



2027 Corporate Governance Best Practices

A Reference for Boards, Management, Corporate Secretaries and Governance Professionals

As 2027 approaches, corporate governance expectations will continue to evolve beyond traditional board independence and financial oversight. Investors, regulators, proxy advisors and stock exchanges increasingly expect boards to demonstrate effective oversight beyond executive compensation and shareholder engagement to include oversight of cybersecurity, AI and enterprise risk, while maintaining strong governance fundamentals. This summary is intended to serve as a practical reference of Aon's top suggestions for boards and management teams as they assess current governance practices, identify potential gaps and prioritize updates for the 2027 proxy season and beyond.

1. Maintain a Highly Independent, Skilled and Future-Focused Board

An effective board is built on a foundation of strong independence, relevant expertise and thoughtful succession planning. Boards should maintain a majority of independent directors, fully independent key committees (audit, compensation, and nominating/governance) and either an independent chair or a robust lead independent director structure. At the same time, boards should regularly evaluate whether director skills, experience, tenure, and perspectives remain aligned with the company's evolving strategy, risk profile, and long-term objectives. Investors increasingly expect boards to demonstrate how director capabilities support oversight of emerging issues such as technology, artificial intelligence, cybersecurity, human capital, and other strategic priorities. Effective succession planning should encompass both board refreshment and CEO and senior management succession to ensure continued leadership effectiveness and organizational resilience.

2027 Best Practice: Conduct annual board, committee and individual director evaluations; annually assess board composition against anticipated strategic, technological, and business developments over the next three to five years; maintain a robust board and executive succession planning process; and utilize a meaningful board skills matrix that clearly identifies critical skills, explains their relevance to company oversight and demonstrates how the board's collective expertise aligns with the company's current and future needs.

2. Strengthen Board Oversight of Emerging and Enterprise Risks

Boards are expected to maintain robust oversight of the company's most significant strategic and operational risks, including AI, cybersecurity, geopolitical developments, supply chain resilience, regulatory compliance, human capital management and business continuity. AI and cybersecurity have evolved into prominent board-level governance issues, with investors, regulators and proxy advisors increasingly expecting clear accountability, active board engagement and effective oversight frameworks. In addition, investors seek transparent disclosure on how boards oversee these risks, allocate responsibilities among committees and monitor management's risk management processes. Clear governance structures and disclosure help demonstrate that the board is appropriately overseeing emerging and enterprise-wide risks while positioning the company to respond effectively to a rapidly evolving business environment.

2027 Best Practice: Establish a clearly-defined framework for enterprise risk oversight that assigns responsibility for major risks to the full board and/or appropriate committees; review the framework annually; receive regular management reporting on key risks; conduct periodic scenario planning and incident response exercises; provide directors with education on emerging risks; periodically assess whether board skills and expertise align with the company's risk profile; and provide clear disclosure in the proxy statement and governance documents regarding board and committee oversight of AI, cybersecurity, enterprise risk management and other material strategic risks.

3. Align Executive Compensation With Long-Term Value Creation

Compensation programs should maintain a clear linkage between pay and performance, emphasize long-term incentives and provide transparent disclosure of performance outcomes. Investors continue to scrutinize discretionary compensation decisions, one-time awards and pay practices that appear disconnected from shareholder outcomes. Institutional investors and proxy advisors will also want to see risk-mitigating factors such as a clawback policy, stock ownership and holding requirements, clearly defined performance metrics and performance results.

2027 Best Practice: Maintain robust clawback policies, executive stock ownership requirements and holding requirements, and transparent descriptions of performance metrics and outcomes.

4. Maintain Active Shareholder Engagement

The governance environment is becoming more decentralized and less predictable, making direct engagement with shareholders increasingly important. Boards should understand investor priorities, address governance concerns proactively and disclose how significant shareholder feedback influences governance practices.

2027 Best Practice: Maintain a year-round investor engagement program rather than limiting outreach to the proxy season.

How Aon Can Help

Aon's Executive & Board Advisory Services team provides tailored solutions for our clients, including:

- Board education and onboarding about a range of topics such as AI, cybersecurity and enterprise risk management
- Enhancing compensation design by advising on incentive structures and drafting and/or reviewing the compensation discussion and analysis (CD&A) section of the proxy statement
- Drafting and updating corporate governance guidelines and board committee charters to ensure consistency to reflect current practices, strategies, market practices and regulatory updates
- Designing or refining a structured shareholder engagement program with key investors and proxy advisors to address investor and proxy advisor concerns, to solicit shareholder feedback and to provide information on changes to executive compensation
- Board compensation analysis to ensure the alignment of directors' skills and proxy disclosure with company strategy to demonstrate board effectiveness
- Review existing procedures and ensuring the proxy disclosure effectively communicates the board's focus on continuous improvement to foster and build stakeholder confidence

Corporate governance best practices constantly evolve. It's vital for companies to review, refine and revise their own practices and policies to meet regulatory requirements and investor and proxy advisor expectations. For more information or to discuss these topics further, please reach out to one of the authors below.

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