

**EVENT TITLE:** Hot Topics for the Upcoming Proxy Season

**EVENT DATE:** 1/21/2026

**EVENT TIME:** 9:00 AM ET

## **PROGRAM SUMMARY**

With the 2026 proxy season approaching, boards face a shifting regulatory and governance landscape, marked by investor recalibration, SEC rule changes, and evolving expectations around engagement, ESG, and executive compensation. This NACD Chapter program—co-hosted by the New England and Philadelphia Chapters—provided a timely overview of the key trends and issues directors need to understand as they prepare for annual meeting season.

The discussion opened with a clear theme: **governance expectations are not static**. While some of the aggressive activism and ESG demands seen in previous years have moderated, directors must remain alert. Panelists noted a discernible shift in tone among large institutional investors—less prescriptive in 2025 than in 2023–2024, but still focused on accountability and board effectiveness. Shareholders continue to expect boards to be engaged, transparent, and capable of explaining the company’s long-term vision and its governance alignment.

A significant portion of the discussion focused on **changes in shareholder engagement** dynamics following a February 2025 update from the SEC regarding beneficial ownership disclosures. The update clarified that certain passive investors filing under Schedule 13G could, under specific conditions, be considered active investors subject to Schedule 13D filing requirements. This created a chilling effect on engagement for a period of time, as investors reassessed how to interpret the rule. Boards may have noticed a measurable decline in dialogue and should anticipate renewed interest once compliance norms stabilize.

The conversation also addressed the evolving **role of compensation committees**, particularly as they relate to broader human capital oversight. Executive compensation remains under scrutiny—not just pay levels, but the alignment between performance metrics and strategy. Panelists emphasized that shareholders and proxy advisors are looking for stronger links between incentive structures and long-term value creation, with special attention to how ESG-related goals are defined and weighted.

**Human capital governance is broadening** in scope. In addition to overseeing executive compensation, many compensation committees are being asked to review workforce culture, succession planning, talent development, and retention strategies. Directors were advised to ensure their committee charters and skills align with this expanding remit, particularly as employees, investors, and regulators all continue to scrutinize workplace equity and risk.

The discussion turned to the ongoing **debate around ESG**, which remains polarized in the political and public domain. Despite headlines suggesting a retreat from ESG, most public companies continue to disclose and act on material environmental and social risks. Directors were advised to remain grounded in their company's specific circumstances: ensure that ESG programs are clearly tied to enterprise value, material risk, and corporate purpose. Panelists stressed that boards should not allow politicization to obscure strategic or risk-based imperatives.

**DEI (Diversity, Equity, and Inclusion)** continues to generate boardroom discussion, especially in light of shifting societal expectations and legal developments. Panelists advised boards to assess how DEI commitments are described, measured, and communicated. Many companies are choosing to reframe DEI in terms of talent strategy, leadership pipeline, culture, or alignment with corporate values—rather than treating it as a standalone initiative. This approach reduces political exposure while reinforcing business relevance.

The panel also touched on emerging risks tied to **AI and cybersecurity**, noting that boards should ensure their companies are proactively evaluating how AI is being deployed, monitored, and governed internally. With regulatory guidance

still evolving, directors were urged to stay informed on AI oversight frameworks and ask how their organizations are managing model risk, data integrity, and ethical use. Cybersecurity remains a persistent concern, particularly as digital complexity increases. Boards must confirm that management teams have updated threat assessments, third-party risk controls, and incident response protocols aligned with today's heightened threat environment.

**Board composition** also received attention, with panelists encouraging companies to assess whether their director skill sets remain aligned with strategic needs. Boards should regularly revisit refreshment plans and ensure they have the expertise required to oversee evolving risk landscapes, including digital transformation, stakeholder engagement, and global operations.

Directors were reminded that **credibility matters**—boards should ensure consistency between proxy disclosures, management messaging, and investor engagement narratives.

Lastly, the panel emphasized the importance of **advance planning and coordination** with management. The best-prepared boards review proxy drafts early, understand the narratives embedded in CD&A and shareholder letters, and anticipate areas that may draw scrutiny. This includes board composition, refreshment, committee performance, and board oversight of emerging risks.

### **KEY TAKEAWAYS:**

- **Investor Engagement Dynamics Have Shifted**  
SEC guidance on 13G/13D caused temporary engagement slowdowns. Boards should stay informed and monitor investor interaction trends.
- **Compensation Committees Must Expand Focus**  
Oversight now often includes broader talent strategy, succession, and culture—not just pay-for-performance metrics.
- **Frame ESG and DEI Through Strategy and Values**  
Directors should align ESG and DEI oversight with long-term business priorities, avoiding political language without abandoning substance.

- **Proactively Prepare for Climate Disclosure Expectations**  
Even absent a final rule, companies should be stress-testing voluntary disclosures and assessing readiness for regulatory review.
- **Review Proxy Materials Early and Holistically**  
Boards should own the full governance narrative—from board composition to oversight clarity—and engage proactively with shareholders and proxy advisors.
- **AI and Cybersecurity Require Active Oversight**  
Boards should confirm management is addressing governance of AI use and maintaining updated cybersecurity controls in line with rising threats and evolving regulatory expectations.
- **Board Composition Should Reflect Evolving Priorities**  
Directors were encouraged to assess whether their board has the right expertise to oversee strategy, digital disruption, and stakeholder risks going forward.

**MODERATOR:**

Gloria Cordes Larson, Lawyer, Public Policy Expert, Boston Business Leader

**SPEAKERS:**

Kai Liekefett, Co-Chair, Public Company Advisory and Shareholder Activism & Corporate Defense, Sidley Austin

Charisse Lillie, CEO of CRL Consulting LLC

Connie Lin, Principal, Pay Governance

**PROGRAM SPONSORS:**



**Pay Governance**

**SIDLEY**