



## Board Committee Governance Priorities for 2026: What Directors Should Be Paying Attention to Now

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Boards are entering 2026 in a governance environment defined by intensifying regulatory scrutiny, rapid advances in artificial intelligence, geopolitical volatility, heightened stakeholder expectations, and accelerating shifts in workforce dynamics. These forces are reshaping how Audit, Nominating & Governance (Nom/Gov), and Compensation Committees execute their mandates. During BDO's recent webinar<sup>1</sup>, attended by more than 300 corporate and non-profit directors, executives, and governance professionals, our panel examined the cross-committee priorities most critical for the year ahead. This article provides a summary of key discussion points, distilling major themes and providing strategic recommendations and several high-value questions directors can ask in each area. It draws extensively from BDO's Insights publications (Audit, Compensation and Nom/Gov Committee priorities) and integrates leading governance references from the SEC, PCAOB, NACD, COSO, the World Economic Forum, and Conference Board.

### The Governance Mandate for 2026

Three structural shifts now define the board's oversight landscape:

**1. Technology and AI permeate every oversight area:** Boards are no longer dealing with discrete "technology risk." AI now shapes financial forecasts, controls environments, human capital workflows, cybersecurity threats,

business models, and even disclosure quality. Oversight must evolve from topic-specific committees to a matrixed, cross-functional model. Technology and reporting are now fully enterprise-wide issues. Directors must move from siloed oversight to coordinated governance across Audit, NOM/GOV, and Compensation Committees. For instance, AI impacts financial reporting, cyber risk, internal controls, workforce dynamics, and strategic decision-making. Boards should adopt a **portfolio-based oversight structure** that clearly allocates responsibilities across committees, as noted by BDO:

- **Audit:** financial reporting, COSO, ICFR, cyber-risk, model risk, data governance and AI-driven forecasting.
- **Nominating & Governance:** governance & policy frameworks, board skills, AI ethics, charter alignment.
- **Compensation:** workforce transformation, culture, human capital metrics, organizational design, AI-driven job evolution.
- **Full Board:** AI risk appetite, ERM, strategic use of AI, scenario planning, cyber posture.

**Questions directors should ask:** Can we audit AI-assisted or agentic AI decisions in real time? Who owns the organization's AI governance framework, and does it align with COSO/NIST guidance? Do we know where AI is being used across financial, operational, and people processes? How are we integrating AI into internal audits, forecasting, and scenario modeling? Do we have the Board skills to oversee AI, cyber, and digital transformation responsibly? Do we have the operational talent (management, technical, workforce) to implement AI in a new AI-driven world? Do we have a continuing education / training plan to build AI / technology skills? Do we know what data was used and excluded, what assumptions were made (explicitly), what uncertainty remains (confidence / sensitivity), what would change the conclusion (reversal conditions), and who signs for the decision (the audit trail)?

*References: NACD Governance Outlook; PwC Board Survey; NIST AI Risk Management Framework, COSO 2023–2024 AI Internal Control Guidance; World Economic Forum AI Governance Framework, BDO Board Priorities, Khwaja Shaik LinkedIn<sup>ii</sup>.*

**2. Disclosure, reporting, and transparency expectations continue to accelerate:** Disclosure is now a **multi-committee discipline**. Audit leads, but NOM/GOV, Compensation, and the full board all contribute. New regulatory requirements—including the SEC's cyber-disclosure rule, updated beneficial ownership reporting, and ISSB's global reporting baselines—demand more integrated oversight across committees.

**Leading practices for coordination include:**

- Running *pre-draft* disclosure alignment sessions across Audit, NOM/GOV, and Compensation Committees to calibrate risk appetite, strategic positioning, and tone. Resulting disclosures provide aligned discussion from management, full board and Committees, and cover ongoing and emerging disclosure topics (cybersecurity governance, sustainability narratives, human capital).
- Narrative consistency checks across 10-K, CD&A, sustainability reports, AI/cyber disclosures, and risk factor migration. Relevant Committees ask tighter questions about internal controls over AI-assisted disclosures, and shared dashboards ensure cross-committee risks and issues consistently discussed.
- **AI-assisted analytics** for anomaly detection, trend shifts, and benchmarking peer disclosures.

**Critical oversight questions:** Are our disclosures aligned in tone, assumptions, and risk prioritization? What controls oversee AI-generated or AI-assisted disclosures? Do we understand the AI tools management is using for reporting and benchmarking? Are we prepared for evolving SEC expectations around cyber, AI, and human capital, and PCAOB's increasing scrutiny of narrative disclosures and estimates?

*References: SEC Cybersecurity Disclosure Rule (2023) and Reg Flex Agenda; IFRS/ISSB S1–S2 (2024), PCAOB Inspection Priorities; ISSB Inaugural Standards (2024); BDO Board Priorities.*

**3. Human capital, leadership succession, and culture are becoming core governance risks:** Enterprise value and resilience increasingly depend on organizational talent, workforce adaptability, and leadership pipelines prepared for continuous transformation.

*References: WEF Future of Jobs Report 2025; SHRM/Conference Board Human Capital Risk Outlook.*

**Leading practices for coordination include:**

- Shared dashboards covering technology adoption, exceptions, fraud indicators, culture metrics, and human-capital risk. Include mapping of AI use cases to controls, explainability, and risk frameworks.
- Quarterly joint-committee risk/technology sessions integrating AI, cyber, human capital, and reporting. Include a board-level human-capital dashboard tracking trust, upskilling, culture, and workforce resilience.
- Integrated disclosure reviews across all committees to ensure narrative consistency and transparency.
- Annual charter refreshes and RACI matrices to eliminate gaps or overlaps. Align to refreshed board skills matrices: AI/cyber fluency, geopolitical acumen, and crisis leadership.

**Audit Committee Priorities for 2026**

2026's Audit Committee agenda is heavier, faster-moving, and more complex than at any point since the global financial crisis. Agile Audit Committees treat regulatory and geopolitical change as a continuous governance process, anchored in regulatory horizon scanning<sup>iii</sup>, deliberate engagement with regulators/standard-setters and monitoring others' engagement, structured scenario planning<sup>iv</sup> and ongoing education:

**1. Regulatory Agility & Geopolitical Readiness:** The SEC and PCAOB are moving quickly—despite lag effects from the 2025 shutdown. Boards need structured horizon scanning, not ad hoc updates. Audit Committee best practices include:

- Monitoring U.S., state and global regulatory changes through a structured, disciplined process. Audit Committees should ask management, external counsel and auditors to develop a rolling regulatory horizon dashboard integrating SEC, PCAOB, FASB, EU/ISSB, IRS, and state-level developments – with heat-map coloring. Specific areas to assess impact on audits include the: i) SEC's Regulatory Flexibility

Agenda; ii) PCAOB's QC 1000 standard (effective December 2026) that requires systems for quality control, risk assessment, accountability, governance and continuous improvement; iii) overlap across FASB and IFRS.

- Supporting management and monitoring its engagement with standard setting bodies, e.g. comment letters on rules affecting financial reporting, audit standards, and disclosures. Also monitoring the engagement and positions of others in our industry, e.g. institutional investors, on the topics.
- Scenario planning around election cycles, geopolitical events, sanctions, tariffs, supply-chain constraints, sovereign risk repricing, and FX volatility, to discern the potential impacts on liquidity, covenant compliance, impairment, and going-concern assessments. Use external benchmarks and surveys (e.g. from the World Economic Forum, OECD and auditors), to guide risk scenarios.
- Invest in relevant director education and information: i) teach-ins on AI in audit, evolving enforcement priorities, global trade tensions and sanctions regimes; ii) conferences; iii) certifications.

**Questions to ask:** How are shutdown-related review delays affecting our capital-markets timelines? What emerging regulations could affect controls, audit scope, or disclosures? What geopolitical triggers could materially affect key estimates, liquidity, impairments, or going-concern assessments?

*References: PCAOB 2025–2026 Standard-Setting Agenda; OECD Global Risk Outlook; SEC Reg Flex Agenda, Journal of Accountancy, BDO Audit Committee Key Priorities<sup>v</sup>.*

## **2. Judgments, Estimates & Reporting Complexity:** Oversight must strengthen in three areas:

- Accounting estimates and judgment-intensive areas: credit loss modeling and CECL, valuation of complex instruments, asset impairments under volatile demand and interest-rate scenarios, revenue recognition anomalies/under volatile demand patterns. PCAOB has sharpened its inspection lens on estimates.<sup>vi</sup>
- Non-GAAP and emerging disclosures: Boards need strong controls over alternative performance metrics and narrative risk descriptions, for instance around cyber readiness, greenhouse-gas reporting alignment, and human capital.
- Forecast quality: Audit Committees must challenge management on how assumptions reflect inflation, geopolitical pressures, and technology-driven business model shifts.

**Questions to ask:** What sensitivity analyses did management perform, and what assumptions drive estimate volatility? How are AI tools influencing forecasts, controls, and risk assessments? What assumptions drive forecasts - are we discouraging “over-precision” in management forecasts that mask uncertainty?

*References: PCAOB AS 2501; SEC Comment Letter Trends; ISSB Connectivity Guidance, BDO Audit Committee Priorities.*

**3. ERM, Fraud Preparedness & Crisis Governance:** ACFE research shows organizations lose 5% of revenue to fraud annually, and BDO's Board Survey found that only 28% of directors feel their boards and management teams are highly effective in crisis preparation. Effective Audit Committees migrate from static reporting to continuous-monitoring risk oversight. This means:

- Setting explicit risk tolerances (fraud, operational, financial, cyber, AI-model risk);
- Enhancing fraud preparedness, including scenario-based tabletop exercises, whistleblower system testing, and analytics-based detection;
- Maintaining vigilance even amid potential shifts in SEC enforcement priorities—the market still expects boards to uphold strong controls and ethical culture; and
- Ensuring crisis readiness: crisis playbooks, cross-committee rapid response protocols, and alignment with communications, legal, and cyber incident management.

With AI increasingly being used within cyber (i.e. AI attacking AI as well as other components of organization), need to incorporate means to control AI-powered phishing and social engineering, autonomous malware, AI credential harvesting, AI-generated zero-days, defensive AI limitations, human overdependence on AI, data poisoning and model manipulation. Leaders must: prioritize human-AI collaboration, not replacement; invest in AI transparency and ethical guardrails; train teams to question AI decisions; and develop adaptive, layered defense strategies.<sup>vii</sup>

Audit Committees also need to: i) monitor evolving AI and data privacy regulations, within the U.S. Federal and state, and international context; ii) require an n-degree vendor oversight process; and iii) ensure that the organization's workforce is agile and gaining ongoing and appropriate training, empowered to act across silos, ethically and procedurally trained, ready for company 2.0 (transformed by AI).

**Questions to ask:** How will AI-powered attacks (deepfakes, credential harvesting, autonomous malware) affect control environments and our fraud / cyber controls? When did we last test our crisis escalation protocols / playbooks, and are they aligned with disclosure controls and cyber-incident response requirements? Do internal audit and finance have the skills for AI-era risk management, and has internal audit assessed model-risk management frameworks for AI systems?

*References: ACFE "Report to the Nations"; COSO Fraud Risk Management; NIST Cybersecurity Framework + AI RMF, BDO Audit Committee Key Priorities.*

**4. AI & Technology Fluency for Audit Committees:** Audit Committees increasingly need baseline AI literacy: i) understanding auditors' AI tools; ii) reviewing AI-enabled forecasts and anomaly detection; iii) assessing data lineage, biases, and explainability; iv) evaluating model drift and version-control practices; v) aligning AI tools with ICFR and COSO frameworks.; vi) assessing quantum risks (decryption, complexity) and opportunities; and vi) recognizing the emerging threat of "AI battling AI" (AI-powered phishing and social engineering, autonomous malware, AI credential harvesting, AI-generated zero-days, defensive AI limitations, human overdependence on AI, model manipulation and data poisoning).

**Best practices include:**

- Prioritizing human-AI collaboration, not replacement – and training the workforce to manage AI.
- Investing in AI transparency and ethical guardrails relevant to audit and the overall business.
- Training teams to question AI decisions, within finance and audit, and throughout the company.
- Developing adaptive, layered, cross-functional defense strategies.

**Questions to ask:** What controls govern changes to AI models used in financial reporting? How does management ensure explainability for regulators and auditors?

*References: PCAOB “Auditing in an AI Environment”; COSO AI Guidance; NIST AI RMF, BDO Audit Committee Key Priorities.*

### III. Nominating & Governance Committee Priorities

Nom/Gov Committees must help the board prepare for a future defined by technological fluency, geopolitical risk, and elevated stakeholder expectations.

**1. Skills Modernization, Assessments & Refreshment:** Low director turnover (6-7% annually) is creating capability gaps, especially in AI, cybersecurity, digital innovation, and geopolitics. Boards are modernizing assessments to move beyond self-evaluations toward skills-to-strategy alignment. Leading Nom/Gov Committees now:

- Implement forward-looking skills matrices (AI, cyber, global risk, digital strategy, human-capital leadership) to build a board skilled in guiding the organization into its next 5+ years’ strategy.
- Incorporate third-party evaluations to reduce bias.
- Use structured off-boarding, class-staggering and term limits to enable refreshment.
- Tie director education to expanding oversight needs (e.g. AI/tech, geopolitical risk, tariff/trade).
- Consider Advisory committees / boards to add new/emerging skills.

**Questions boards should ask:** Do we have the skills for “Board 2.0”: AI/cyber/digital strategy fluency, tariff/trade/supply chain, business and workforce transformation? How are we assessing director performance in areas of technology stewardship and crisis readiness?

*References: NACD Future of the American Board; Spencer Stuart Board Index; SEC Cyber Governance Expectations, BDO Nom/Gov Committee Key Priorities<sup>viii</sup>.*

**2. CEO & Executive Succession:** CEO turnover remains high (average tenure 6-7 years), and succession is now a strategic risk, not a periodic process. Boards are now treating CEO succession as a year-round risk and strategy process, not a periodic event. Leading Boards (coordinated by the Nom/Gov Committees):

- Map internal leadership pipelines with skills required for innovation, technology stewardship, geopolitical agility, and culture leadership. The map goes well below the CEO and C-Suite to technical division leaders.
- Embed emergency succession plans including temporary delegation models, crisis communication protocols, and executive safety/security provisions.
- Review CEO evaluation frameworks to incorporate adaptability, AI-readiness, workforce strategy, stakeholder engagement and geopolitical acumen.

**Key questions:** Does our executive bench have the skills to lead through AI-driven transformation of operations, strategy and workforce? Are we ready for a sudden leadership transition, and are our succession plans aligned with current and future processes, strategy and organizational culture evolution?

*References: Conference Board CEO Succession Report; Heidrick & Struggles Governance Guidance, BDO Nom/Gov Committee Key Priorities.*

**3. Shareholder & Activist Engagement; Governance Policy Evolution:** The “rules of the game” around board roles, proxy advisors, activism, and even state of incorporation are all moving at once, so boards need a deliberate engagement strategy and refreshed governance toolkit. Credibility with stakeholders is enhanced by proactive engagement protocols, a modernized governance framework (skills, charters, disclosures) and a thoughtful approach to contentious topics. When shareholders see that the board is self-critical, transparent, and willing to engage substantively on risk, strategy and governance, they are more likely to understand the board’s actions even if they disagree on individual votes.

Proxy dynamics are shifting rapidly due to: Federal scrutiny of proxy advisors (via Presidential EO), State-level restrictions (e.g., Texas SB 2337 litigation), SEC modernization of Schedule 13D/13G, investor emphasis on board skills over demographic metrics, emerging reincorporation trends away from Delaware (“DExit”) mostly to Texas and Nevada, and large investors (e.g., JPMorgan) shifting toward AI-driven internal voting models.

Rather than leaving all engagement to management, Boards should engage proactively and strategically:

- Adopt a board-approved investor engagement policy, defining which directors may meet with investors, delineates topics appropriate for board-investor dialogue (strategy, capital allocation, risk oversight, governance, succession – but not day-to-day operations) and requires management presence or preparation consistent with Reg FD and disclosure controls.
- Map top 10-20 shareholders, and maintain standing calendar of off-season engagement. Monitor holders of 5% of securities. Monitor activism trends, and stress-test vulnerabilities (TSR, capital allocation, strategy coherence, governance profile, other ‘red flags’ for activists).
- Attend (but do not normally speak in) routine earnings-cycle calls. Carefully prepare for engagements around governance (board structure), compensation, sustainability, reincorporation issues, coordinated with counsel. Update governance policies for board composition, skills frameworks, cyber/AI governance disclosures, refreshment, and committee responsibility matrices.

- Monitor and proactively research impact of shift from PV firms to internal (JPM's use of AI), and conduct proxy-season post-mortems.
- Invest in ongoing director education on activism tactics, universal proxy implications, proxy-advisor policy shifts, and the legal landscape around DEI and ESG.

**Questions directors should ask:** Do we understand each investor's stewardship philosophy beyond ISS/Glass Lewis? Are we prepared for accelerated activism due to shorter 13D/13G deadlines? How will we communicate any potential reincorporation/jurisdictional shift to investors?

*References: SEC Beneficial Ownership Final Rules (2024–25); ISS & Glass Lewis 2025 Voting Policies; Harvard Law School Forum on Corporate Governance.*

### **Compensation Committee Priorities: Human Capital, Culture & Workforce Transformation:**

Compensation Committees are evolving into full enterprise human-capital committees.

**1. Culture, Trust & Accountability:** Boards must ensure management is measuring and reinforcing culture, especially amid technological and workforce disruption. Compensation Committees now oversee enterprise human capital management—not only pay structures. Leading practices include:

- Monitoring culture indicators (turnover trends, ethics hotline metrics, trust surveys, DEI and belonging metrics, hybrid-work dynamics).
- Ensuring leadership sets and communicates clear expectations around accountability and performance and, in parallel, evaluates workforce resilience and adaptability.
- Linking incentive structures to long-term value creation, risk stewardship, and leadership behaviors—not just financial outcomes.

**Questions to ask:** What data demonstrates trust, accountability, and cultural strength? How are we identifying and mitigating talent risks across critical roles?

*References: SEC Human Capital Disclosures; SHRM Talent Trends; WEF Future of Jobs, BDO Compensation Committee priorities<sup>ix</sup>.*

**2. Workforce Transformation & AI:** The key is change-management, as AI adoption cannot succeed without clear communication, employee buy-in, and structured learning pathways. AI adoption will redefine roles, required skills, and workforce expectations. Boards should review:

- A comprehensive workforce skills inventory (roles at risk, roles reshaped, roles emerging, and gaps).
- A multi-year training / credentialing / apprenticeship plan (AI literacy, data governance, cyber-hygiene, model oversight) – and cross-cutting innovation teams, leads/champions.
- Scenario planning for workforce redeployment, talent-pipeline creation, system/tools expansion.

- Structured change-management communications.
- Regular reporting on workforce sentiment and employee buy-in, adoption barriers, data governance, and ethical AI considerations.

**Questions directors should ask:** How is management addressing employee anxiety about AI and job displacement? Do we have credible training pathways for digital and AI literacy across the organization?

*References: NIST AI RMF; Deloitte 2025 Human Capital Trends; MIT AI Workforce Research, BDO Compensation Committee Priorities.*

## **Conclusion: The Board’s Leadership Moment**

2026 demands governance that is more adaptive, technologically fluent, strategically aligned, and transparent. Boards must evolve from traditional committee silos toward coordinated oversight that reflects the interconnected risks shaping organizations today.

Directors who embrace this shift—modernizing skills, strengthening engagement, challenging assumptions, and governing AI with rigor—will position their organizations to thrive in an era defined by complexity and transformation.

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<sup>i</sup> <https://www.bdo.com/events/2026-board-committee-governance-priorities>

<sup>ii</sup> <https://www.linkedin.com/feed/update/urn:li:activity:7416539465617264641/> and <https://www.linkedin.com/feed/update/urn:li:activity:7417206513607286784/>

<sup>iii</sup> <https://arch.bdo.com/2025-SEC-Reporting-Insights> and [https://corpgov.law.harvard.edu/2026/01/12/letter-to-the-sec-regarding-rule-14a-8-proposals/?utm\\_source=rss&utm\\_medium=rss&utm\\_campaign=letter-to-the-sec-regarding-rule-14a-8-proposals](https://corpgov.law.harvard.edu/2026/01/12/letter-to-the-sec-regarding-rule-14a-8-proposals/?utm_source=rss&utm_medium=rss&utm_campaign=letter-to-the-sec-regarding-rule-14a-8-proposals)

<sup>iv</sup> <https://insights.bdo.com/2025-Tax-Strategist-Survey.html#form>

<sup>v</sup> <https://www.bdo.com/insights/assurance/audit-committee-priorities-for-2026>

<sup>vi</sup> [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/audit-focus-aae.pdf?sfvrsn=fa507e79\\_2](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/audit-focus-aae.pdf?sfvrsn=fa507e79_2)

<sup>vii</sup> <https://www.linkedin.com/in/vijaybanda/>

<sup>viii</sup> <https://www.bdo.com/insights/assurance/nomination-governance-committee-priorities-for-2026-building-board-resilience-and-stakeholder>

<sup>ix</sup> <https://www.bdo.com/insights/assurance/compensation-committee-priorities-for-2026>