



Corporate Governance: Guiding Principles for Board Oversight



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The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a globally recognized organization dedicated to providing thought leadership that enhances governance, risk management, internal control, and fraud detection, primarily through the development of comprehensive frameworks and guidance to help entities reduce fraud and improve performance and oversight. COSO is a private-sector initiative, jointly sponsored and funded by:

- American Accounting Association (AAA)
- American Institute of Certified Public Accountants (AICPA)
- Financial Executives International (FEI)
- Institute of Management Accountants (IMA)
- The Institute of Internal Auditors (IIA)

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Message from COSO's Board of Directors

This publication articulates a clear, board-level set of governance guiding principles, grounded in COSO's longstanding work on risk, internal control, and oversight, and is intended to serve as a common reference point where governance expectations can be fragmented. This focus reflects COSO's view that effective risk management and internal control operate within, and are strengthened by, a broader governance environment shaped by board oversight, accountability, information flow, and culture.

The guiding principles are designed to be read together. They are not intended to function as a checklist, and boards can determine how and to what extent to draw on them in light of the entity's circumstances. Taken together, they offer boards a structured way to reflect on whether governance practices remain coherent, balanced, and aligned with the entity's purpose, mission, values, and long-term direction. Rather than prescribing actions, the principles provide a practical lens for board dialogue on how oversight responsibilities fit together and are carried out in the entity's circumstances.

COSO offers this publication to support boards and those charged with governance in strengthening effective oversight over time, recognizing that durable governance is shaped by how responsibility and accountability are exercised in pursuit of long-term value.

COSO's perspective on corporate governance

Corporate governance is the oversight structures and processes by which an informed board steers an entity toward executing its strategy and objectives while maximizing long-term value in an ethical manner and within the relevant legal and regulatory environment.

About this publication

COSO, in collaboration with PwC US Consulting LLP, developed this corporate governance publication to provide guiding principles and practical illustrations that support effective board oversight in a changing governance environment. The guiding principles are intended to be broadly applicable across entity types, including public, private, and not-for-profit entities, and globally applicable across geographies and jurisdictions.

The publication helps boards determine whether their governance model remains fit for purpose by clarifying roles, sharpening governance discussions, and highlighting practices that support disciplined decision-making, accountability, and constructive challenge. It draws on extensive research, a review of widely recognized governance guidance, and input from directors, executives, governance professionals, and COSO's sponsoring organizations.

The guidance is directional and illustrative. It does not set requirements, prescribe a single governance model, or provide a comprehensive inventory of governance expectations. Nor does it address every board responsibility or area of oversight through a separate guiding principle. Instead, it brings together interrelated principles that commonly inform effective board oversight. It is intended to complement, not replace, applicable law, regulation, governance standards, and other widely recognized governance guidance. Boards can apply the guiding principles in light of the entity's purpose, mission, and values; strategy and objectives; risk profile; ownership structure; and applicable law, regulation, and governance standards.

The guiding principles focus on the board's oversight role. Management enablement considerations are included to illustrate how executive management and other key functions can support board oversight through information, analysis, and implementation, while day-to-day operations remain with management.

How to use this publication

Boards are the primary audience for this publication. It reflects both widely established board expectations and context-dependent practices. Qualifying language signals when application depends on circumstances and the applicable legal and regulatory environment. Boards can determine the practices and examples that are most relevant and apply them proportionately.

This publication can also support broader governance professionals, including corporate secretaries, chief audit executives, risk and compliance professionals, institutional investors, and others who interact with the governance process. It provides a shared language for board oversight discussions and for the information and analysis executive management can provide to support those discussions.

Throughout this publication, terms are used contextually, including references to shareholders, beneficiaries, and other stakeholders. Boards are accountable to shareholders or other beneficiaries under their governance model and legal structure. Other key stakeholders, such as employees, customers, suppliers, regulators, and communities, frequently impact an entity's ability to deliver long-term value. How these interests relate varies by jurisdiction and ownership model, and readers should interpret these terms accordingly.

Corporate governance supports constructive challenge and clear accountability, but outcomes remain subject to inherent limitations, including human judgment, unintended error, external events, and the potential for misconduct or override of established processes. Sound governance can strengthen resilience and confidence, but it cannot guarantee outcomes.

Boards and those that support them can use this publication to:

- Frame board and committee discussions around priority oversight topics
- Support board and committee assessments, governance reviews, and refreshment efforts
- Inform director onboarding and continuing education through a shared governance vocabulary
- Identify where information flows, decision processes, or accountability benefit from clarification
- Align oversight practices with the entity's strategy, risk appetite, culture, and operating context

This publication presents 12 interrelated guiding principles that reflect common areas of board responsibility. Boards and governance professionals can emphasize the principles most relevant to their circumstances and governance model.

How the guiding principles are organized

Each guiding principle follows a consistent structure:

Guiding principle

A concise title and one sentence description defining the core governance concept

Why this principle matters

Context on how the principle contributes to oversight, alignment with strategy, and long-term value

This principle in the boardroom

Illustrative examples of how the principle may be reflected in board oversight behaviors, processes, and considerations

Management enablement considerations

Examples of how management, including executive management or other key functions, may support the board with enabling structures and information flows, without prescribing specific actions or operating models

This structure is intended to support meaningful governance conversations, while allowing entities to draw on the concepts in ways that fit their needs and context. Not every illustrative example or management enablement consideration will be relevant in every entity, and boards can draw on them in ways that fit their circumstances and governance model.

Guiding principles at a glance

1 Board Governance Structure

The board establishes and oversees a governance structure that supports the board's fiduciary duties, clarifies roles and delegations of authority, and aligns oversight responsibilities with the entity's purpose and mission, strategy and objectives, risk appetite, and applicable law, regulation, and governance standards.

2 Board Accountability

The board fulfills its fiduciary duties in accordance with applicable law, regulation, and governance standards, honors shareholder or other beneficiary rights, and oversees governance and controls to promote accountability and maintain stakeholder confidence through complete, accurate, and timely disclosures.

3 Board Composition and Leadership

The board comprises a mix of skills, experience, and perspectives to operate with integrity and objectivity, demonstrates appropriate independence, and periodically reviews its composition, leadership roles, and succession plans to sustain effectiveness over time.

4 Board Effectiveness

The board regularly evaluates and improves its effectiveness, monitors internal and external changes, and refines its governance practices to strengthen oversight, support informed decision-making, and sustain long-term value creation.

5 Purpose, Mission, and Values

The board periodically reviews the entity's purpose, mission, and values, and oversees their alignment with strategy, culture, incentive structures, and workforce practices to confirm they are reflected throughout the entity and guide decision-making and strategic consistency.

6 Culture, Conduct, and Tone at the Top

The board sets clear expectations for integrity and ethical conduct, models them in its actions and decisions, expects executive management to uphold those standards, and oversees whether these expectations reflect the entity's purpose, mission, and values.

7 Strategy, Objectives, and Performance

The board provides independent perspective on strategy and objectives, approves material plans and actions, and oversees execution by monitoring performance against agreed objectives and measures and confirming incentives align with the entity's purpose, mission, values, risk appetite, and long-term value creation.

8 Technology and Data

The board oversees technology and data practices and opportunities to confirm they are managed in line with the entity's strategy and risk appetite and used to enhance performance and resilience.

9 Stakeholder Engagement

The board oversees management's approach to stakeholder identification and engagement, promotes credible, balanced communication, engages directly when appropriate, and incorporates relevant stakeholder interests and feedback into strategic discussions to strengthen trust and long-term value creation.

10 Executive Leadership and Succession

The board appoints the CEO and, as appropriate, other key members of executive management, oversees leadership development and succession plans, and periodically reviews management's talent strategy, leadership pipeline, and capability needs for executing strategy to support leadership continuity and organizational resilience.

11 Executive Performance and Compensation

The board evaluates the performance of the CEO and, as appropriate, other key members of executive management, approves executive compensation plans, and oversees compensation and incentive structures to drive long-term performance and reinforce accountability for long-term value creation.

12 Risk Management and Internal Control

The board oversees the entity's approach to managing risk and internal control, including management's monitoring and assurance activities, to support strategy and objectives and strengthen resilience.

Board foundations

Purpose and culture

Strategy and enablement

Leadership and resilience



Guiding principle 1

Board Governance Structure

The board establishes and oversees a governance structure that supports the board's fiduciary duties, clarifies roles and delegations of authority, and aligns oversight responsibilities with the entity's purpose and mission, strategy and objectives, risk appetite, and applicable law, regulation, and governance standards.

Why this principle matters

A well-defined governance structure is essential to the board's ability to fulfill its responsibilities effectively. Clear delineation of roles, responsibilities, and decision rights enables the board to focus on oversight and strategic guidance, while management operates within boundaries defined by the board. This clarity supports board independence, reduces duplication or gaps in oversight, and promotes efficient use of time and expertise. A fit-for-purpose governance structure also facilitates productive interaction among directors, committees, and management, reinforcing the board's ability to govern in line with its fiduciary duties.

Governance structures typically adapt over time as the entity's strategy, size, and risk profile evolve. A static or outdated structure can hinder effective oversight, obscure accountability, or result in fragmented decision-making. Regular reviews of the structure help the board confirm that its committee mandates, delegations, and reporting lines remain aligned with the entity's strategy, objectives, and regulatory context. Sound structures also support transparency with shareholders and other stakeholders by demonstrating how the board organizes itself to oversee critical areas such as strategy, risk, compliance, financial reporting, and executive performance.

This principle in the boardroom

The board adopts a governance structure that defines its roles, responsibilities, and decision-making authority. This includes reviewing and endorsing committee structures, typically audit, compensation, and nominating and/or governance committees, with clearly defined charters aligned to the board's core oversight duties. Boards periodically assess whether additional or specialized committees (such as strategy, risk, or technology) are warranted

Management enablement considerations

Management, particularly the corporate secretary, and general counsel as applicable, may support the governance structure by maintaining the formal governance documents that define the board's roles and authorities. This includes activities such as keeping board and committee charters current, documenting delegations (including approval thresholds), and coordinating how responsibilities are allocated among the board, its committees, and management. In some entities, the corporate secretary periodically reviews evolving governance structures and practices, including peer or similar committee structures and mandates, and highlights trends the board may wish to consider as needs and expectations change. Management then typically implements structural changes approved by the board and communicates these changes (e.g., new committees, revised mandates, or updated reporting

based on the entity's strategy, complexity, and regulatory environment. Charters and governance policies are reviewed at regular intervals to confirm that they remain current and effective.

Boards typically delegate authority through a resolution or approved policy that delineates which decisions are reserved for the board and which are delegated to executive management, often with specific thresholds. This allows executive management to act with agility within approved parameters while preserving the board's oversight of significant matters. The board generally considers whether committee mandates and information flows work together, for example whether audit committee insights on reporting and risk inform compensation committee decisions and full-board strategy discussions.

The board periodically reviews whether its governance structure remains fit for purpose. This often includes assessing whether the mandates of committees align with the entity's strategy, risk profile, and regulatory environment; considering whether responsibilities should shift between the board and its committees; and confirming that each committee's composition and expertise match its remit. In many entities, the nominating and/or governance committee leads this review as part of its annual workplan, drawing on internal input, external benchmarking, and developments in relevant governance codes or listing standards.

When the entity operates across multiple jurisdictions, business units, or subsidiaries, the board also considers how governance responsibilities are cascaded and coordinated across the group. The board may approve a governance structure that distinguishes the responsibilities of the parent board from those of subsidiary boards and any advisory bodies, clarifies reporting and escalation pathways between executive management committees and board committees, and defines how assurance providers and risk and control functions engage with the board and its committees. Clearly documenting these relationships helps avoid gaps or overlaps in oversight and supports timely escalation of matters that require board attention.

lines) across the entity and to relevant stakeholders where appropriate, so that the governance structure functions as intended.



Guiding principle 2 **Board Accountability**

The board fulfills its fiduciary duties in accordance with applicable law, regulation, and governance standards, honors shareholder or other beneficiary rights, and oversees governance and controls to promote accountability and maintain stakeholder confidence through complete, accurate, and timely disclosures.

Why this principle matters

Fiduciary duties anchor the board's role as a steward of the entity. These duties, commonly expressed in many jurisdictions as duties of care and loyalty, guide how directors act with diligence, good faith, and undivided commitment to the entity when making decisions. Acting in this way fosters trust in the board's decision-making and in the broader governance system. When boards adhere to these obligations, they strengthen the legitimacy of their oversight and the credibility of the entity's strategy and performance.

Accountability reflects the board's commitment to exercising fiduciary duties transparently and responsibly. Effective boards demonstrate this through high-quality disclosures, fair and responsive governance processes, and mechanisms that provide shareholders or other beneficiaries with a voice, such as elections, engagement, and voting rights. These practices allow shareholders to assess board performance, signal concerns, and influence governance outcomes.

This principle in the boardroom

The board applies its fiduciary duties as defined by applicable law, regulation, and governance standards, and periodically reflects on how those duties are carried out in board decisions. Directors act with care by preparing for meetings, challenging assumptions, and making decisions based on adequate information and deliberation. The duty of loyalty is often reflected in the board's adoption and monitoring of policies on conflicts of interest and related-party transactions, which are designed to prevent self-dealing and preserve objectivity in oversight. Boards also typically receive periodic reporting from management on conflicts of interest involving directors and executive management and on how those conflicts are addressed under the entity's policies. Boards may

Management enablement considerations

Management can facilitate the board's execution of its fiduciary duties by maintaining a strong governance infrastructure and information flows that support the board's oversight and accountability responsibilities. For example, the corporate secretary, and general counsel as applicable, advise the board on evolving legal and governance standards, help maintain conflict-of-interest and related-party policies, and coordinate processes that support disclosure obligations. Finance and investor relations teams typically support transparent and timely shareholder communications and engagement and may summarize voting results or investor concerns for board consideration. Management also operates compliance programs, internal control, and reporting mechanisms that provide the board with visibility into the effectiveness of those mechanisms. Together, these functions can support the board's ability to discharge its fiduciary responsibilities credibly and consistently.

request briefings from executive management and relevant third-party advisers on how legal duties apply in specific contexts, such as mergers, related-party transactions, or significant capital allocation decisions, and on how policies and practices for managing conflicts of interest and related-party transactions are being implemented.

Boards typically approve or review public disclosures, including financial statements, governance reports, and material non-financial information. In many entities, the board, through the audit committee, works with management and external auditors to oversee the process for evaluating whether financial and regulatory disclosures are complete, accurate, and timely. Boards may also review narrative sections of annual or sustainability reports, such as operating reviews, risk disclosures, governance descriptions, and executive compensation discussions, to confirm that significant matters are presented clearly and consistently. Some boards receive attestation from executive management and/or draw on assurance from internal audit, compliance, risk management, or external auditors regarding the effectiveness of controls and processes that support external reporting, reinforcing accountability.

When an external audit is conducted, the board, often through the audit committee, oversees the appointment or recommendation of the external auditor (as applicable), the ongoing evaluation of performance, and how independence is maintained. Most boards schedule executive sessions with the external auditor to support candid dialogue and provide an additional escalation channel when issues warrant board attention.

The board also oversees mechanisms that support shareholder or other beneficiary rights and governance transparency. In many entities, this includes monitoring shareholder meeting processes, board elections, and voting mechanics to confirm they are accessible, fair, and consistent with regulatory requirements. When applicable, the board reviews the outcomes of say-on-pay votes or director elections and considers engagement with shareholders if results indicate concerns. In some cases, boards support structured shareholder engagement programs and review aggregated investor feedback to inform governance or disclosure enhancements.

Other accountability mechanisms, such as ethics codes, whistleblower or speak-up systems, or board assessments, are important elements of the governance structure. Boards confirm that the mechanisms selected extend across the entity, including to the board itself, and that they are functioning as intended, often relying on designated committees (e.g., audit, governance) or specific processes (e.g., annual assessments) for more detailed review and improvement planning. Accountability is not only about compliance; it reflects a commitment to transparency and responsiveness that sustains trust in the board and its oversight.



Guiding principle 3

Board Composition and Leadership

The board comprises a mix of skills, experience, and perspectives to operate with integrity and objectivity, demonstrates appropriate independence, and periodically reviews its composition, leadership roles, and succession plans to sustain effectiveness over time.

Why this principle matters

Board composition directly affects the quality of oversight. A group of directors with complementary skills, varied experience, and diverse perspectives is more likely to make better decisions by challenging assumptions and surfacing blind spots. When aligned to the entity's strategy, risk appetite, and risk profile, a well-constructed board enhances credibility with shareholders, regulators, and other stakeholders. Independence within the board, both formal and behavioral, supports objective judgment, while well-designed leadership roles can facilitate robust dialogue, clear accountability, and effective board functioning.

Over time, a board's effectiveness depends on its ability to refresh itself. Regular reviews of composition and succession planning help keep the board's collective capabilities aligned with the entity's evolving needs. Boards that manage tenure, turnover, and leadership development intentionally are better equipped to sustain performance, adapt to change, and maintain stakeholder confidence.

This principle in the boardroom

The board approves its own composition policies and reviews them regularly to confirm alignment with the entity's strategy, risk profile, legal and regulatory requirements, and stakeholder expectations. Many boards use a skills and experience matrix to assess their current mix of capabilities and identify gaps or emerging needs, for example, digital expertise, geopolitical insight, or sector-specific knowledge. The nominating and/or governance committee typically leads director recruitment, using independent search support when appropriate and evaluating candidates against agreed criteria that include integrity, sound judgment, fit with the board's culture and working style, and diversity of background and perspective. Boards often consider how their composition and refreshment decisions are

Management enablement considerations

Management can support the board's composition and leadership planning by providing information, logistics, and relevant context. The corporate secretary typically maintains the board's skills matrix, tracks tenure and independence status, and facilitates director onboarding and education. Executive management may offer perspectives on strategic or operational areas where additional board expertise could add value, while respecting the board's independent authority over nominations. Human resources and legal teams support candidate due diligence and interface with search firms as needed. Management also supports independent board judgment by reinforcing role expectations for key stewardship and control functions, including the corporate secretary, chief financial officer, general counsel, chief human resources officer, the internal audit leader, or equivalent roles, to act in the interests of the

communicated externally, including disclosure of the board's skills, experience, and broader diversity profile and the rationale for director appointments, so stakeholders can understand who serves on the board and why.

Board independence is considered in light of both external standards and individual director behavior. Boards often define independence in governance policies aligned to applicable regulations. They typically assess each director's independence status annually. They also reflect on behavioral independence: whether directors are prepared to offer dissenting views, avoid groupthink, and act without undue influence. Formal mechanisms, such as executive sessions, committee leadership arrangements, and, where relevant, lead independent director roles, support these dynamics.

Leadership roles are generally reviewed periodically to confirm that they support effective oversight, board dynamics, and succession planning. Consistent with applicable requirements and local practice, boards decide whether to combine or separate the chair and CEO roles, whether to appoint an independent chair or lead independent director, and how committee chair responsibilities are allocated, considering the entity's ownership structure and culture, among other factors. Boards may rotate committee chairs on a planned cadence and establish succession plans for key board leadership roles. In some entities, the board maintains a multi-year roadmap for leadership transitions to support continuity and build readiness. When appropriate, directors are encouraged to gain leadership experience on committees before stepping into broader roles.

Tenure and refreshment practices vary, but many boards use term limits, a mandatory retirement age, or explicit planning discussions to balance continuity and thoughtful turnover. Boards may integrate insights from board or director peer assessments into succession planning decisions, considering not just individual contribution but also overall board dynamics. Composition and leadership discussions often draw on input from multiple sources, including self-assessments, stakeholder perspectives, and governance benchmarking, to support an informed and forward-looking approach.

entity and raise matters directly with the board and its committees when appropriate. Together, these functions can help the board maintain a composition and leadership structure that reflects both external expectations and internal priorities.



Guiding principle 4

Board Effectiveness

The board regularly evaluates and improves its effectiveness, monitors internal and external changes, and refines its governance practices to strengthen oversight, support informed decision-making, and sustain long-term value creation.

Why this principle matters

Board effectiveness does not occur by default; it requires ongoing attention and deliberate improvement. An effective board sets clear expectations, makes informed decisions, and promotes productive engagement with executive management. Regular assessment, whether self-led or independently facilitated, allows the board to reflect on what is working well and identify opportunities to improve its composition, processes, and dynamics. These assessments help keep the board capable of overseeing executive management as it navigates increasingly complex risks and strategic choices in a changing environment.

By rigorously evaluating its own effectiveness, the board demonstrates accountability at the highest level. It reinforces expectations for integrity and ethical conduct, transparency, and responsiveness throughout the entity. Assessments that result in concrete actions, such as changes to meeting structures, agenda planning, or onboarding, demonstrate that the board is committed to its own development. This continuous improvement mindset strengthens the board's ability to oversee long-term value creation and maintain stakeholder trust.

This principle in the boardroom

The board approves a regular cadence and scope for assessing its effectiveness and uses the process to identify practical improvements. Most boards conduct an annual assessment at the board and committee levels, using a combination of questionnaires, interviews, and facilitated discussions. Some boards seek feedback from the CEO or other executives to help identify blind spots in how the board supports strategy, oversight, and culture, and to strengthen dialogue and overall board effectiveness. Many boards also conduct individual director or peer assessments to strengthen

Management enablement considerations

Management can support board effectiveness by facilitating and participating in the assessment process and providing high-quality information. The corporate secretary typically coordinates assessment logistics, summarizes findings, and tracks follow-up actions. Management often works with the board to design meeting agendas, calibrate the frequency and format of materials, provide directors with the information they need to make informed decisions, and appropriately document meeting minutes. Management typically participates in onboarding and education, offering briefings and access to internal and external experts. By engaging transparently with the board and responding to feedback, management can contribute to a governance environment that supports continuous improvement and oversight quality.

accountability, surface development needs, and support thoughtful decisions about board composition and succession over time. To encourage candor and avoid repetitive or formulaic results, boards may periodically vary assessment methods and engage an external advisor. Whether led internally or supported periodically by an external advisor, assessments can surface actionable insights and allow for benchmarking against evolving practices.

Assessment processes are most useful when results translate into changes in board behaviors and working norms, as appropriate. Board effectiveness is shaped by how directors engage with management and with one another, including tone, preparedness, listening, and constructive challenge. These behaviors can materially influence decision quality. Boards often reflect on whether discussions encourage candid debate while maintaining collegiality, whether all voices are heard, and whether directors operate at the appropriate level. Many boards also use assessment output and board leadership's ongoing observations to address underperformance constructively, reinforce expectations for respectful challenge, and build trust over time. Boards that can engage in difficult conversations and maintain confidence in how they work together are better positioned to operate as an effective, integrated decision-making body.

Boards also use assessment results to inform improvements to their board practices and operations. Actions might include refining meeting agendas to prioritize forward-looking topics, updating board materials for clarity and relevance, or adjusting committee roles to reduce overlap. Some boards incorporate findings into succession planning, for example, identifying emerging skill needs or considering changes in leadership roles. Boards often track action items from prior assessments to monitor progress and reinforce a culture of follow-through.

The way board time is structured and discussions are sequenced throughout the year play an important role in enabling effective oversight. Boards typically approve an annual workplan that maps key oversight responsibilities, such as strategy, risk, talent, and culture, across the year and leaves room for emerging issues. Agendas are often designed to allocate sufficient time for forward-looking and high-impact discussions while meeting core compliance obligations. Executive sessions, held without management present, are often scheduled to support candid dialogue about board dynamics and leadership. In entities with combined chair-CEO roles, a lead independent director may facilitate these sessions and serve as a counterweight to executive leadership.

Within this structure, directors generally expect concise, decision-relevant materials prepared and distributed on a timely basis.

Directors may also provide feedback to executive management on how board materials can better support informed oversight, for example by adding clear executive summaries, highlighting key risks, or including trend data aligned to the annual workplan. Directors may also request direct access to senior management outside the CEO to inform their oversight, with appropriate protocols in place to maintain clarity of roles.

The board, often through the nominating and/or governance committee, periodically reviews the approach to director onboarding and continuing education as part of its oversight of board effectiveness. To support director readiness, directors are typically provided with site visits, in-depth briefings, exposure to key executives, and opportunities for external education. By setting expectations for robust onboarding and ongoing development, the board helps build a shared knowledge base and strengthens the quality of board discussions and decisions over time.



Guiding principle 5

Purpose, Mission, and Values

The board periodically reviews the entity's purpose, mission, and values, and oversees their alignment with strategy, culture, incentive structures, and workforce practices to confirm they are reflected throughout the entity and guide decision-making and strategic consistency.

Why this principle matters

An entity's purpose, mission, and values provide a foundation for its strategic direction, operational choices, and stakeholder relationships. Purpose defines why the entity exists; mission articulates what it seeks to achieve; and values express the commitments that guide behavior and decision-making. Values connect purpose and mission to the culture and conduct experienced in practice. When these elements are clear, aligned, and consistently applied, they can guide behavior, build trust, and support long-term resilience. Misalignment between stated values and actual practices, or between purpose and performance incentives, can erode credibility and impair execution.

Boards have a critical role in confirming that the entity's purpose, mission, and values remain relevant and are integrated into decision-making. These elements shape culture, influence risk behaviors, and frame how the entity defines success. In a rapidly changing environment, clarity of purpose and values helps entities navigate trade-offs and maintain stakeholder confidence. By overseeing these foundational concepts, boards reinforce the conditions for sustainable performance and ethical conduct.

This principle in the boardroom

The board periodically reviews the entity's purpose, mission, and values, typically in connection with strategic planning or major business model changes. Directors may challenge whether the purpose is specific and credible, whether the mission remains relevant to evolving priorities, and whether the values are observable in leadership behavior and workforce norms. When necessary, the board works with executive management to refine or reaffirm these statements so they are meaningful guides for action.

Management enablement considerations

Management can support board oversight by translating the entity's purpose, mission, and values into policies, processes, and reporting. Management incorporates these elements into strategic plans, internal communications, and leadership messaging. Human resources typically integrates values into onboarding, performance management, training, and employee engagement programs. Human resources, risk management, internal audit, and other monitoring or assurance providers may assess patterns and themes across the entity such as conduct trends, recurring issues, or control breakdowns that signal whether purpose and mission are understood and whether values are being lived in practice. Management can also provide the board with qualitative and quantitative indicators of alignment, such as employee feedback, purpose-linked key performance indicators (KPIs), or

Boards often ask executive management to demonstrate how the entity's purpose, mission, and values influence strategy and decision-making. For example, directors may probe how the entity handled a recent trade-off, such as declining a lucrative opportunity that conflicted with its stated values, or how their values informed their response to a reputational or operational crisis. Discussions often explore how these foundational concepts shape capital allocation, risk appetite, and stakeholder engagement. Directors also consider whether incentive structures and performance metrics support the behaviors and outcomes that reflect the entity's values.

Boards typically review inputs from management that assess how well the entity's purpose and values are embedded in practice. These may include culture survey results, qualitative feedback from employees and customers, or external indicators such as reputation rankings and stakeholder trust scores. In some cases, boards receive reporting that links purpose or values to performance outcomes, for instance, improved employee retention or customer loyalty associated with mission alignment. Directors use these insights to assess the authenticity and effectiveness of how the entity lives its stated commitments.

Incentives, workforce policies, and leadership expectations are often areas of focus. Boards may ask how hiring, promotion, and recognition programs reinforce the entity's values. They consider whether incentive structures and executive management objectives reinforce values-aligned choices as well as results. Directors may also encourage transparency in communicating purpose and values internally and externally, particularly when these shape decisions that affect stakeholders. Through these actions, the board reinforces that purpose and values are not abstract ideals but strategic and operational anchors.

feedback, conduct trends, or purpose-linked key performance indicators (KPIs), and, where helpful, prepare illustrative case studies or incident reviews to bring these concepts to life. These practices can support the board in evaluating whether foundational commitments are credible, consistently applied, and integrated into the entity's policies, incentive structures, and decision-making.



Guiding principle 6

Culture, Conduct, and Tone at the Top

The board sets clear expectations for integrity and ethical conduct, models them in its actions and decisions, expects executive management to uphold those standards, and oversees whether these expectations reflect the entity's purpose, mission, and values.

Why this principle matters

Culture reflects the shared behaviors and norms that express the entity's values in practice. It affects how employees make decisions, respond to pressure, and raise concerns. A strong culture aligned with the entity's purpose, mission, and values supports ethical conduct, risk awareness, and long-term performance. Conversely, a misaligned or unhealthy culture can enable misconduct, distort information, or undermine strategic execution, often without clear early warning signs.

Boards play a critical role in overseeing culture because leadership behavior, incentives, and everyday practices reinforce what is truly valued. The tone set at the top, by both the board and executive management, shapes expectations and influences conduct throughout the entity. Cultural insights help the board assess the reliability of information, the credibility of leadership, and the likelihood that strategy will be executed in a manner consistent with the entity's values and risk appetite.

This principle in the boardroom

The board sets expectations for ethical behavior and oversees whether executive management's actions reinforce those expectations. This begins with adopting or approving a code of conduct and monitoring the practices that guide behavior, including ethics and compliance programs. The board also exemplifies those same behaviors in how it operates, through respectful deliberation, transparency in decision-making, and holding itself to the same standards it expects from management. It typically reflects upon its own conduct and incentives, recognizing that its tone, behaviors, and assessment practices influence culture across the entity.

Management enablement considerations

Management can provide structured insights and timely reporting to support board oversight of culture. Examples include presenting data from engagement surveys, turnover trends, ethics hotline or speak-up metrics, and culture-related assessments or audits. Management also shares qualitative signals, such as employee feedback themes or outcomes from internal reviews, in a manner that protects confidentiality while allowing the board to understand patterns and implications. Compliance, ethics, investigations, human resources, and internal audit functions may provide aggregated or thematic information on speak-up activity and the handling of significant matters, supporting the board's ability to assess whether concerns are raised, addressed, and resolved in line with the entity's values and anti-retaliation

Boards regularly review indicators of culture and conduct, including how executive management's tone at the top is understood and reinforced across the entity. These indicators may include employee engagement results, speak-up systems or hotline usage, retention and turnover in key roles, incident trends, and signals that incentives or performance pressures are shaping behavior in unintended ways. Directors may request direct exposure to cultural signals, such as attending site visits, holding workforce listening sessions, or reviewing summaries of exit interviews or internal investigations. These touchpoints help boards assess whether the desired behaviors are reflected in the day-to-day experience of employees and whether any pockets of risk or erosion of culture or trust are emerging.

The board also oversees the design and function of speak-up systems and anti-retaliation protections. While operational details reside with management, the board confirms that there are accessible, trusted channels for employees to raise concerns and that retaliation is actively discouraged and addressed consistently. The board may review high-level information on speak-up activity to assess whether issues are surfaced and resolved in a manner consistent with the entity's values and expected conduct. In some cases, directors also receive targeted summaries or briefings on how significant matters were raised and resolved to evaluate responsiveness.

Incentives that support appropriate leadership behaviors are core to sustaining a healthy culture. Through periodic reporting, the board considers how executive compensation structures, recognition programs, and promotion decisions support or undercut cultural priorities. For example, if collaboration is a stated value, boards may examine how collaborative behaviors are reinforced in performance evaluations. Culture is also linked to risk: a culture that tolerates excessive pressure, ignores dissent, or conceals problems can magnify risk. Boards can probe how leadership actions align with the desired tone, particularly during periods of stress, change, or underperformance.

expectations. Executive management reinforces these systems by modeling expected behaviors and communicating the importance of raising concerns. Taken together, these inputs give the board a multi-dimensional view of culture and help directors assess whether the tone at the top is consistently reinforced across the entity.



Guiding principle 7

Strategy, Objectives, and Performance

The board provides independent perspective on strategy and objectives, approves material plans and actions, and oversees execution by monitoring performance against agreed objectives and measures and confirming incentives align with the entity's purpose, mission, values, risk appetite, and long-term value creation.

Why this principle matters

Strategy is the primary way an entity translates its purpose and mission into concrete choices about where to compete, how to win, and how to deploy scarce resources. When the board is closely involved in shaping and challenging strategy and major objectives, it brings an independent perspective on assumptions, trade-offs, and the balance between risk and opportunity. This perspective can strengthen the quality of decisions about capital allocation, portfolio focus, and strategic priorities. Board oversight also connects high-level objectives to the outcomes that matter to shareholders, beneficiaries, and other key stakeholders. By testing whether proposed strategies are coherent, realistic, and aligned with the entity's purpose, mission, values, and risk appetite, boards help position the entity for long-term value creation and resilience.

Effective oversight continues after agreement is reached on strategy and objectives. Execution unfolds in an environment shaped by technological change, macroeconomic shifts, competition, and evolving stakeholder expectations, so performance rarely follows a straight line. Boards that monitor performance through a balanced set of financial and non-financial indicators are better able to identify early signals of shifting conditions, spot inflection points, learn from outcomes, and support timely course corrections. Linking strategic objectives, risk appetite, and incentive plans allows the board to assess whether management is rewarded for decisions that advance long-term value instead of only short-term results. A disciplined, forward-looking approach to strategy, objectives, and performance oversight helps the board view strategy as a continuous cycle of learning and adaptation rather than a periodic discussion.

This principle in the boardroom

The board provides independent perspective as executive management develops the enterprise strategy, and evaluates and

Management enablement considerations

Management can design structured strategic planning processes and provide clear, decision-ready information to support board oversight of strategy, objectives, and performance. Examples include preparing complete and concise materials that frame the strategic context, options, assumptions, and expected outcomes, along with scenario and sensitivity analyses. Management typically translates approved strategies into coherent plans, budgets, and KPIs and develops dashboards or scorecards that link these metrics to strategic priorities. Throughout execution, executive management reports candidly on progress, emerging risks, and new opportunities, highlighting where adjustments or additional board decisions may be needed. Executive management may also conduct retrospective reviews of major initiatives and share insights with the board so that lessons learned can inform future strategic planning and performance expectations.

agrees to final plans, including major initiatives and high-level performance objectives, with formal approvals when required. Directors participate in structured strategy discussions, which may include annual or multi-year strategy meetings, periodic deep dives on key businesses or themes, and reviews of the competitive landscape and external trends. In these sessions, they assess the clarity of strategic choices, question critical assumptions, and explore alternative pathways, including different pacing or sequencing of initiatives. The board considers whether proposed strategies and objectives are aligned with the entity's purpose, mission, values, and risk appetite and whether they reflect the entity's capabilities and constraints. Directors may also discuss how stakeholders such as shareholders or other beneficiaries, employees, customers, and regulators are likely to respond to major strategic moves.

Boards commonly review how strategy is translated into objectives, plans, and metrics. They may ask executive management to show how strategic priorities connect to capital allocation, major investments, divestitures, and resource deployment across businesses or geographies. Directors often seek visibility into how technology, digital initiatives, talent priorities, and data capabilities support the strategy. They may request that materials describe expected milestones and leading indicators, not only end-state targets, to support ongoing oversight. When considering significant transactions or commitments, the board evaluates strategic and cultural fit, value creation potential, and execution risks, often drawing on independent advice when warranted.

Once strategy and objectives are established, the board oversees execution by monitoring performance against agreed indicators and milestones. Depending on the entity, execution oversight may span other business areas, such as operations, commercial functions, communications, or public affairs, that support the enterprise strategy. Boards typically receive updates that integrate strategic and financial results with operational, risk, culture, and stakeholder metrics, enabling a more holistic view of progress. Directors probe the reasons behind under- or over-performance, evaluate how executive management is responding, and consider whether resources and priorities remain appropriately aligned with the strategy. They encourage executive management to surface emerging opportunities and threats, including disruptive technologies, shifts in customer behavior, or regulatory developments, rather than waiting for issues to escalate. Scenario analyses, stress tests, and retrospective reviews on major strategic decisions can be used to understand what has been learned and how those lessons influence future choices.

The board also reviews how strategic objectives and performance outcomes are reflected in executive performance assessments and incentive plans. Directors may ask whether the KPIs used for incentives capture both results and behaviors, balance short- and long-term horizons, and reflect risk considerations. They consider whether incentive design reinforces strategic priorities and the entity's risk appetite, consistent with the board's broader approach to executive performance and compensation oversight. These discussions help the board reinforce alignment among purpose, mission, strategy, risk appetite, and incentive plans and provide additional context for decisions on leadership performance and pay.



Guiding principle 8 **Technology and Data**

The board oversees technology and data practices and opportunities to confirm they are managed in line with the entity's strategy and risk appetite and used to enhance performance and resilience.

Why this principle matters

Technology and data are central to how entities innovate, compete, and deliver value. They enable new business models, customer experiences, operating efficiencies, and insight-driven decisions that can materially influence long-term strategy and performance. At the same time, they can reshape whole industries and quickly render existing strategies obsolete when disruptive innovations emerge. Boards that understand how technology and data support the entity's strategy, and how they might fundamentally change it, are better positioned to guide choices about where to invest, how fast to move, and which opportunities merit attention. They are also better positioned to anticipate the broader stakeholder impacts of technology choices, including effects on brand reputation, data privacy, identity protection, and the future of work.

These same capabilities create significant risk exposures, including cybersecurity threats, data privacy, system outages, third-party technology failures, and unintended consequences from advanced technologies such as artificial intelligence (AI). Stakeholders increasingly expect boards to have a line of sight into these risks and into the governance approaches that address them. Effective board oversight helps balance opportunity and risk by asking whether technology and data initiatives align with risk appetite, whether security and resilience expectations are embedded, and how management is coordinating technology and data efforts across the entity. Done well, this oversight supports both innovation and resilience.

This principle in the boardroom

The board oversees technology and data priorities as part of its strategy and capital allocation discussions. Directors typically review

Management enablement considerations

Management can provide decision-ready reporting in business terms, free from jargon, and maintain the governance and operating structures that manage day-to-day technology and data activities. Senior leaders, such as the CIO, CTO, and CISO, can prepare roadmaps and investment cases that link initiatives to strategic objectives, expected benefits, key dependencies, and material risks. Examples include establishing clear accountability, reporting lines, and escalation protocols; integrating technology and data risks into the entity's enterprise risk management and internal control activities; and summarizing key indicators, incidents, and emerging risks for board review. Management may also provide the board with security and incident assessments, including internal audit or other independent perspectives, benchmarking against relevant peers, and pre- and

management's view of how technology and data underpin the strategy, create new strategic options, and position the entity for competitive advantage, while also understanding the risks of disruption and execution. Boards may ask how major technology initiatives, such as core system replacements, cloud migrations, new digital channels, or data monetization efforts, advance the entity's purpose, mission, and values. They also consider whether the entity is investing with sufficient ambition and pace to remain competitive, recognizing that excessive caution can itself be a strategic risk. Directors probe whether the portfolio of technology initiatives is realistic given resources and change capacity, how trade-offs are being made among competing projects, and whether risk-taking aligns with the entity's strategy and risk appetite. When appropriate, the board may challenge executive management not only to manage risk prudently, but to pursue innovation decisively in support of long-term value creation.

In addition, boards increasingly consider the broader social and stakeholder implications of technology and data choices, recognizing that digital tools can materially shape relationships with customers, employees, and communities. They may ask how technology-enabled products, platforms, or algorithms affect user behavior, information integrity, privacy, fraud, workforce dynamics, or public trust, and whether these impacts are understood and aligned with the entity's values.

When appropriate, the board also sets high-level expectations for how technology and data are governed across the entity, including how oversight responsibilities are allocated across the board, its committees, and executive management, and sets expectations for policy coverage in critical areas such as cybersecurity, data privacy, third-party technology, and use of advanced analytics and AI. Boards also set expectations for transparency on significant incidents, major investments, and emerging technology risks.

Directors may also discuss how executive management assigns responsibilities among relevant leaders, such as the CIO, CTO, and CISO, and how these leaders coordinate across functions and geographies. Boards generally look for a coherent picture of how technology and data risks are identified, prioritized, and managed within the broader enterprise risk management and internal control activities, while recognizing that day-to-day risk management remains the role of management.

Data quality and data governance remain a critical and ongoing focus. Reliable, decision-useful data supports informed decisions, disciplined execution, and responsible use of analytics and AI, and it helps reduce the potential for loss, regulatory exposure, or missed opportunities. Boards may ask how critical data is identified, who owns it, what standards apply (e.g., accuracy, completeness,

post-implementation reviews of major initiatives or changes. Such assessments are often performed by internal audit or other independent advisors. By translating complex topics into business terms and bringing forward both opportunities and risks, management can enhance the board's ability to exercise effective oversight of technology.

timeliness, and permitted use), and how exceptions are escalated and remediated. Many entities use dashboards that link key technology and data initiatives to strategy and objectives and include relevant risk and performance indicators, supported by clear ownership and standards for key data, including data quality indicators and remediation status for critical data. Boards may request deep dives on topics such as cyber resilience, data governance and data quality, or major transformation programs and, when helpful, tabletop exercises. These discussions help directors evaluate whether technology and data are contributing to performance as intended and whether performance remains within established risk tolerance.

Boards also consider the people, culture, and structures that shape technology outcomes. Directors may ask whether and how the entity attracts and retains technology and data talent and whether the broader workforce is positioned to adapt as digital tools and ways of working evolve. This may include upskilling considerations, where the board assesses whether people across the entity, including board members and those outside formal technology roles, have appropriate opportunities and guardrails to use technology, data, or automation responsibly as tools and ways of working evolve.

Boards may also reflect on their own collective digital fluency, recognizing that effective oversight increasingly requires directors to engage meaningfully with technology-enabled business models, data-driven decisions, and AI-supported processes, even when deep technical expertise resides with management or external advisors. Directors evaluate whether the board and its committees have sufficient expertise and time devoted to technology and data topics, and adjust committee charters, composition, or education plans accordingly. In some cases, boards engage external advisors or schedule focused education sessions to stay current on emerging technologies and their implications. Through these activities, the board keeps technology and data on the governance agenda in a way that supports innovation while maintaining discipline.



Guiding principle 9 **Stakeholder Engagement**

The board oversees management's approach to stakeholder identification and engagement, promotes credible, balanced communication, engages directly when appropriate, and incorporates relevant stakeholder interests and feedback into strategic discussions to strengthen trust and long-term value creation.

Why this principle matters

Stakeholder relationships contribute meaningfully to long-term value creation and resilience. Shareholders, employees, customers, suppliers, regulators, and communities all influence the entity's ability to execute strategy, adapt to change, and maintain its license to operate. These stakeholder groups do not all affect the entity in the same way or at the same time, and their interests may diverge or conflict depending on context and circumstance. Constructive attention to stakeholder interests, including engagement where appropriate, can strengthen trust, improve access to talent and markets, and provide insight into emerging expectations. Listening systematically to stakeholder perspectives also helps boards understand how the entity is perceived and when its actions may not match its stated purpose, mission, and values. When these relationships are managed thoughtfully and purposefully, they support stability, innovation, and credible communication in both normal and stressed conditions.

Poorly managed stakeholder dynamics can create reputational, regulatory, or operational strain. Misreading stakeholder expectations or responding only when issues have escalated can lead to disputes, regulatory scrutiny, campaigns by investors or civil society, and distraction of leadership attention. Stakeholder expectations can shift quickly, influenced by broader social trends, sector developments, or events involving peers. In practice, many strategic and oversight decisions require trade-offs that benefit certain stakeholders while disadvantaging others, and some decisions may prompt concerns or objections from particular groups. Boards that receive synthesized, decision-useful stakeholder insights from executive management and incorporate them into deliberations are better able to oversee how management anticipates issues and weighs trade-offs. The board retains decision-making authority over priorities and responses, applying judgment as executive management brings forward stakeholder trade-offs and recommended actions.

Management enablement considerations

Management can support board oversight of stakeholder interactions by coordinating relevant channels for understanding stakeholder interests and perspectives and providing integrated, decision-ready insights. Functions such as investor relations, human resources, sustainability, compliance, customer experience, and public affairs often lead relevant communications or maintain information channels with their respective stakeholder groups and consolidate feedback for board review. Management might prepare concise reports that highlight key themes, sentiment trends, and potential implications for strategy, risk, and culture, along with proposed actions or options. When stakeholder engagement is reflected in external reporting or governance communications, management often drafts a clear narrative that reflects what was heard from

This principle in the boardroom

The board oversees how management identifies key stakeholder groups and prioritizes their significance in light of strategy and risk. Directors often review stakeholder maps that describe who the key groups are, what interests they hold, and how they are affected by the entity's activities. They may ask how these maps are updated as strategy evolves, markets change, or new stakeholder groups emerge. Boards also consider whether the ways the entity understands stakeholder interests and perspectives, including through direct engagement when appropriate, are clear and aligned with the entity's purpose and long-term goals. Through these discussions, directors help clarify how the entity stays informed about stakeholder interests and how those insights inform decisions rather than relying only on ad hoc interactions.

Boards often receive synthesized reporting on stakeholder sentiment and themes. This may include insights from employee engagement surveys, retention and safety indicators, customer satisfaction and complaint trends, supplier feedback, investor voting outcomes and engagement topics, regulatory perspectives, or community relations. Directors may request integrated summaries that highlight common themes, areas of alignment and tension, and implications for strategy, risk, culture, or reputation. They may consider whether significant public positioning, external communications, marketing campaigns, or public policy engagement align with the entity's purpose, mission, values, and long-term strategy and objectives, recognizing that such actions can significantly affect stakeholder trust and long-term value. Directors may also ask how management prepares for crisis or emergency communications with key stakeholder groups, including escalation triggers, roles, and approval protocols for time-sensitive messaging. They can ask how management is responding to recurring issues, how stakeholder expectations are evolving, and how feedback is incorporated into plans. These conversations help the board treat stakeholder input as an early-warning system and a source of ideas, not only as a source of pressure.

In defined circumstances, boards may engage directly with stakeholders to complement management-led efforts. Directors might participate in selected meetings with investors on governance, strategy, or compensation topics, following agreed protocols and in coordination with management. Boards may also request opportunities to hear directly from employees through workforce panels, site visits, or town halls, or to engage with community or civil society representatives on issues of particular importance. Boards, together with management, typically set protocols for these interactions that respect management's primary role in day-to-day relationships and protect sensitive information.

shareholders and other stakeholders and how the board considered the feedback and related response options, as appropriate. When significant stakeholder issues arise, such as investor campaigns, workforce actions, or community concerns, management may outline scenarios and responses for board input. Management also takes responsibility to plan and coordinate any director–stakeholder interactions, including preparation and follow-up, so that these engagements are effective, consistent, and aligned with governance roles.

Boards may also consider stakeholder perspectives in strategy, risk, and culture discussions. Directors may ask how stakeholder insights informed major proposals, how key initiatives are expected to affect different stakeholder groups, and how those effects have been communicated. They may challenge management when stakeholder feedback suggests misalignment between stated values and actual practices or when stakeholder concerns could signal emerging risks. At the same time, directors interpret stakeholder input through the lens of their fiduciary duties to the entity and, as applicable, its shareholders or other beneficiaries, weighing competing interests within the boundaries of applicable law, regulation, and governance standards. Incorporating these perspectives supports more holistic decisions and more credible external communication about how the board has considered stakeholder views.



Guiding principle 10

Executive Leadership and Succession

The board appoints the CEO and, as appropriate, other key members of executive management, oversees leadership development and succession plans, and periodically reviews management's talent strategy, leadership pipeline, and capability needs for executing strategy to support leadership continuity and organizational resilience.

Why this principle matters

Executive management is responsible for translating and executing the strategy, purpose, mission, and values into day-to-day decisions and behaviors. The CEO and other members of executive management shape culture, allocate resources, and respond to risks and opportunities in ways that can accelerate or undermine long-term value creation. When the board approaches CEO selection and oversight of other key executive roles with rigor and deliberation, it helps align leadership profiles with the entity's strategic needs and desired culture. The feasibility of the strategy also depends on whether the entity has, or can build, the workforce capabilities required, including evolving skills needs. Clear accountability for these decisions also reinforces independent judgment and provides a basis for constructive challenge when performance or conduct is not consistent with expectations.

Leadership continuity is equally important. Inadequate, reactive, or informal succession planning can result in rushed appointments, loss of institutional knowledge, or prolonged uncertainty during transitions. These outcomes can distract the entity, unsettle employees and stakeholders, erode value, and impact operations. Boards that oversee structured succession planning, covering both emergency scenarios and planned transitions, are better positioned to manage change in a measured way. Regular insight into the talent pipeline also helps boards understand whether the entity is developing future leaders with the capabilities needed for the strategy and evolving risk environment and whether talent and workforce planning supports those needs.

Management enablement considerations

Executive management can maintain disciplined succession processes and provide directors with clear, candid line of sight into talent readiness and risk to support board oversight of executive leadership and succession. This often includes periodic reporting on succession coverage for critical roles, curated exposure to potential successors, and timely escalation of emerging retention or capability concerns. Management can provide workforce planning updates, including priority capability gaps and development actions to build the bench. To support board decision-making on key appointments, management typically prepares role profiles, market intelligence, and assessment summaries, and coordinates transition plans once leadership decisions are made.

This principle in the boardroom

The board appoints and, when necessary, replaces the CEO and, in line with governance expectations and applicable law and regulation, may also have a role in the appointment of other critical executive roles. Directors typically begin by agreeing on the desired profile for the CEO, taking into account the entity's strategy, culture, risk appetite, and stakeholder expectations. They may discuss the balance of experience, leadership style, and values needed at a particular point in the entity's evolution. Many boards also discuss the leadership and workforce capabilities the strategy requires, and how executive management plans to build, hire, or otherwise access critical skills. When a CEO appointment is under consideration, the board evaluates internal and external candidates against this profile and considers how each candidate would work with the existing leadership team. The board also reflects on how the appointment decision and transition plan will be communicated to employees, shareholders, beneficiaries, and other key stakeholders.

Boards oversee the process used to identify and select executive leaders, even when day-to-day steps are delegated to a committee or management. They may review the use of search firms or other external advisors, assessment methods, and reference processes, and consider whether the candidate pool is sufficiently diverse in terms of background, experience, and perspectives. Directors often seek multiple touchpoints with potential CEOs and other key executives, including interviews, presentations, and informal discussions, to form independent views of their readiness and fit. For certain roles expected to provide a more independent perspective, such as the chief audit executive or the head of risk management, board involvement is often more direct. For example, the audit committee may lead the selection process for the chief audit executive and approve the appointment or hiring decision to reinforce independence and objectivity. They also consider contractual and governance aspects of appointments, including terms of employment, performance expectations, conditions for separation, and the degree to which the CEO's leadership style and values align with the board's culture and ways of working, recognizing that these decisions can have long-term implications for both leadership stability and accountability.

Following the appointment of a new CEO, the board plays an active role in supporting a healthy transition and effective onboarding, setting clear expectations for early priorities, decision-making norms, and how the CEO engages with the board and executive management. In parallel, the board maintains a forward-looking focus

on leadership continuity beyond the immediate transition. Directors review emergency CEO succession plans that often specify interim leadership and decision rights in the event of an unexpected vacancy and oversee medium- to long-term succession plans for the CEO and other key roles, including likely internal candidates, development priorities for those candidates, and expected time horizons. Board discussions often test how the pipeline would adapt under different strategic paths, such as a shift in business model or a major transaction, and how talent implications would be managed. Boards may also probe whether development plans are strengthening bench depth for critical roles, not only identifying successors. This ongoing oversight reduces reliance on any single individual and supports continuity through both planned and unplanned transitions.

To understand the strength of the leadership pipeline, boards may seek direct insight into executive and high-potential talent. Directors may ask executive management to organize regular talent reviews, leadership presentations at board or committee meetings, and site visits or workforce sessions that allow them to observe leaders in their operating environments. They may review metrics such as succession coverage for critical roles, diversity in leadership ranks, turnover in key positions, and progress against leadership development objectives and broader workforce capability priorities. These discussions allow the board to test executive management's assessment of the pipeline, identify gaps that could affect strategy execution, and reinforce expectations that leadership development is a strategic priority.



Guiding principle 11

Executive Performance and Compensation

The board evaluates the performance of the CEO and, as appropriate, other key members of executive management, approves executive compensation plans, and oversees compensation and incentive structures to drive long-term performance and reinforce accountability for long-term value creation.

Why this principle matters

Executive performance and compensation strongly influence how effectively the strategy is executed, how risks are taken, and how value is shared among shareholders, beneficiaries, and other stakeholders. When objectives are clear and performance is assessed using a balanced set of measures, executives are more likely to make decisions that advance sustainable value rather than narrow, short-term targets. Well-designed incentives connect leadership behavior to purpose, mission, and values; strategy and objectives; culture; and risk appetite, supporting disciplined capital allocation decisions and prudent risk-taking. This alignment helps attract and retain key talent while reinforcing expectations for ethical conduct and sound judgment.

Conversely, misaligned incentives can drive excessive risk-taking, short-termism, or behavior inconsistent with the entity's values. Perceived disconnects between pay and performance can also erode trust among employees, investors, regulators, and the public. In many markets, executive compensation is subject to extensive disclosure requirements and, in some cases, advisory votes or other mechanisms for owner feedback. Active board oversight of executive performance (CEO, and other management as appropriate) and compensation structures, combined with clear communication about how decisions are made, supports transparency, legitimacy, and confidence in governance.

This principle in the boardroom

In many entities, the board's executive evaluation and compensation decisions focus on the CEO, while oversight of other executives may occur through review of the CEO's assessments and recommendations, consistent with governance standards and

Management enablement considerations

Executive management, typically led by the CEO and the head of human resources, can prepare proposed performance goals and compensation structures that flow from the strategic plan and risk appetite, and provide periodic reporting on results against those plans. Human resources and finance teams typically provide benchmarking data, model potential outcomes under different performance and market scenarios, and administer approved plans using defined processes and controls. They may also compile performance evaluations and pay summaries for board or committee review and highlight any areas where judgment may be required, such as risk or conduct considerations. Investor relations and corporate secretaries support communication of the board's decisions and rationale in disclosures and engagement with shareholders, beneficiaries, and other key stakeholders.

contractual arrangements. Throughout the year, the board receives updates on performance against agreed objectives and measures, questions significant variances, and asks how results were achieved, not only whether targets were met. At the end of the performance period, the board may conduct a formal evaluation of the CEO and review the CEO's assessments of other executive management, considering both outcomes and behaviors. These evaluations provide the foundation for many compensation decisions and may also inform succession planning and leadership development.

Performance assessments often inform the board's decisions on compensation outcomes for the CEO and consideration of the CEO's recommendations for other executive management. The board or a designated committee might have a more explicit role in the performance and compensation process when the executive has formal accountability to the board, such as the chief audit executive. Across these decisions, directors may compare realized or realizable pay to the entity's performance over multiple years and consider whether formulaic results fairly reflect the broader context, including risk and conduct issues. When appropriate and within plan parameters, boards may exercise judgment to adjust outcomes, for example by moderating payouts in light of risk events or by using tools such as deferrals, holding periods, and malus or clawback provisions. Boards may also review how the overall compensation philosophy for the broader workforce aligns with culture and long-term value, while recognizing that detailed pay decisions beyond the executive level remain the responsibility of management.

The board typically approves the executive compensation philosophy and major compensation plans and reviews them periodically for alignment with strategy, objectives, risk appetite, and culture. Through the compensation committee or equivalent, directors consider the mix of fixed and variable pay, the balance between short- and long-term incentives, and the performance measures and time horizons used. They discuss whether the program design promotes long-term decision-making, responsible risk-taking, and desired leadership behaviors. Boards often request benchmarking and scenario analysis, including compensation studies prepared by independent advisors, to inform views on market competitiveness and pay positioning, and to understand how different performance and share-price outcomes translate into realized pay over time.

Boards also oversee how executive compensation is communicated and how external feedback is considered. Directors review disclosures to confirm they clearly explain the link between pay, performance, risk, and the entity's stated values. They may discuss the results of advisory votes or equivalent owner feedback mechanisms and themes raised in investor or other stakeholder engagement on compensation topics. These insights can prompt refinements to plan design, performance measures, or disclosure practices and help the board maintain a transparent, credible approach to executive pay.



Guiding principle 12

Risk Management and Internal Control

The board oversees the entity's approach to managing risk and internal control, including management's monitoring and assurance activities, to support strategy and objectives and strengthen resilience.

Why this principle matters

Oversight of how the entity identifies, assesses, and responds to risk, together with oversight of internal control and assurance activities, is central to how the board oversees the achievement of strategy and objectives. Because all strategies involve uncertainty, a well-governed approach to managing risk can help clarify the trade-offs the entity is prepared to take, how those choices align with risk appetite, and when risks are best addressed through mitigation, transfer, avoidance, or disciplined acceptance. Board oversight of risk includes not only the entity's focus on the downside of risk but also taking advantage of the upside of risk when the opportunity aligns to strategy and risk appetite. Internal control, designed to provide reasonable assurance regarding the achievement of operations, reporting, and compliance objectives, supports reliable execution by promoting sound information, consistent processes, and adherence to applicable requirements and ethical expectations. Assurance activities, including internal audit and other independent reviews, can complement management monitoring and provide additional perspective on how well key risks are being managed and how effectively internal control supports execution. Ongoing monitoring and periodic evaluations can provide timely insight into whether risk responses and internal controls continue to operate as intended, including whether accepted risks remain within agreed boundaries and escalation protocols.

Weak or fragmented risk and control environments can contribute to financial losses, misconduct, regulatory penalties, reputational damage, and threats to long-term viability. Shareholders or other beneficiaries, regulators, and other key stakeholders increasingly expect boards to demonstrate a structured, enterprise-wide approach to risk oversight supported by coherent assurance. As a result, board oversight typically extends beyond reviewing risk assessment results and audit reports, to understanding how governance, culture, incentives, and assurance work together to inform decisions and reinforce resilience.

Management enablement considerations

Executive management is responsible for designing and operating the entity's processes for managing risk and internal control, including monitoring that provides ongoing insight and periodic evaluations of effectiveness. In many entities, business units and functions such as risk, compliance, finance, and legal contribute to identifying risks, implementing responses, tracking obligations, and quantifying impacts, while internal audit and other assurance providers offer independent perspectives. Management can support board oversight by providing periodic, decision-useful reporting that synthesizes significant risks, related responses, key indicators, and relevant monitoring and independent assurance insights, including escalation when risk acceptance is managed within agreed boundaries. When the entity uses

This principle in the boardroom

The board oversees the entity's approach to managing risk and internal control. Effective oversight helps keep discussions of risk and resilience connected to strategy and performance. In many entities, directors approve or oversee how risk is managed and how internal control supports execution, including how responsibilities are allocated among the board, committees, executive management, and assurance functions. Directors often discuss risk appetite or an equivalent decision framework in the context of strategy and consider how management has translated it into policies, processes, and day-to-day decision-making, revisiting it as conditions and priorities change. Boards may also consider whether the level of risk-taking reflected in strategy and capital allocation appears appropriately calibrated, recognizing that both overexposure and underexposure to risk can affect long-term value. These discussions can help confirm that responsibilities remain coherent and that there are no significant gaps or unnecessary overlaps.

Directors often probe key assumptions and seek clarity on how management identifies, assesses, prioritizes, and monitors significant risks, including emerging risks and concentrations. Many boards request scenario analysis or stress testing for severe but plausible events and consider how these insights inform strategic choices, capital allocation, and contingency planning, so that major decisions reflect both opportunity and downside risk.

Oversight of internal control and assurance commonly includes attention to controls over financial reporting and disclosure, operations, and compliance, as well as management's monitoring activities that track and evaluate whether risk responses and related controls are operating as intended. Boards increasingly seek transparency from executive management on where AI, including generative AI, is used in financial reporting processes, accounting judgments, and related controls, and how management assesses the related risks and the design and operation of those controls. Through the audit committee or equivalent, boards typically review internal and external audit plans and reports, significant findings, and remediation progress. Boards also often consider how management monitoring, internal audit, external audit, and other assurance activities fit together to provide a coherent view of effectiveness, including whether assurance providers have appropriate independence, authority, resources, and access to the board. Directors may encourage coordination across assurance activities, such as a Three Lines Model or equivalent, and may ask for reporting that links assurance insights to strategy, performance, and culture rather than focusing only on individual findings. Directors may also explore whether significant findings suggest changes in the entity's risk profile that should inform periodic strategy discussions.

formal risk policies or articulates risk appetite, management typically maintains and refreshes them and supports the board in using them to inform strategic choices. When applicable, management can facilitate independent assurance and periodic testing of business continuity and incident-response plans by enabling appropriate access and sharing readiness insights and lessons learned.

Boards often discuss resilience and preparedness for incidents and disruptions, which can include reviewing business continuity management, including crisis management plans, and how lessons learned are incorporated into the entity’s approach to managing risk and internal control, as well as training and readiness activities. Risk culture is often a recurring board topic, with directors reflecting on tone at the top and exploring whether incentives, workloads, and decision-making practices support transparent escalation and balanced risk-taking, particularly during periods of stress.

For deeper guidance on board and executive management roles and governance practices related to risk management and internal control, refer to COSO’s Enterprise Risk Management Framework (2017) and Internal Control—Integrated Framework (2013).

Conclusion

Corporate governance is foundational to how boards direct and oversee entities, and how they remain accountable over time. Governance questions rarely arise in isolation. Decisions about accountability, strategy, culture, leadership, and risk often converge, particularly during periods of change. Governance is strengthened when board responsibilities connect and reinforce one another, supporting coherent decision-making and sustained oversight.

Boards often return to governance principles during transition, such as leadership changes, strategic shifts, major transactions, or heightened stakeholder scrutiny. In those moments, this publication can support focused reflection and structured dialogue, helping boards consider whether oversight remains aligned with the entity's purpose, mission, values, strategy and objectives, risk profile, and operating context. Over time, effective governance is reinforced through sustained attention, periodic review, and deliberate follow-through as circumstances evolve.

Appendix

Glossary

This glossary defines selected terms used in this publication when meaning may vary across governance models, industries, and jurisdictions. It is intentionally not comprehensive. Definitions reflect how terms are used in this publication and are written to support consistent interpretation across a global audience.

Accountability	The obligation to be answerable for decisions, actions, and outcomes, including transparent reporting and timely remediation when expectations are not met. In this publication, accountability describes how expectations are set, monitored, and addressed in practice and complements fiduciary duties.
Assurance	Activities that provide objective evidence that support reasonable confidence that key risks, governance processes, and internal control are being managed as intended (e.g., internal audit, external audit, and compliance reviews). Some entities coordinate assurance activities across providers to reduce overlap and strengthen coverage.
Board	The governing body appointed or elected to provide direction and oversight of the entity. In this publication, “board” includes equivalent governing bodies (e.g., boards of directors, supervisory boards, boards of trustees, councils) that hold oversight responsibility under the entity’s governance model.
Clawback provisions	Contractual or policy-based mechanisms that allow an entity to recover previously paid incentive compensation under specified circumstances, such as misconduct, material policy violations, or financial restatements.
Code of conduct	A documented set of expectations for integrity, ethical behavior, and decision-making that applies to directors, executive management, and the workforce, with defined processes for escalation and consequences.
Control	As a noun, a policy or procedure that is part of internal control. As a verb, to establish or implement a policy or procedure that supports the achievement of objectives.
Culture	The shared values, norms, and behaviors shaped by leadership and reinforced by people at all levels that influence how individuals act with integrity, make decisions, and respond to risk.
Disclosures	Information an entity shares with shareholders, regulators, and other key stakeholders to provide transparency about performance, governance, and other relevant matters. Disclosures can be mandatory or voluntary and may include financial and non-financial information.
Enterprise risk management	The culture, capabilities, and practices integrated with strategy-setting and performance on which entities rely to manage risk in creating, preserving, and realizing value.
Entity	Any for-profit, not-for-profit, or governmental body. An entity may be publicly listed, privately owned, owned through a cooperative structure, or any other legal structure.
Executive management	The chief executive and direct reports responsible for executing strategy and leading the entity. Titles vary by jurisdiction and entity type.

Fiduciary duties	Duties owed by directors to the entity and, as applicable, its owners or other beneficiaries under the entity’s governance model and applicable law and regulation. Fiduciary duties commonly include duties of care, loyalty, and good faith, although terminology and emphasis vary by jurisdiction.
Governance model	The way an entity allocates ultimate decision rights and accountability among the board, owners or other beneficiaries, executive management, and other governance bodies. Governance models vary across ownership structures, legal forms, and jurisdictions.
Governance structure	The specific structures and roles used to implement the governance model, including board composition and leadership roles, committee structure, delegations of authority, and the relationship to subsidiary boards or advisory bodies when relevant. Some entities use the term “governance framework” to describe similar concepts. This publication uses “governance structure” to describe the specific structures and roles used to implement the governance model.
Independence	The ability to exercise objective judgment free from bias and undue influence. Independence can be assessed through formal criteria (relationships and interests) and through behavior (willingness to challenge, avoid groupthink, and act in the interests of the entity).
Internal audit	An independent, objective assurance and advisory activity that evaluates and improves the effectiveness of governance, risk management, and internal control. Internal audit typically has direct access to the board or an appropriate committee. For information on the standards and principles that govern internal audit, refer to the IIA’s Global Internal Audit Standards.
Internal control	A process, effected by an entity’s board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
Malus	A compensation adjustment mechanism that allows an entity to reduce or cancel unpaid, unvested, or deferred incentive compensation before it is paid or vested, typically in response to misconduct, material risk management failures, financial restatements, or similar events.
Management	Individuals beyond executive management who lead teams, oversee operations, and coordinate work across functions or business lines. Management translates strategy and direction into execution and provides reporting to executive management.
Monitoring	Ongoing and periodic activities used to evaluate whether internal controls, and when applicable, key risk responses, are operating as intended, and to identify issues requiring action. Monitoring can include activities embedded in operations and separate evaluations performed at intervals.
Resilience	The ability to anticipate, withstand, adapt to, and recover from disruption while continuing to pursue objectives.
Purpose, mission, and values	Purpose is the entity’s fundamental reason for being and the enduring aim it serves. Mission describes what the entity seeks to achieve and how it intends to deliver on its purpose. Values are the core beliefs and standards of conduct that guide decision-making and behavior. In this publication, “purpose, mission, and values” serve the same anchoring role as COSO ERM’s “mission, vision, and core values,” reflecting more current language used in many entities today.

Risk appetite	The types and amount of risk the entity is willing to accept in pursuit of value through its strategy and objectives.
Risk profile	The aggregate view of the entity's significant risks at a point in time, considering likelihood, impact, interdependencies, and concentrations, and how these risks may affect performance relative to strategy and business objectives.
Risk response	The approach selected for a risk, such as accepting, avoiding, reducing, sharing or transferring, or pursuing opportunity with informed risk-taking. Controls and monitoring can support different risk responses, including disciplined acceptance within defined parameters.
Risk tolerance	Boundaries of acceptable variation in performance related to achieving business objectives.
Shareholders and other beneficiaries	The person(s) or group(s) to whom the board is accountable under the entity's governance model and legal framework.
Stakeholders	Parties with a genuine or vested interest in the entity, including individuals or groups that may affect or be affected by the entity's activities, performance, or reputation, including shareholders, employees, customers, suppliers, regulators, and communities.
Strategy and objectives	Strategy is a set of informed, sometimes difficult choices an entity makes about how to compete and create long-term value, guided by the entity's unique current and future advantages. It defines where and how the entity will focus its resources, respond to disruption, and differentiate itself in a constantly evolving environment in a manner aligned with its purpose, mission, and values. Objectives are specific, measurable, and time-bound targets that support the achievement of broader strategy and goals.
Sustainability	The long-term viability of the entity and its ability to continue delivering objectives over time. Sustainability topics vary by entity and may include resilience, resource use, workforce and community impacts, and other factors relevant to strategy and stakeholder confidence.
Technology and data	Digital systems, tools, and information assets used to run the entity and support strategy. This includes cybersecurity and third-party technology, as well as data governance, data quality, data security, and permitted use considerations. The term can also include emerging technologies such as AI (including generative AI), which may introduce opportunities and risks.
Three Lines Model	The IIA's Three Lines Model is a principles-based framework that helps the board and executive management clarify responsibilities for governance, risk management, and control activities across the organization in support of achieving objectives and creating and protecting value. Under the model, management (first line) is responsible for owning and managing risks and maintaining effective controls. Functions that provide expertise, support, monitoring, and challenge (second line) assist management in overseeing and managing risk. Internal audit (third line) provides independent and objective assurance and advisory services to the board and executive management on the effectiveness of governance, risk management, and internal control processes.
Tone at the top	Signals from the board and executive management, through words, actions, and decisions, that shape expectations for integrity, accountability, transparency, and risk-taking across the entity.
Whistleblower/speak-up systems and anti-retaliation	Channels through which employees and other stakeholders can raise concerns, ask questions, or report suspected misconduct, including confidential or anonymous options when appropriate. Anti-retaliation refers to protections and expectations that prohibit negative consequences for good faith reporting.

