



Board
Leadership
Centre

On the 2026 Board Agenda

Seven key challenges facing
boards and directors in 2026

February 2026

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Few business leaders have experienced the scope, complexity, and combination of issues facing companies today. Continued economic fragility and the cost of capital, the rapid advance of AI (including agentic AI), escalating cyber threats, and a growing regulatory burden, continue to add to the challenge for directors.

Global disruption, from shifting trade and policy settings to military conflicts and fragmented capital flows, will continue to test strategic assumptions and execution focus. Boards are increasingly judged on how strategies are delivered under uncertainty, not just on their design.

Drawing on insights from KPMG's global Board Leadership Centre (BLC) network, and conversations with directors, we explore seven challenges boards should consider as they shape and carry out their agendas for 2026.

1. Strategy

Reassess the board's engagement in strategy: particularly scenario planning, agility, crisis planning, and resilience.

2. Artificial intelligence

Understand the company's AI strategy, related risks and opportunities and closely monitor the governance structure and talent needs around the deployment and use of technology.

3. Data governance

Consider the adequacy of the company's data governance framework and processes.

4. Cyber security

Assess whether the company's cyber security governance framework and processes are keeping pace.

5. Sustainability

Keep material sustainability issues embedded in risk and strategy discussions and monitor management's preparations for sustainability reporting requirements as well as shareholder expectations.

6. Board composition and talent

Review board composition in line with new strategic imperatives, evaluate ESG competency, and refocus inclusion and diversity efforts as a powerful catalyst for effective decision-making and innovation.

7. Risk oversight

Revisit board and committee risk oversight responsibilities and allocation among committees.

1. Strategy

Reassess the board's engagement in strategy, particularly scenario planning, agility, crisis planning, and resilience.

Global volatility, geopolitical fragmentation, cost-of-capital pressures, technology disruption and climate risk continues to test strategic assumptions. In Australia, market architecture is shifting (growth in private credit; rising superannuation fund influence), prompting closer scrutiny of disclosure quality and execution under uncertainty.

Boards must actively engage in strategy, adopt rigorous forward-looking governance practices whilst ensuring robust scenario planning and crisis preparedness.

This includes:

- Developing vivid future scenarios, with focused 'what-if' discussions considering both opportunities and risks relating to AI, human capital, and supply chains.
- Ensuring scenario planning is iterative and informed by external perspectives including where the industry, market and competition are headed. Embedding risk resilience, stress-testing and crisis planning into strategic discussions, with frequent updates to the company's risk profile; considering risk interconnectedness and independent third-party perspectives.
- Balancing short-term agility with long-term vision to safeguard organisational endurance and value creation.



2. Artificial intelligence

Understand the company's AI strategy and related risks and opportunities, and closely monitor the governance structure and talent needs around the deployment and use of technology.

AI is transforming businesses, bringing significant opportunities but also complex risks, ranging from data accuracy and cyber security to regulatory compliance and reputational concerns.

In Australia, the AI landscape moves from experimentation to enterprise adoption and while AI policy settings are still taking shape, organisations should establish robust governance frameworks that ensure the technology is developed, deployed and used in an ethical and responsible way. While only 3% of Australian organisations

have embedded GenAI into their strategy, 39% are exploring emerging forms of AI, including agentic AI, underscoring the need for strategic clarity and guardrails.¹

Boards should consider:

- Whether the organisation has the right mix of skills and mindset to deliver in an AI-driven environment, and how to support leaders and staff in adapting to rapid technological change through upskilling and cultural transformation.
- The potential for AI to disrupt or replace core services, and the implications for workforce requirements, recruitment strategies, and the future of the workplace.
- Governance structures, risk management, trust and workforce needs around AI deployment.

- Robust guardrails and regularly reviewed governance policies for GenAI and AI agents, particularly regarding autonomous decision-making and operational integration.
- Change management, skills development, and cultural transformation to maximise the benefits of AI adoption including increasing return on investment (ROI) and productivity.
- Human-centred leadership in an AI-driven world, ensuring that empathy, sound judgement, and relationship-building remain core to decision-making and organisational culture – even as technology reshapes work and learning.
- Ongoing board and workforce education on AI and emerging technologies, using external expertise where needed.

3. Data governance

Consider the adequacy of the company's data governance framework and processes.

The explosive growth in the use of AI and broader use of technology is prompting more rigorous assessments of companies' data governance frameworks and processes. Companies usually design ones suited to their industry and specific needs, but several established frameworks are available for consideration.

They vary in many respects, but generally focus on data quality, data privacy and security, data stewardship, and data management.

Boards may consider how frameworks:

- Define data collection, storage, management, and usage.
- Assign responsibility for data governance across the enterprise, including the roles of chief information officer, chief information security officer, and chief compliance officer (or those performing similar functions).

- Address third-party access and obligations to protect company data.
- Align data governance with the company's AI strategy and broader business objectives.

¹ KPMG Australia, [Boardroom view on GenAI adoption](#), 17 October 2025

4. Cyber security

Assess whether the company's cyber security governance framework and processes are keeping pace.

While boards and management teams have invested significant effort in addressing increasingly sophisticated cyber threats, the risk landscape is evolving at pace. Malicious and state-sponsored actors are intensifying their attacks for financial or political gain, while AI is enabling cybercriminals to scale operations with unprecedented speed, volume, and sophistication. The growing prevalence of ransomware, data corruption, and model poisoning highlights the urgency for vigilant oversight, and looming advances in quantum computing could further amplify risk by rendering current encryption methods obsolete.

Given the growing likelihood and potential impact of cyberattacks, it is essential for boards to ensure that robust resilience and business continuity plans are in place. Effective preparation means not only focusing on prevention, but also ensuring the organisation can respond and recover if a cyberattack succeeds, thereby safeguarding critical operations and stakeholder interests.

Boards also face significant challenges in allocating capital to cyber defences. While the magnitude of cyber risk is widely acknowledged to be high, quantifying the likelihood of specific threats remains difficult. The pace at which cyber threats evolve – often outstripping traditional risk assessment methods – can make it challenging to determine whether investment in prevention is sufficient or if

resources should be directed elsewhere. Boards may need to draw on external benchmarks, scenario analysis, and lessons from public incidents to inform their decisions and ensure that investment strategies remain agile and effective.

Boards may consider:

- Asking for regular briefings on cyber defence strategies, including resilience against deepfakes and phishing campaigns.
- Understanding how robust cyber response plans are, and management's readiness for quantum computing risks.
- Assessing board committee skills and expertise and seek external advice where appropriate.

5. Sustainability

Keep material sustainability issues embedded in risk and strategy discussions and monitor management's preparations for sustainability reporting requirements as well as shareholder expectations.

Sustainability and environmental issues remain central to long-term value creation, despite shifting stakeholder expectations and regulatory developments.

Climate disclosure is now mandatory on a phased basis, with Group 1 entities required to report for periods **on/after 1 January 2025**, with Group 2 from **1 July 2026**.²

Boards are encouraged to consider:

- If sustainability issues are material or of strategic significance to the company, including climate risk, energy transition, and workforce diversity.

- How sustainability is embedded in strategy, operations, and risk management, with clear commitment from leadership.
- How prepared the organisation is for Australian, and global sustainability reporting requirements.
- How clearly sustainability matters are reported to the business and its stakeholders.

² KPMG Australia, [Australian Sustainability Reporting legislation and standards Guide](#), April 2025

6. Board composition and talent

Review board composition and capability in line with evolving strategic and risk demands, using regular board and individual director performance assessments to enhance effectiveness, identify skills gaps and maximise collective contribution.

The board should regularly assess its composition to ensure it has the right mix of skills, experience, and perspectives to meet evolving strategic and regulatory demands.

This includes:

- Working closely with the nomination committee to lead a formal and transparent process for board and senior management appointments, with a focus on developing a diverse and future-ready talent pipeline aligned to the company's strategy.
- Using regular board and individual director performance assessments as a continuous improvement mechanism to enhance board effectiveness, identify skills and capability gaps, and ensure the board is getting the best out of its collective and individual contributions as strategic and risk demands evolve.

Maintaining board competence in ESG oversight, technology, and emerging risks, with regular skills assessments to address any gaps.

- Keeping succession plans up to date, with clear rationale for any extensions to the chair's tenure and transparent articulation of each director's ongoing contribution.
- Engaging proactively with investors on board composition, diversity, and succession, anticipating scrutiny on issues such as AI governance, ESG, and over-boarding.

7. Risk oversight

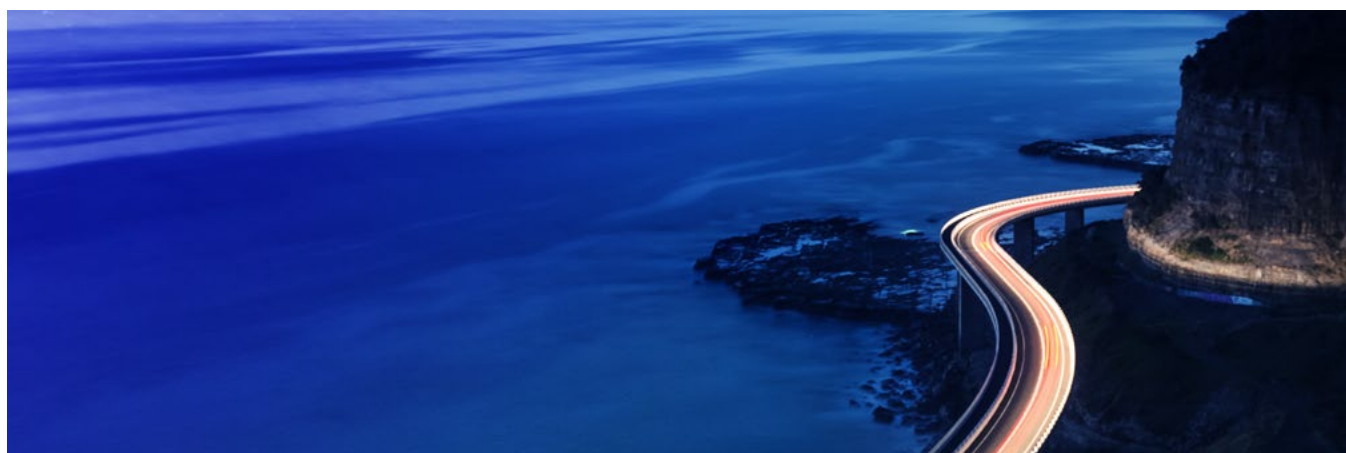
Revisit board and committee risk oversight responsibilities and allocation among committees.

Refining board and committee risk oversight responsibilities remains a challenge. The increasing complexity of risks requires a holistic approach to risk management and oversight.

Investors, regulators, rating firms, and other stakeholders expect high-quality disclosures on climate, cyber security, AI, and other sustainability risks, as well as on how boards and their committees oversee the management of these risks. However, the emphasis placed on these areas may vary, with many stakeholders equally focused on business and industry-specific risk factors.

Boards should consider:

- If management's risk processes are up to date and aligned with board expectations.
- How clearly risk oversight responsibilities across the board and committees are delineated, facilitating information sharing and coordination. Ensure charters are up to date.
- If strategy, goals, risks, controls, incentives, and performance metrics are aligned.



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Members gain access to exclusive tools and resources as well as an extensive network of other non-executive directors to help navigate the ever-changing demands of society and the business world.

Directors have the opportunity to trade insights, share ideas and support each other in tackling today's boardroom issues.



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