from recent proxy seasons, developments in investor voting policies, regulatory influences, and emerging risk factors impacting corporate performance to provide a strategic path forward this proxy season.

We examine several key topics with each section highlighting evolving trends, where shareholders are focused, and what directors should consider when evaluating their board's effectiveness.

Building on their established governance practices, boards that approach the 2026 season with intentionality, transparency, and a forward-looking mindset will be better positioned to increase stakeholder confidence and maintain credibility in an era of ongoing risk and uncertainty.



*With continued uncertainty shaping today's business environment, shareholders expect more than reactive governance—they expect **disciplined, demonstrable board oversight** of strategy, risk, performance, and culture, with **clear metrics and follow-through**. Boards that **communicate consistently and address concerns proactively** will be best positioned to maintain trust and credibility.*



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# Shareholder Expectations

## 2025 PROXY SEASON TAKEAWAYS

According to Gibson & Dunn and Sullivan & Cromwell, several 2025 proxy season trends to take note of include:

- ▶ Shareholder proposal submissions fell from 929 in 2024 to 802 in 2025 and in general decreased across all measured categories: environmental, social, and governance (ESG) topics; civic engagement (e.g., political contributions); and executive compensation.
- ▶ Percentage of proposals that rose to a vote decreased to 55% in 2025 from 63% in 2024. Overall support increased slightly.
- ▶ SEC No-action requests continued to rise and outcomes continued to revert to pre-2022 norms, with the number of no-action requests increasing significantly from 15% in 2024 to 25% in 2025 and success rates holding steady with 2024 at 69%. Withdrawn proposals decreased slightly.
- ▶ Anti-ESG proposals continued to proliferate in 2025, but shareholder support remained low at 1.4% support.
- ▶ Governance proposals, primarily "structural" in nature, received higher levels of support than environment and social proposals. The top five proposals areas (by vote) pertained to: declassified boards, simple majority vote, reporting on political contributions, shared retention policy for senior executives, and shareholder special meeting rights (e.g., the right to call special meetings, elimination of minimum holding requirements, and lower stock ownership thresholds).
- ▶ The largest category of compensation proposals (50%) were requests for boards to seek shareholder approval of certain severance agreements.
- ▶ Very few AI proposals were submitted in 2025, but increasing investment and stakeholder scrutiny of related corporate AI policies and oversight remain high.

## Landscape Shifts

Recent changes in U.S. political and regulatory priorities have reshaped the governance environment and continue to drive several of the trends affecting proxy season. Several of the more significant actions of note included:

- ▶ The SEC Staff Legal Bulletin 14M reinstated a company's ability to exclude shareholder proposals based on "economic relevance" and "ordinary business" grounds.
- ▶ The overturning of the Nasdaq diversity rule along with new Presidential Executive Orders (EOs) focused on potential discriminatory practices of corporate DEI initiatives.
- ▶ The SEC's withdrawal of its climate rules and the issuance of additional Presidential EOs, while U.S. state and global ESG reporting requirements continue to evolve, creates greater uncertainty around the increase in pro- and anti-ESG proposals.

## Compensation and Human Capital Trends

Support for say-on-pay remained strong in 2025 (90% S&P 500; 91% Russell 3000), along with approval of equity plans. However, Farient Advisors warns that investors continue to flag concerns about pay-for-performance alignment, weak performance goal-setting, special awards, non-performance-based pay designs, and thin disclosures. Due to legal and political pressures, the use of DEI metrics in S&P 500 compensation programs dropped sharply from 57% to 22%.

Looking ahead, investors are closely watching the SEC for proposed regulations that simplify [compensation disclosures](#) and address treatment of executive security benefits, informed by the SEC's June 2025 Roundtable and its Spring 2026 regulatory agenda.

## Activist Trends to Consider

Last year was one of the busiest periods on record for shareholder activism, and it is expected to remain so in 2026. According to a recent Barclay's report, activist campaigns rose nearly 20% over the long-term average in 2025. In the first half of 2025, activist investors sought to elect 216 directors and successfully secured 112 seats, representing a 52% success rate — compared with a 36% success rate during the comparable period in 2024.

Activists continue to grow increasingly sophisticated in how they frame campaigns, engage proxy advisors, and influence institutional voting decisions. This includes companies of all sizes and industries. On the heels of the universal proxy rules, Cleary Gottlieb cites that activists securing board seats did so largely through settlement agreements and by offering high quality board candidates while targeting vulnerable directors in terms of age and tenure. Read on for insights into how boards can be more proactive in their defense against activism.



## CHANGES TO INVESTOR ENGAGEMENT

### Landscape Shifts

Investor expectations are shifting heading into 2026 as heightened uncertainty around corporate resilience drives sharper scrutiny of governance processes, disclosure quality, and strategic alignment. Shareholders increasingly expect clear policies, defined oversight responsibilities, and consistent articulation of risks and strategy across proxies and broader corporate communications. They are evaluating whether boards can remain focused on long-term priorities amid external noise and evolving investor dynamics.

Proactive, year-round shareholder engagement has become essential. Companies that demonstrate responsiveness and transparency — rather than relying on a reactive or “wait-and-see” approach — are better positioned to build credibility and maintain investor confidence.

Shareholders are also emphasizing future-readiness. They want evidence that boards and management are systematically identifying emerging risks, assessing their potential impact, and establishing clear accountability for mitigation. Scenario planning, cross-functional risk assessments, and structured monitoring processes signal a maturing governance model.

Recent regulatory developments have further reshaped engagement norms:

- ▶ **SEC Schedule 13D/13G Guidance (February 2025):** Large investors have scaled back direct dialogue with companies to avoid the appearance of “influencing control.” As investors grow more cautious about direct engagement, two-way communication is being replaced by company-initiated outreach —e.g., “listening tours” aimed at understanding shareholder sentiment. Many issuers are leaning on enhanced proxy disclosures while others have expanded outreach to smaller shareholders to maintain visibility into investor sentiment.
- ▶ **Rule 14a-8 No-Action Requests (November 2025):** The SEC’s decision to limit substantive responses to exclusion requests has placed greater responsibility on companies to justify proposal omissions. With fewer regulatory cues to rely upon, investors and proxy advisors now must rely more on company disclosures, engagement practices, and explanations into board rationale.

## CHALLENGES TO PROXY ADVISORY

Proxy advisory firms, primarily ISS and Glass Lewis, are entering a period of heightened scrutiny driven by regulatory action and rapid technological change.

### Regulatory Pressure

A December 2025 Presidential EO directed federal agencies — the SEC, Federal Trade Commission (FTC), and Department of Labor — to reassess proxy advisor practices. The focus is on transparency in voting recommendations, conflicts of interest by foreign-backed advisors, and methodological rigor, with potential implications for new oversight or registration requirements. The order also questions recommendations on ESG topics that lack clear fiduciary obligations concerning financial factors.

Simultaneously, the FTC launched an antitrust investigation into ISS and Glass Lewis, examining whether their market dominance and advisory practices create competitive concerns — particularly in how their recommendations influence institutional investors on sensitive governance or social issues. These developments may lead proxy advisors to narrow their scope of issue coverage, rely more heavily on standardized frameworks, or reduce guidance on highly contested topics.

### Technological Disruption

AI adoption is beginning to reshape proxy voting decisions. In early 2026, JPMorgan Chase became the first major institution to discontinue use of external proxy advisors for U.S. voting, shifting to an internal AI-driven platform aligned with its stewardship priorities. While smaller investors may not have the resources to bring these capabilities fully in-house, proxy advisors themselves are pivoting. Glass Lewis has already announced a transition beginning in 2027 from uniform policy models to AI-enabled, customizable voting frameworks that better reflect client-specific strategies.

As AI advances, traditional benchmark policies may give way to more dynamic and tailored decision-support tools, further altering how investors evaluate governance practices and board performance.

## Board Considerations

THEME	EXPECTATIONS FOR BOARDS
<b>Disclosure Discipline</b>	<p>Transparent and consistent qualitative and quantitative communications are essential to maintaining governance credibility. Investors increasingly scrutinize gaps between formal disclosures and broader stakeholder messaging, especially as direct two-way communication declines and disciplined disclosure becomes even more important.</p>
<b>Governance Maturity</b>	<p>Boards are expected to demonstrate thoughtful board structure and composition including fit-for-purpose director composition, well-defined internal processes, forward-looking oversight, and structured monitoring of risks and developments. Strong signals of governance maturity include:</p> <ul style="list-style-type: none"><li>▶ Clear articulation of board and committee responsibilities, collaboration, and board qualifications.</li><li>▶ Structured processes for monitoring developments that could materially impact strategy, operations, or stakeholder value.</li><li>▶ Vulnerability assessments that measure corporate performance, governance policies, as well as current board member relevance as compared to the company's risk/opportunity landscape.</li><li>▶ Scenario planning that validates assumptions and resilience.</li><li>▶ Proactive board refreshment policies and continuing education plans that enhance skills and experience of current board members.</li><li>▶ Governance tools such as board and committee charters and proxy statement disclosures that confirm alignment with corporate filings and other public disclosures.</li></ul>
<b>Stakeholder Engagement Readiness</b>	<p>Clear ownership of investor communications — including a dedicated investor relations (IR) function — helps boards and leadership manage risk interpretation and maintain confidence during periods of uncertainty. Demonstrating engagement readiness requires:</p> <ul style="list-style-type: none"><li>▶ Proactive, year-round engagement to address shareholder concerns rather than defaulting to a wait-and-see approach, while remaining mindful of material nonpublic information restrictions.</li><li>▶ Awareness of shareholder and market dynamics, including trending voting policies of major shareholders and proxy advisors. This includes monitoring competitive market positions and assessing the company's stance to inform proactive engagement opportunities.</li><li>▶ Composure under scrutiny with board and management alignment in their responses to questions of policy and process.</li></ul>

## ISS AND GLASS LEWIS U.S. POLICY UPDATES FOR 2026

The following provides a snapshot of significant proxy advisor U.S. voting policy updates applicable for the 2026 proxy season.

THEME	GLASS LEWIS	ISS
<b>Pay-for-Performance</b>	A scorecard-based methodology using up to six tests replaces the previous single-letter grade system to provide more transparency and nuanced assessments.	ISS now uses quantitative screens, such as Relative Degree of Alignment and Financial Performance Assessment tests, to assess pay alignment and performance ranking over five years instead of three years. The Multiple of Medium test has also been modified to cover one- and three-year periods instead of the prior fiscal year.
<b>Governance and Shareholder Rights</b>	Companies adopting mandatory arbitration provisions post-IPO or following spin-offs may face recommendations to vote against the Nomination/Governance chair or entire committee unless they provide a compelling rationale and disclose shareholder benefits.	Capital structures with unequal voting rights will be considered problematic regardless of whether superior voting shares are classified as "common" or "preferred."
<b>E&amp;S-related Shareholder Proposals</b>	Clients may now exclude recommendations related to diversity, equity, and inclusion (DEI). Charter and bylaw amendments are reviewed on a case-by-case basis.	Proposals on diversity, political contributions, human rights, and climate change will be evaluated case-by-case to reflect varied proposal scope, shifting investor sentiment, regulatory changes, and evolving practices.
<b>Board Responsiveness</b>	Bundled amendments to governing documents that erode shareholder rights — such as limiting proposal submissions, restricting derivative lawsuits, or implementing plurality voting — may trigger adverse voting recommendations against the Nomination/Governance chair or entire committee.	Companies no longer need to demonstrate specific shareholder feedback if they adequately disclose outreach attempts and beneficial compensation program changes. Significant board turnover may also mitigate concerns following low support related to mergers or proxy contests.
<b>Supermajority Vote Requirements</b>	In cases where companies have large or controlling shareholders, supermajority vote requirements may be appropriate to protect the interests of minority shareholders. Glass Lewis may oppose the elimination of these requirements.	No update for 2026
<b>General Approach to Shareholder Proposals</b>	Policy language reflects the dynamic nature of the shareholder proposal process and impending SEC changes, including guidance on the former no-action process. Glass Lewis, however, strongly believes shareholders should have the opportunity to vote on matters of material importance.	No update for 2026

## ISS AND GLASS LEWIS U.S. POLICY UPDATES FOR 2026 (CONT.)

THEME	GLASS LEWIS	ISS
<b>Director Compensation</b>	No update for 2026	Problematic non-executive director pay practices will be flagged even when patterns occur over non-consecutive years, with adverse recommendations enforced in egregious cases.
<b>Equity Plan Scorecard</b>	No update for 2026	New evaluation elements apply to shareholder proposals seeking approval of new or amended equity-based compensation plans.
<b>Equity Awards</b>	No update for 2026	Time-based equity awards with extended vesting periods are now favored. Equity mix evaluations will align with ISS' evolving qualitative review standards.
<b>Tailored Policies</b>	Starting in 2027, customized recommendations will replace universal policy benchmark applications.	

Refer to full proxy voting guidelines for 2026 for [ISS](#) and [Glass Lewis](#).

For more information on impacts with respect to designing and communicating executive compensation practices, refer to BDO's [2026 Compensation Committee Priorities insight](#).

# Evolving Enterprise Risks and Opportunities

## LANDSCAPE SHIFTS

As showcased in [BDO's Tectonic States](#) report, risk and uncertainty are on the rise due to geopolitical and market volatility, administrative and regulatory pressures, as well as accelerated technological change.

Emerging technologies, in particular AI, are reshaping operating models, cost structures, and risk at a rate that outpaces traditional planning, capital allocation, and evolution of oversight frameworks. Significant changes to regulatory agendas and ongoing geopolitical tensions are adding further layers of unpredictability. Shifting trade policies and the potential reintroduction or expansion of tariffs have also complicated risk planning, increasing unpredictability for supply chains, import/export costs, and cross-border operations.

Despite rising uncertainty and a corresponding need for resilience, only **41%** of directors believe their boards are highly effective at establishing risk tolerance and appetite, including fraud risk, according to the recent [BDO Board Survey](#). The same amount of directors (**41%**) rate their management teams as highly effective in risk identification and mitigation as well, suggesting a structural gap between the growing complexity of today's threat landscape and management teams' ability to operationalize effective oversight and response.

## TECHNOLOGY DRIVEN RISKS AND RETURNS

Technology is rapidly reshaping how companies operate and compete, fundamentally altering business models and accelerating risk exposure. AI, automation, and advanced data capabilities are intensifying cyber, data governance, and operational risks — often outpacing existing oversight structures. Boards must ensure their own capabilities evolve accordingly, strengthening digital literacy, refining governance mechanisms, and enabling the organization to adopt emerging technologies responsibly while protecting long-term resilience and performance.

AI initiatives span strategy, risk, talent, operations, and cost management, creating a rigorous test of a board's ability to oversee complex, cross-functional matters. Yet **13%** of directors report that their boards lack the skills needed to oversee emerging technology and cybersecurity, according to the BDO Board Survey.



## AI TECHNOLOGY IS ADVANCING - WHAT ABOUT AI ROI AND RESPONSIBLE USE?

As AI is further integrated into corporate strategies, investor attention is shifting from experimentation to execution. Boards are now expected to understand not only whether AI is being deployed, but how its value is defined, measured, and communicated. However, current data shows a notable gap between perceived progress and proven financial impact.

### Progression of Assessing AI Impact

Wharton's Human-AI Lab found that 72% of organizations now track AI ROI, and 74% report positive results. However, many, particularly larger enterprises, still describe outcomes as "neutral" or "too early to assess." Notably, the study defined ROI broadly, including productivity, efficiency, and workflow improvements, but did not measure consistent or direct financial returns. Self-reported data and inconsistent disclosure continue to cloud the true economic impact.

Gartner notes that most companies rely on incomplete metrics, often focusing on traditional ROI instead of broader value dimensions such as:

- ▶ **Return on Employee (ROE):** improving productivity, digital adoption, capacity gains
- ▶ **Return on Future (ROF):** transformative gains in innovation, differentiation, intellectual property creation

Regulatory risk is also accelerating. Morgan Lewis warns AI regulations have moved from policy development into active enforcement, across privacy, employment, IP, cybersecurity, antitrust, and litigation. Higher-risk sectors include healthcare, life sciences, energy, financial services, insurance, and retail.

The SEC is further monitoring investor recommendations on material information reflected in AI disclosures. In December 2025, Commissioner Mark Uyeda summarized proposals put forth by the SEC's Investor Advisory Committee that recommended issuers should:

- ▶ Define what they mean by "AI" in their disclosures.
- ▶ Disclose board oversight mechanisms, if any, for AI deployment.
- ▶ Report separately on material effects of AI internal operations and customer facing activities.

Commissioner Uyeda emphasized, however, that SEC rulemaking should remain grounded in materiality and should not use securities law to attempt to regulate AI. Instead, the intention is to help ensure investors receive information about material risks and opportunities arising from AI in business operations and strategy in a manner not encumbered by prescriptive or duplicative requirements.

The SEC is expected to evaluate whether AI-related disclosures adequately address risk factors, strategic impacts, costs, workforce implications, and product demand. Boards and preparers should ensure AI disclosures neither overstate benefits nor understate risks, and that disclosures evolve as capabilities mature.

### Expectations for Responsible AI Use and Disclosure:

Beyond measurable returns on AI, investors are pushing for responsible AI frameworks. ISS' reviews of proposals from 2022-2025 highlight shareholders' priority areas such as:

- ▶ Human capital impacts (e.g., discrimination/bias, monitoring, automation, health and safety, etc.)
- ▶ Climate/environmental risks and resource management (e.g., energy/water usage)
- ▶ Ethical data acquisition and use (e.g., privacy, safety, intellectual property, surveillance, censorship, etc.)
- ▶ Misinformation and targeted advertising
- ▶ Equitable workforce transition (e.g., fair management of AI-driven job displacement, retraining programs, and sector-specific risks)

## PROACTIVE CYBERSECURITY

Cybersecurity risk continues to rise, driven by increasingly sophisticated bad actors, widespread system interconnectivity, and the rapid integration of AI and advanced technology into enterprise operations and attack methodologies. Emerging threats include AI-enabled malicious agents, automated reconnaissance and social engineering, and AI-powered attacks targeting supply chains, industrial systems, and critical infrastructure.

These growing digital threats come at a time when regulatory expectations around cyber disclosure remain unsettled. Ongoing uncertainty around SEC guidance and enforcement complicates how companies balance transparency with risk management. Despite this, our recent [Board Survey](#) indicates that **63%** of boards expressed plans to increase investment in cybersecurity, data privacy, and governance in next the 12 months. However, increased investment alone will not suffice. Boards must advance proactive governance oversight to address emerging cyber risks, sustain incident-response readiness, and deliver timely, high-quality disclosure that instills confidence among regulators and shareholders.

As technological development and [cyber risk accelerate](#), shareholders are using proxy statements to judge whether boards have clear oversight structures, disciplined disclosure practices, and a credible approach to managing enterprise AI integration and cyber risk. Scrutiny can intensify significantly after AI failures or cyber breaches, particularly if the board appears to have failed in its oversight responsibilities. Additionally, while the SEC has not issued many comment letters related to its cyber disclosure rules issued in 2023, cybersecurity remains a highly litigious domain. Companies are advised to keep abreast of evolving compliance and disclosure regulations for AI, data privacy, and cybersecurity at both domestic and international levels. They are also advised to prioritize timely incident reporting in conjunction with building market confidence in their governance oversight strategies.

## BOARD CONSIDERATIONS

To close out the technology discussion, here are several themes for consideration:

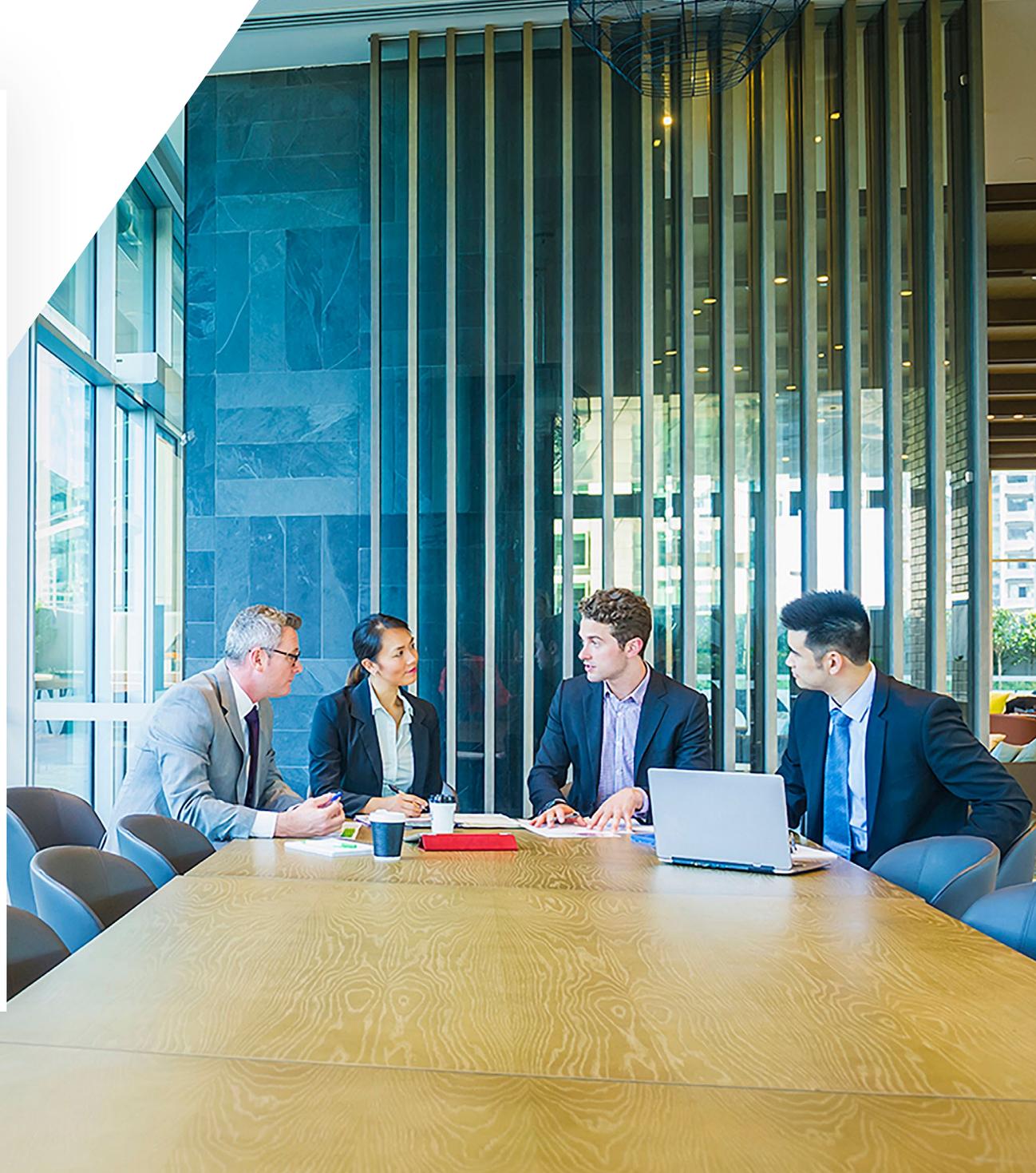
THEME	EXPECTATIONS FOR BOARDS
<b>Value Realization</b>	Define measurable value for AI and technology investments, including timelines, expected returns, key assumptions, and ROI/ROE/ROF measures.
<b>Disciplined Adoption</b>	Establish structured investment and implementation plans with milestones, accountability, and transparent performance tracking.
<b>Asset Identification</b>	Treat data and technology infrastructure as core strategic assets with clear ownership, strong data quality standards, and plans to address technical debt.
<b>Industry &amp; Competitive Positioning</b>	Review AI and technology positioning against sector dynamics and bench-marks to validate expectations and execution risks.
<b>Embedded Sustainability</b>	Oversee management of AI, cyber, privacy, IP, regulatory, and environmental risks along with any third-party dependencies.
<b>Governance Framework Maturity</b>	Confirm integrated governance for AI, data, and cybersecurity operations that covers compliance, risk monitoring, model oversight, and incident escalation. AI governance should also include controls for model risk, bias, IP protections, and regulatory evolution.
<b>Preparedness Exercises</b>	Engage in cyber-and AI-focused simulations and tabletop exercises aligned to the organization's risk profile, signaling governance maturity.
<b>Internal Coordination</b>	Develop clear roles and responsibilities for technology and cyber risk across management and board committees, including crisis response protocols.
<b>External Collaboration</b>	Maintain proactive relationships with regulators, law enforcement, forensic teams, and critical third parties to support rapid, effective incident response.
<b>Expanded AI Risk Management</b>	Focus oversight on AI-related risks such as data governance, environmental and systemic impacts, workforce transformation, and AI-powered cyber threats.

## M&A and Strategic Growth

Mergers and acquisitions (M&A) activity is widely expected to increase in 2026, driven by stabilizing interest rates and financing conditions, strategic repositioning, and pent-up deal demand, according to [BDO's 2025 M&A Recap and 2026 Outlook](#). Uncertainty, however, persists around the timing, scale, and disclosure of transactions due to ongoing market, regulatory, and geopolitical complexity.

Shareholders are placing increased emphasis on board oversight of M&A, particularly where transactions may be opportunistic, transformative, or executed under uncertain market conditions. Investors are focused on whether boards can demonstrate governance oversight of deal rationale and deal terms, thorough due diligence, valuation and risk assumptions, and post-transaction integration planning, as highlighted in the NACD 2026 Governance Outlook. Shareholders are using proxy disclosures to infer whether boards are equipped to oversee M&A processes.

The board's role includes setting deal criteria, objectively assessing transactions, challenging management assumptions — particularly where conflicts of interest exist — and establishing clear metrics to define and track deal success. Activists are especially keen to target corporate M&A strategy and want to understand the board's role and expertise in overseeing the entire transaction from due diligence and negotiating deal terms, to successful integration of operations, systems, and human capital. Demonstrating identifiable governance practices, relevance of director skillsets, and disciplined capital allocation practices serve to build investor confidence.



## EVOLVING WORKFORCE, COMPENSATION, AND TALENT STRESSORS

### Landscape Shifts

Compensation and Human Capital Committees (CCHCs) workload continues to increase as shareholders focus companies' abilities to align workforce strategy, leadership capabilities, and executive compensation with near-and long-term business objectives. Well-defined proxy disclosures on workforce actions, development, and retention, as well as executive succession planning, continue to serve as important indicators of effective human capital management.

- ▶ **Workforce-specific risks:** Investors are increasingly focused on whether companies have a credible workforce strategy to keep pace with AI and next-frontier technologies such as quantum. This includes hiring and reskilling talent at scale, redeploying workers into new roles, redesigning controls, and sustaining productivity while managing costs. In addition to skills development, boards should assess geographic concentration risk as over-reliance on talent or operations in specific regions, facilities, or labor markets can create vulnerabilities to geopolitical events, infrastructure failures, and labor shortages.
- ▶ **Evolving compensation oversight expectations:** As proxy advisory policies embrace longer-term performance horizons, boards need to ensure compensation frameworks remain aligned and effective amid leadership transitions, restructurings, and changes in peer group composition.
- ▶ **Anticipated regulatory reforms regarding compensation:** Announced SEC initiatives include streamlining compensation discussion and analysis (CD&A) disclosures, reforming pay-versus-performance rules, raising thresholds for reporting of perquisites, and limiting Named Executive Officer (NEO) reporting disclosures to the CEO and CFO.

## BOARD CONSIDERATIONS

THEME	EXPECTATIONS FOR BOARDS
<b>Viability of Operating Model</b>	Review whether the workforce model maintains an appropriate balance of resiliency, flexibility, and talent continuity.
<b>Skills &amp; Capability</b>	Review talent plans for large-scale reskilling and redeployment, as well as retention of critical roles. Align incentives and culture with new ways of working, Support decision-making with key performance indicators (KPIs) such as skills coverage, training completion, internal mobility, and attrition in key roles.
<b>Clear Ownership &amp; Controls</b>	Ensure clear ownership and effective controls over workforce and AI-enabled work risks, including role redesign, third-party use, skills gaps, workforce impacts, and cybersecurity and data stewardship, with aligned board and management responses under scrutiny.
<b>Proxy Policy Changes</b>	Consider whether evolving proxy policies may require additional analysis, modeling, or expanded disclosure.
<b>Transparent Communication of Compensation Decisions</b>	Maintain clear communication on compensation decisions, particularly severance, claw backs, performance alignment, and leadership transitions, which remain areas of shareholder and proxy advisor focus.
<b>Proactive Response to Regulatory Changes</b>	Monitor compensation disclosure developments and prepare for future changes, even where reforms are not expected to affect the current proxy season.

We encourage CCHCs to review these BDO's detailed insights:

- ▶ [Compensation Committee Priorities for 2026](#)
- ▶ [Building an AI-Enabled Workforce with BDO's Readiness Assessment](#)
- ▶ [Guiding Compensation Strategies in the Age of AI](#)



# Governance Matters

## BOARD COMPOSITION, CONTINUING EDUCATION, AND REFRESHMENT

### Landscape Shifts

Shareholders want to assess whether directors are equipped to oversee evolving risks, strategy, and disruption. As part of this assessment, they are likely to consider whether longer-tenured directors continue to deliver strategic value or whether boards would benefit from adding directors with more current or directly relevant operating experience.

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. Most U.S. public boards do not set director tenure limits as part of their refreshment strategies. The Conference Board's study of S&P 500 and Russell 3000 boards from 2021-2025 found mandatory director terms relatively uncommon at 10.2% and 4.9%, respectively. The majority of those with term limits maintained a range of 10 to 15 years.

The Conference Board also found that companies are increasingly highlighting directors' experience in areas like corporate governance, international business, technology, human capital, and cybersecurity. These findings align with our [Board Survey](#) results which identified the top skill areas boards seek to strengthen as technology and innovation, cybersecurity, industry experience, M&A/transaction experience, and operational transformation/change management.

The growing availability and normalization of director skills matrices has changed how stakeholders evaluate board composition. According to the Center for Audit Quality (CAQ), 90% of S&P 500 companies disclosed a skills matrix as part of their proxy statements in 2025, along with 80% of S&P Mid-Cap and 70% of S&P Small-Cap companies. Along with use of technology to analyze board-specific disclosures, shareholders are increasingly able to benchmark board capabilities across peers, which raises expectations for skill specificity and relevance.

As oversight demands expand, gaps in director education are becoming more visible. According to the recent BDO Board Survey, more than a quarter of directors (**26%**) state that their boards are ineffective in obtaining necessary continuing education. A lack of education and upskilling can raise questions about board preparedness, especially amid accelerating technological, regulatory, and strategic change.

## BOARD CONSIDERATIONS

THEME	EXPECTATIONS FOR BOARDS
<b>Strategic Fit and Skills Alignment</b>	Boards skills matrixes should align with business strategy and emerging risk oversight to instill confidence in current strategy while anticipating future needs and challenges.
<b>Board Evaluation Process</b>	Regular assessments should identify opportunities to strengthen the board's operating effectiveness. Collaboration among individual directors, between the board and management, and across committees — as well as engagement feedback — can guide continuing education and process adjustments. Evaluation data also helps surface potential vulnerabilities that may attract activist attention.
<b>Refreshment Discipline</b>	Boards should actively manage refreshment through thoughtful strategies and policies to maintain a high-performing board, even in the absence of tenure- or age-limits
<b>Changes in Board Structures</b>	Boards should evaluate whether current structure supports stakeholder expectations for accountability or reflects entrenchment. Boards should assess the growing shareholder preference for declassified boards and determine whether their current structure meets accountability expectations.
<b>Continuing Education Imperative</b>	<p>Evidence of ongoing director education — such as formal programs, briefings, and external engagement — signals that board members are actively investing in their own effectiveness rather than relying solely on past experience.</p> <p>Boards that demonstrate continual learning habits are more likely to be viewed as adaptive and forward-looking in the ability to identify and prioritize emerging risks and opportunities and foresee potential disrupters, reducing concerns about oversight gaps or stagnation.</p>

Nomination and Governance (N&G) Committees who continue to prepare clear refreshment strategies and communication protocols enable boards to respond swiftly and coherently to strategic shifts and external headwinds. Refer to BDO's [Nomination & Governance Committee Priorities for 2026](#) for more information.



## REINCORPORATION TRENDS

### Landscape Shifts

Reincorporation from Delaware to states that offer strong director liability protections or more favorable corporate laws or lower taxes — often referred to as “DExit” — has emerged as a new, but still relatively narrow, governance trend. The shift followed a 2024 Delaware court decision that raised questions around director protections, fiduciary standards, and certain compensation structures. The number of companies actively pursuing reincorporation remains limited, but the trend has gained visibility as boards assess how evolving legal interpretations may affect their liability exposure, governance flexibility, and long-term oversight frameworks.

Reincorporation proposals are likely to attract heightened scrutiny or opposition if they are perceived as mechanisms for entrenchment rather than as genuine efforts to modernize governance. Shareholders are particularly sensitive to whether a move away from Delaware to another jurisdiction could weaken established protections or reduce corporate accountability.

Common investor concerns include the potential loss of Delaware's well-developed body of corporate law and experienced judiciary, reduced protections for minority shareholders, and increased legal uncertainty in jurisdictions with less established case precedent. Additional considerations may include changes to disclosure and transparency standards, possible tax consequences for shareholders, impacts on share value or liquidity, and whether voting and approval processes provide shareholders with an adequate and informed say.

## BOARD CONSIDERATIONS

In evaluating reincorporation proposals, investors and proxy advisors are focused less on jurisdictional arbitrage and more on process, rationale, and shareholder impact. Boards considering reincorporation face a high bar for justification and communication. Outcomes are likely to hinge on the clarity of the board's governance rationale, the robustness of its decision-making process, and the credibility of its shareholder engagement.

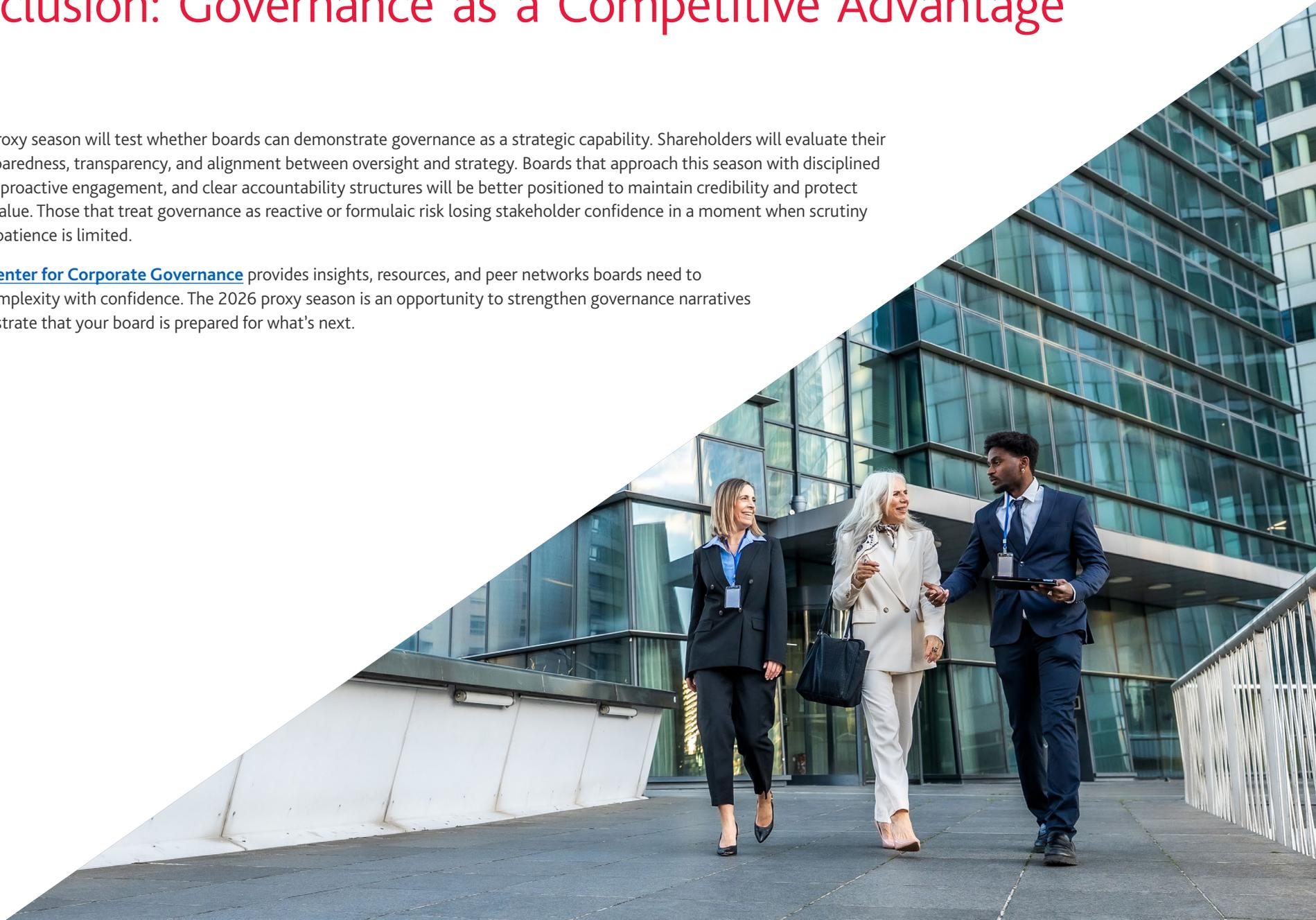
THEME	EXPECTATIONS FOR BOARDS
<b>Rationale &amp; Disclosure</b>	Clear articulation as to why the organization is considering reincorporation and how the decision supports long-term shareholder value, rather than short-term management convenience.
<b>Compensation Implications</b>	Thorough evaluation of how a change in jurisdiction may affect executive pay structures, fiduciary standards, and oversight of management incentives.
<b>Process &amp; Independence</b>	Thoughtful evaluation of alternatives, engagement of independent legal and financial advice, and meaningful consideration of shareholder perspectives before advancing a proposal.



# Conclusion: Governance as a Competitive Advantage

The 2026 proxy season will test whether boards can demonstrate governance as a strategic capability. Shareholders will evaluate their level of preparedness, transparency, and alignment between oversight and strategy. Boards that approach this season with disciplined disclosures, proactive engagement, and clear accountability structures will be better positioned to maintain credibility and protect long-term value. Those that treat governance as reactive or formulaic risk losing stakeholder confidence in a moment when scrutiny is high and patience is limited.

The [BDO Center for Corporate Governance](#) provides insights, resources, and peer networks boards need to navigate complexity with confidence. The 2026 proxy season is an opportunity to strengthen governance narratives and demonstrate that your board is prepared for what's next.



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