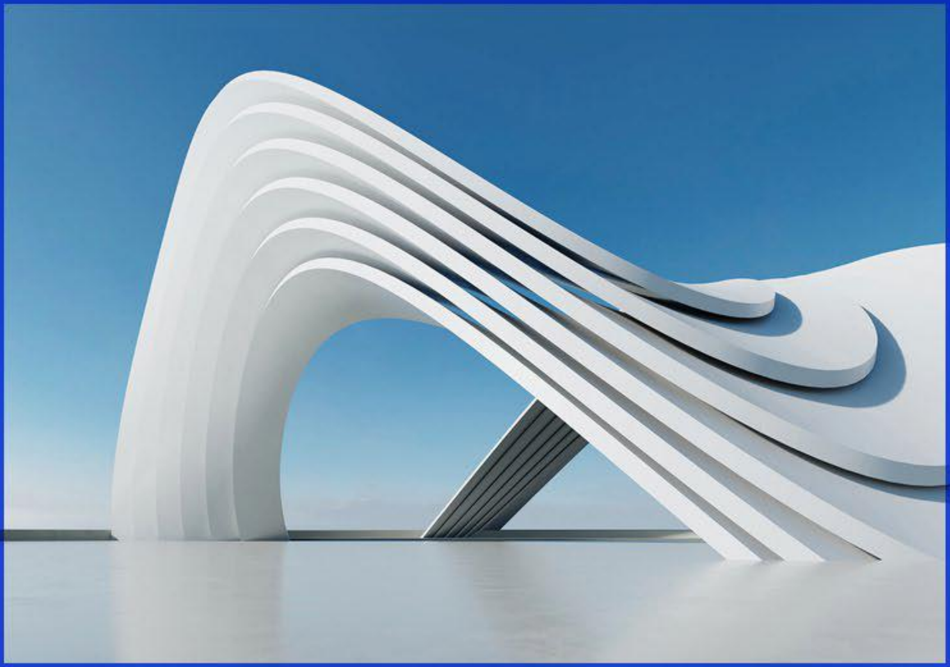
On the 2026 nom/gov committee agenda

KPMG Board Leadership Center



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The nominating and governance (nom/gov) committee's focus and effectiveness will be essential in 2026—both to help ensure that the board has the talent, structure, and governance and oversight processes to navigate the challenges and opportunities ahead—and to maintain investor confidence. Given recent SEC guidance impacting passive investor dialogue with companies, as well as efforts to limit the power and influence of proxy advisors, a critical role for the nom/gov committee will be to help oversee how the company prepares for and conducts shareholder engagements.

Renewed attention to board composition has continued to place the nom/gov committee's work under greater scrutiny. During the 2025 proxy season, Russell 3000 nom/gov committee chairs received the lowest average shareholder vote (91 percent) in comparison to their peers chairing the compensation (94 percent) and audit (95 percent) committees.[1] Although overall director support remained high, and increased from 2024, the targeting of nom/gov committee chairs during the 2025 proxy season indicates the importance shareholders are placing on having the right directors in the boardroom.

Economic uncertainty, recession risk, the cost of capital, advances in artificial intelligence (AI), elevated cybersecurity risk, climate and other sustainability risks, policy gridlock, and more, will continue to add to the challenges facing companies. In this volatile operating environment, the nom/gov committee plays an important role in helping to ensure that the board's composition, education practices, and committee structure evolve accordingly, and are communicated clearly to investors.

Drawing on insights from our research and interactions with directors and business leaders, we highlight five issues to keep in mind as nom/gov committees consider and carry out their 2026 agendas.

- **Reassess the company's shareholder engagement strategy.**
- **Prepare for increased shareholder activism.**
- **Rethink CEO succession.**
- **Take a close look at how the board and its standing committees are coordinating and communicating.**
- **Think strategically about the company's future needs and reconsider whether and how the board's composition and succession planning processes address them.**

[1] Matteo Tonello, "2025 Proxy Season Review: From Escalation to Recalibration," Harvard Law School Forum on Corporate Governance, September 15, 2025.

Reassess the company's shareholder engagement strategy.

In the past decade, companies and investors have made strides in improving their communications regarding corporate governance issues, with companies and investors increasing their level of engagement and dialogue. However, given recent changes in SEC interpretations relating to engagement dialogue and changes in investor policies, nom/gov committees and management teams should reassess their shareholder engagement strategies for the year ahead.

SEC staff refines interpretation of a passive investor

In February 2025, the SEC issued guidance that passive institutional investors holding more than 5 percent of a class of a company's equity securities might be deemed active investors if they engage in certain engagement tactics—e.g., pressing for sales, restructurings, board changes, or major governance shifts, while conditioning support for directors on those demands—which may be treated as efforts to influence control. This would require the passive investor to file the much more burdensome Schedule 13D rather than Schedule 13G.[2]

In light of the SEC guidance, most passive institutional investors revisited the way they engage to minimize the risk of being deemed active investors. Passive institutional investors may, for example, only engage if requested by a company, be more cautious in what they are willing to discuss, or be in "listen-only" mode. Companies must consider these constraints in preparing for engagement with passive institutional investors and shape their shareholder outreach and disclosure practices accordingly.

Changes to the proxy voting landscape

Proxy advisor Glass Lewis announced plans to eliminate its standard benchmark proxy voting guidelines beginning in 2027 in favor of client-specific frameworks incorporating AI capabilities and based on individual client investment philosophies and stewardship priorities.[3] Meanwhile, Institutional Shareholder Services (ISS) announced that it will generally approach environmental and social shareholder proposals on a case-by-case basis and provide new services that separate its research and analytics from its vote recommendations. These developments signal a shift away from standardized benchmark voting recommendations.[4] The President's Executive Order on proxy advisors,[5] as well as pressure from state attorneys general and others, may well lessen the influence of the proxy advisors.

BlackRock, Vanguard, and State Street are also revisiting how they approach proxy voting, dividing their proxy voting functions into distinct teams with separate decision makers. Thus, a company's stock may be held by different funds in the same firm following different proxy voting policies.[6]

Another factor complicating the ability of companies to predict likely voting outcomes is pass-through voting, which allows retail owners to choose among in-house and third-party voting policies or vote directly. While the Big Three are increasing their rollout of pass-through voting, thus far, there has been limited uptake by retail voters.

[2] See "New SEC Staff Guidance on 'Passive Investor' Status for Schedule 13G," Cleary Gottlieb, February 18, 2025, and US SEC Division of Corporation Finance Compliance and Disclosure Interpretations, Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting.

[3] "Glass Lewis Leads Change in Proxy Voting Practices," Glass Lewis, October 15, 2025.

[4] "Have we reached the end of standardized proxy advisor voting recommendations? The looming ISS and Glass Lewis policy shifts," Compensia, Inc. November 5, 2025.

[5] The White House Executive Order, "Protecting American Investors from Foreign-Owned and Politically-Motivated Proxy Advisors," December 11, 2025.

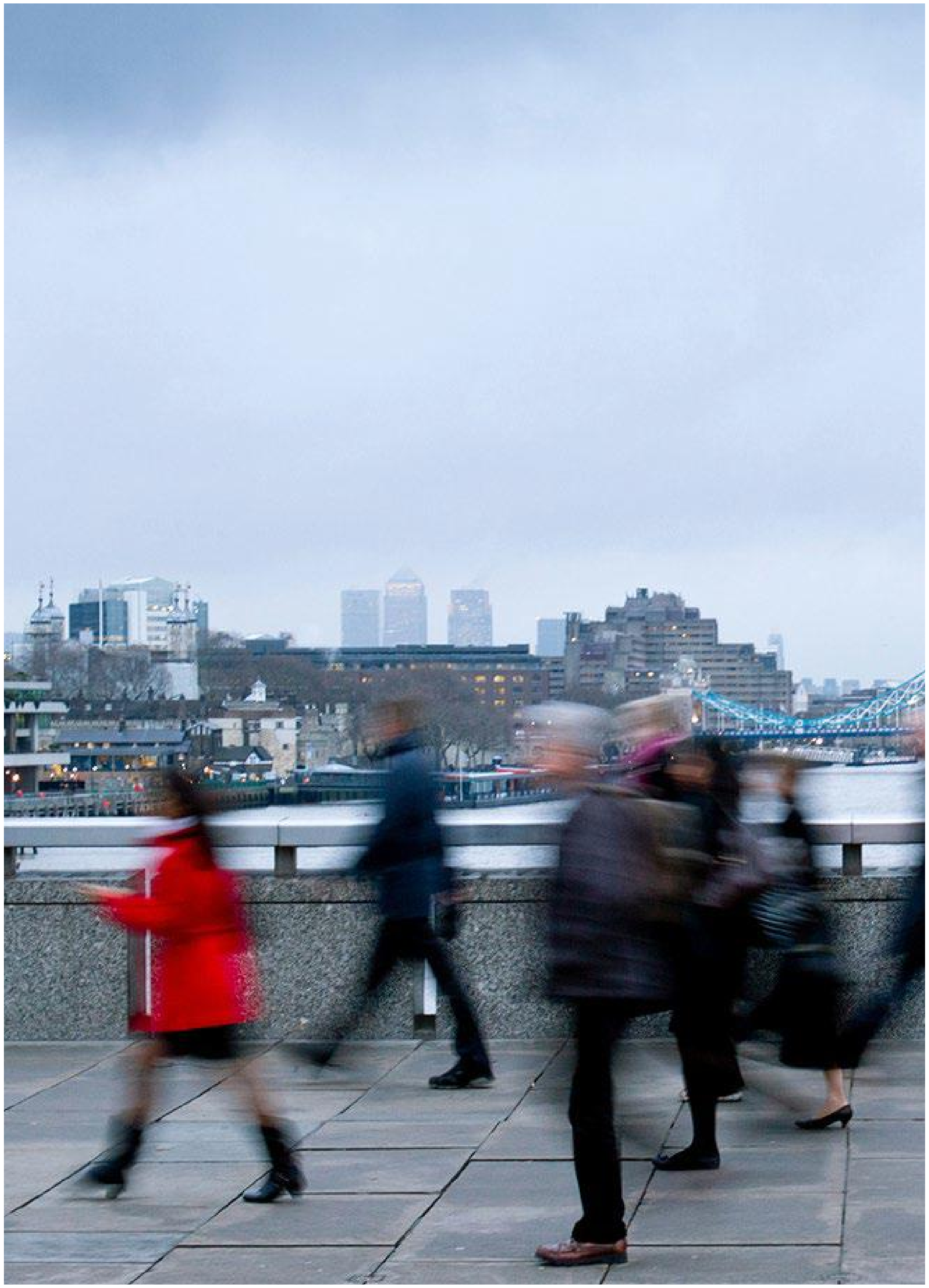
[6] Breheny et al., "Glass Lewis To End Benchmark Proxy Voting Policy: What Companies Should Know," Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates, October 20, 2025.

Actions for nom/gov committees

With less insight into the views of the company's largest shareholders, the onus will be on the company to proactively communicate its story through effective disclosure. We recommend that the nom/gov committee closely monitor management's approach to:

- **Understanding and analyzing changes in investor expectations.** This may include reviewing publicly available information, such as 2025 voting records and 2026 policies; mapping the voting policies of key investors fund by fund rather than by firm; and maintaining systems and processes for staying on top of changes as they arise.
- **Enhancing proxy statement disclosures and engagement.** Be prepared to demonstrate that the company has a solid strategy and is addressing perceived weaknesses—and that the board has the skills to oversee execution against the strategy, as well as rigorous processes for board evaluation and refreshment to remain effective as times change.
- **Considering the impact of the SEC's current posture on no-action relief.** In November 2025, SEC staff announced that it will generally stop giving traditional, substantive no-action responses on most requests to exclude shareholder proposals under Rule 14a-8 for the 2025–2026 proxy season, with a narrow exception for state law "not a proper subject for shareholder action" exclusions under Rule 14a 8(i)(1).[7]

Companies proceed at their own risk when omitting proposals, as investors can submit binding proposals, vote against directors or management proposals, mount social media campaigns, or sue. At the same time, the universal proxy card continues to add pressure on the most vulnerable directors in contested elections. Given the potential consequences of a company's decision to exclude a shareholder proposal, some companies may decide that it's less risky to simply include a shareholder proposal.



[7] "SEC Announces It Will Not Respond to Most No-Action Requests for Rule 14a-8 Shareholder Proposals," Sullivan & Cromwell LLP, November 17, 2025.

Prepare for increased shareholder activism.

Shareholder activism continues at record-high levels in what looks to be a lower interest–rate environment with increasing economic pressures. Issues and areas of focus by activists include M&A, CEO accountability, board refreshment, operational improvements, strategic pivots, and capital allocation.

Trends that will likely impact activism in 2026 include:

- **Lower interest rates:** KPMG Economics forecasts monetary policy to move into stimulative territory by the end of 2026, with rates below the threshold the Fed considers neutral.[8] Lower interest rates, enabling cheaper access to capital, will likely lead to an increase in activist campaigns for changes, including M&A, stock buybacks, and dividend increases as the lower cost of debt makes funding transactions easier.
- **Rising costs:** CEOs responding to our KPMG 2025 US CEO Outlook ranked supply chain resilience as the top pressure driving short-term decisions, and 89 percent said tariffs will significantly impact business performance and operations over the next three years. Expect activists to target companies experiencing tariff pressures that are eroding profit margins as well as companies facing decreased consumer demand due to inflation and a tighter job market.

- **Less institutional investor feedback:** As discussed in the prior section, the SEC's guidance on passive investor status may make it more difficult for companies to gain investor input in advance of a proxy vote. However, the 13D/G interpretation is not expected to materially affect engagement in the event of a contest.[9]
- **Increase in activists gaining single seats in contests:** The universal proxy card makes it easier for activists to target specific board members during a proxy contest. While there has been an increase in the number of seats obtained by activists, most of these seats have been obtained through settlements rather than contests going to a vote. Settlements are occurring more rapidly than in the past.[10] (In some instances, activists have pursued "vote no" or "withhold" campaigns against individual directors, which are less expensive than a full proxy contest, don't require the activist to name an alternate director candidate, and can be effective even if a director does not receive a majority against vote.)

In light of these challenges, the nom/gov committee should insist on up-to-date activist vulnerability studies, playbooks, and table-top exercises. Perceived weak points should be addressed proactively and transparently, including action to refresh the board as appropriate. Management should redouble its efforts to understand the views of key shareholders—including an activist, if the company has been approached. Review communications to help ensure they clearly tell the company's—and the board's—story. Sharpen the director skills matrix and the narrative of director skills, and focus on how director skill sets tie to the company's strategy.

[8] "The two faces of the economy: Can we break out of jobless growth?," Economic Compass, KPMG Economics, January 12, 2026.

[9] "Key Considerations for the 2026 Proxy Season," Debevoise & Plimpton LLP, December 22, 2025.

[10] "Diligent Report Shows Activist Investors Secure Record Board Seats in H1 2025 Amid Shifting Market Landscape," August 5, 2025.

Rethink CEO succession.

With the pace of CEO turnover remaining near an all-time high, the board should assess whether its CEO succession planning process is keeping pace and evolving to identify the CEO skills, traits, characteristics, and experiences necessary to drive the development and execution of the company's long-term strategy and position the company for the future.

The nom/gov committee plays an important role in helping ensure that the board and the committee devote significant time and attention to identifying "what" the company needs in a future CEO before addressing the "who." The board should develop a list of the top skills, traits, characteristics, and experiences needed in a new CEO. Questions to consider include:

- How will new technologies such as GenAI impact the business and strategy?
- Will navigating geopolitical turbulence, climate change, and sustainability issues become more important to the business?
- What skills, experiences, and traits will be required and how might they differ from those of the current CEO?
- What type of culture will the company need going forward and how does this influence the "what" required of the future CEO?

With clarity on the "what," the board should identify potential internal and external candidates, recognizing that the list of potential candidates may change over time.

Other key areas of nom/gov committee and board focus include:

- **Roles and responsibilities:** How do the full board, nom/gov committee, CEO, and chief human resources officer (CHRO) work together throughout the succession planning process? Is it clear that the CEO has input and the CHRO may be called upon for support, but the process is most often led by the nom/gov committee (or compensation committee), and ultimately by the independent members of the board?
- **Emergency succession planning:** Does the board have a formal emergency CEO succession plan? Is it revisited at least annually and in conjunction with changes in strategy? In the event of a sudden CEO departure, is the board prepared to work with management and external resources as appropriate to identify and mitigate potential concerns of stakeholders, including employees, customers, and investors?
- **Long-term succession planning:** Does the long-term succession plan include multiple scenarios, accounting for possible succession timeframes, market/business conditions, and updated assessment of needed skill sets as the strategy evolves? Is management focused on developing internal candidates through opportunities such as rotation across multiple divisions/regions, exposure to various stakeholder groups, and coaching/mentorship? How does the board gain exposure to the company's top talent and monitor external leaders who might be potential CEO candidates?

CEO succession planning is a dynamic, ongoing process. The board should continually be focused on developing a pipeline of potential CEO candidates.

Take a close look at how the board and its standing committees are coordinating and communicating.

Standing committees play an increasingly vital role in helping boards carry out their oversight responsibilities, putting a premium on coordination and communication. The overarching challenge is to develop a coordinated, holistic view of how the board and its committees oversee vital issues to avoid oversight gaps.

The unprecedented combination of uncertainties, risks, and volatility companies face today—including GenAI, AI agents, and other new technologies (such as quantum computing); the Trump administration's policy positions on tariffs, trade, immigration, and regulation more generally; ongoing wars and elevated trade and geopolitical tensions; recession and inflation risks; and domestic polarization—have made the business and risk environment much more demanding and complex.

As a result, boards continue to delegate specific oversight responsibilities—beyond those prescribed by stock exchange listing requirements—to a standing committee, a subcommittee, or an ad hoc committee for a more intensive review. Examples include cybersecurity, data governance, legal and regulatory compliance, climate and other sustainability issues, human capital management issues, M&A, culture, and various aspects of technology, including GenAI and AI agents. Multiple committees often have responsibility for specific aspects of an issue.

Effective coordination and communication among the full board and its standing committees is an ongoing challenge, often exacerbated by overloaded committee agendas, the absence of a clear delineation of oversight responsibilities, a lack of understanding of the information needs of each committee, simultaneous committee meetings (preventing directors from attending other committee meetings), and boilerplate committee reports to the full board.

Nom/gov committees can help promote information sharing and coordination among committees in several ways, including:

- Identifying key areas where committee oversight responsibilities overlap and developing a process for frequent communication and discussion of oversight activities in these areas.
- Maintaining overlapping committee memberships or informal cross-attendance at committee meetings when inter-committee coordination is of strategic importance, and periodically holding joint committee meetings.
- Holding regular meetings of standing committee chairs.
- Insisting on robust committee reports to the full board.

Finally, some boards are exploring or piloting the use of GenAI tools to support board work, including enhancing coordination and communication among board committees. While the value of AI tools to support board work cannot be dismissed, they pose potential legal risks. It is essential that boards and nom/gov committees work closely with their company's general counsel to develop policies for any use of AI tools and AI-generated content to support board work.

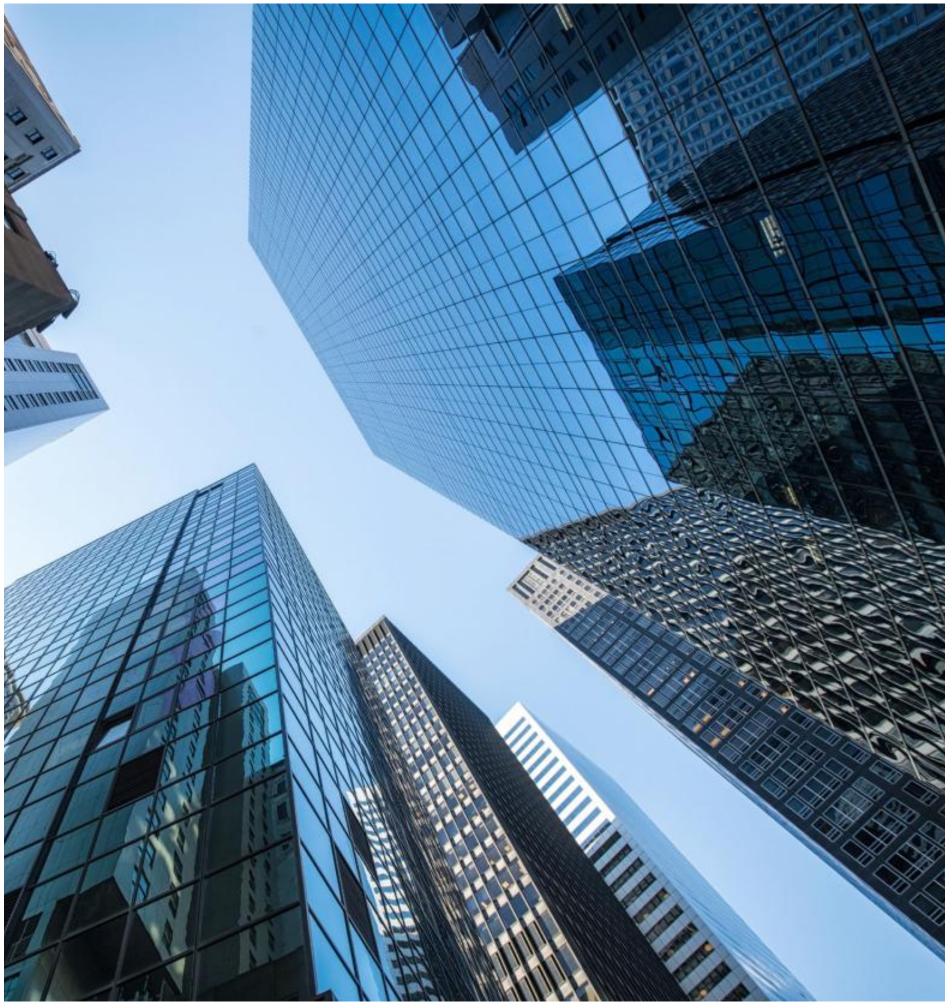
Think strategically about the company's future needs and reconsider whether and how the board's composition and succession planning processes address them.

Boards, investors, regulators, and other stakeholders are increasingly focused on the alignment of board composition with the company's strategy—particularly director experience, talent, skills, and expertise.

Indeed, the increased level of investor engagement on this issue points to the central challenge with board composition: Having directors with experience in key functional areas critical to the business while also having deep industry experience and an understanding of the company's strategy and risks to the strategy. It's important to recognize that many boards will not have "experts" in all the functional areas, such as cybersecurity, climate, GenAI, sustainability, etc., and may engage outside experts or consider the use of an advisory board to fill that need.

Developing and maintaining a high-performing board that adds value requires a proactive approach to board-building. While determining the company's current and future needs is the starting point for board composition, a range of issues require proactive board focus and leadership, including succession planning for directors and board leaders, director recruitment, tenure, diversity of backgrounds and perspectives, board and individual director evaluations, and removal of underperforming directors. Boards need to "tell their story" about the composition, skill sets, leadership, and functioning of the board and its committees.

Board composition and renewal should remain a key area of board focus in 2026, as a topic for communications with the company's institutional investors and other stakeholders, including through disclosure in the company's proxy, and most fundamentally, to position the board strategically for the future.



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The KPMG BLC champions outstanding corporate governance to drive long-term value and enhance stakeholder confidence. Through an array of insights, perspectives, and programs, the BLC promotes continuous education and improvement of public and private company governance. BLC engages with directors and business leaders on the critical issues driving board agendas—from strategy, risk, talent, and sustainability to data governance, artificial intelligence, audit quality, proxy trends, and more. Learn more at **kpmg.com/blc**.

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