



Directors Quarterly

Insights from the Board
Leadership Center

Q4 2026



Preparing for what comes next

Heading into the final quarter of a year shaped by significant changes in the governance, risk, and regulatory landscape, boards must stay vigilant as they help management balance competing priorities. The pace of change and the scope of oversight demands show no sign of diminishing.

Oversight of strategy amid ongoing volatility requires close attention to strategic execution. Boards can help link strategy and risk; challenge assumptions; monitor key performance, risk, and control indicators; encourage pivots; and identify gaps management might be overlooking. In this edition, we share insights on how boards are moving toward more dynamic engagement in strategy, with a greater focus on strategic execution, artificial intelligence, and the geopolitical and macroeconomic landscape.

As companies consider a wide range of possible futures in carrying out their strategic plans, human judgment and decision-making are crucial. What contributes to effective forecasting discussions and what may derail them? Superforecaster Warren Hatch, CEO of Good Judgment Inc, shares his views on qualities that make good forecasters and how boards can help strengthen an organization's scenario planning and decision-making capabilities. Discipline, process, humility, and open-mindedness are among the keys.

For audit committees, our financial reporting and auditing update covers Securities and Exchange Commission and Public Company Accounting Oversight Board developments, including the implementation challenges associated with ASU 2024-03, the accounting implications of tariff refunds, and proposed offering rules for certain investment contracts involving crypto assets.

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Financial reporting and auditing update



The timeline for implementing ASU 2024-03, Disaggregation of Income Statement Expenses (DISE) is shortening, but challenges remain, particularly with issues around inventory. While there is more clarity around the appropriate accounting models for the recognition of potential International Emergency Economic Powers Act (IEEPA) tariff refunds, uncertainty remains. The Securities and Exchange Commission and Public Company Accounting Oversight Board continue to advance their active standard-setting and rulemaking agendas. Below are highlights of recent financial reporting developments.

DISE implementation: Addressing practical challenges

As the 2027 effective date for annual periods approaches, DISE implementation efforts are accelerating across industries. For many organizations, implementation has become a cross-functional effort involving accounting, finance, operations, IT, and internal controls teams. Companies with inventory continue to face some of the most significant implementation challenges. For some companies, ensuring that certain expenses related to inventory are captured may become relevant for the first time—e.g. supplies that have traditionally not been “inventoried” because they are rapidly consumed. Measurement of inventory purchases also remains unclear.

Companies should remain focused on execution. Those that have not yet assessed whether their systems can identify the required expense categories, support inventory-related disclosures, and produce the information necessary for the required tabular presentation may find their implementation timelines shortening quickly. The challenge is operationalizing the standard in a manner that is sustainable, controllable, and decision-useful for investors.

IEEPA tariff developments

The accounting implications of refunds for tariffs imposed under IEEPA continue to evolve. While

importers have already received billions of dollars in refunds through Customs and Border Protection’s (CBP) Consolidated Administration and Processing of Entries (CAPE) system, uncertainty remains for certain entries, particularly finally liquidated entries affected by the Administration’s appeal of the Court of International Trade’s (CIT) universal refund order. As a result, companies are increasingly recognizing refund rights as cash is received or as recovery becomes probable under the applicable accounting model, while continuing to monitor litigation and administrative developments that could affect the timing, measurement, and disclosure of remaining refund claims.

Companies should ensure tariff-related disclosures remain company-specific and are updated as the tariff landscape evolves. Because tariff policy, CAPE processing, and related litigation continue to develop, companies should also evaluate whether their controls support timely disclosure updates. In addition, all companies must disclose risks and uncertainties that could materially affect reported amounts or near-term operations, including distinguishing between effects reflected in current results and potential future outcomes.

SEC proposes “Regulation Crypto Assets”

On August 18, the SEC published **proposed rule** “Regulation Crypto Assets,” which would establish offering rules for certain investment contracts involving crypto assets. Key provisions of the proposal would create the following exemptions from the registration requirements of the 1933 Securities Act.

- **One-time** “startup exemption” for offerings of up to \$5 million during a four-year period
- **Two-tier** “Fundraising exemption” for offerings of up to \$75 million during each 12-month period

It would also preempt state securities law registration and other requirements for offers and sales of investment contracts issued under the proposed

regulation and provide a conditional safe harbor from the term “investment contract” in the definitions of “security” in the 1933 Securities Act and the 1934 Exchange Act.

PCAOB issues Q&As on QC 1000

The PCAOB released the **QC 1000 Questions and Answers** on August 17 to help auditors implement QC 1000, A Firm’s System of Quality Control, which will become effective December 15, 2026. QC 1000 is an integrated, risk-based standard that requires a firm to establish quality objectives, identify and assess quality risks to achieve the quality objectives, design and implement quality responses to address the quality risks, and monitor the firm’s QC system and remediate any deficiencies. The Q&As represent the PCAOB staff’s views on specific implementation issues regarding these different aspects of the standard.

PCAOB staff initiates firm consultation process

The PCAOB’s Office of the Chief Auditor (OCA) has established a new **Firm Consultation Process** to provide registered public accounting firms with more timely and consistent guidance. This staff-led initiative allows firms to submit questions and receive informal views from OCA on the interpretation, application, and implementation of PCAOB standards related to auditing, attestation, and quality control, as well as standards and rules on ethics and independence. While individual consultation requests will remain confidential, OCA may publish guidance on frequently asked questions to benefit the broader public.

Sustainability reporting

US developments

In July, the California Air Resources Board (CARB) published the modified initial regulation to implement the California climate laws, withdrawing the initial regulation it had submitted in May to the Office of Administrative Law. The text extends the first reporting deadline for SB-253 [greenhouse gas (GHG) emissions] to November 10 from the previously proposed August 10 date and clarifies applicability, refines certain definitions, allows use of a parent’s consolidated report, and codifies first-year enforcement relief and Scope 3 reporting relief. In a July public workshop, CARB previewed the proposed requirements for reporting from 2027 onward under SB-253, including a requirement for insurance companies to report and an annual reporting deadline of November 10.

On September 1, CARB published a guidance document and voluntary report intake platform to help companies prepare and submit their 2026 Scope 1 and Scope 2 GHG emissions reported under SB-253.

European Union developments

In July, the European Commission (EC) adopted the revised European Sustainability Reporting Standards (ESRS), which will become mandatory for reporting periods starting in 2027. The EC also adopted the Voluntary Standard (VS) for smaller companies, which sets a limit on the information that can be requested from small companies in the value chain of larger companies applying ESRS. [Read more.](#)

Also in July, EFRAG (the EU’s advisory group on corporate reporting) released for public consultation its exposure draft of the ESRS for Certain Non-EU Undertakings (ESRS-40a). From 2028, non-EU companies and groups with significant operations in the EU will need to provide impact information for their entire global group in their sustainability reporting. The proposed requirements for this reporting are set out in ESRS-40a. This 100-day consultation is open until October 31, 2026, and EFRAG expects to deliver its technical advice to the EC in January 2027.

[Read more.](#)

Greenhouse Gas Protocol

The Greenhouse Gas Protocol (GHGP) and the International Organization for Standardization announced plans to combine their corporate GHG reporting standards into a single, co-branded standard, aiming to reduce fragmentation and create a more coherent basis for measurement and reporting that would be suitable for mandatory reporting and consistent with target-setting initiatives. A proposal for the new, combined standard is expected in Q2 2027, with a final standard anticipated by Q4 2028.

[Read more.](#)

*For more details about these and other issues potentially affecting companies and boards in the current period or near term, see the **Q3 2026 KPMG Quarterly Outlook**.*

Decision-making in an uncertain world:

Insights from a Superforecaster

As scenario planning becomes more challenging amid heightened uncertainty, rapid change, historically low visibility, and a widening range of possible futures, stepping back to consider a company's decision-making process can be a valuable exercise. Warren Hatch, CEO of Good Judgment Inc and a Superforecaster, says discipline, process, humility, and open-mindedness distinguish quality decision-making from choices all too often driven instead by gut instinct or familiarity.

Dr. Hatch says anyone can become better at forecasting, which, by his definition, underlies all decision-making.

"By forecasting, we really mean decision-making, because every decision you make is basically a forecast: you're going to take a course of action that you think will get you to your desired outcome," he says. He describes good forecasting as assigning probabilities that align with the frequency of events (things you say are 80% likely will happen about 80% of the time). Superforecasters—forecasters who have ranked in the top 1–2% across Good Judgment's tournaments—are especially skilled at this and consistently outperform the rest of the crowd in forecasting the likelihood of specific events or outcomes.

In a conversation with the KPMG BLC, Dr. Hatch shares his insights about what makes a good forecaster and how boards can help strengthen an organization's scenario planning and decision-making capabilities.

BLC: What makes a good forecaster—or a good contributor to forecasting discussions?



Warren Hatch: It's about discipline and the process.

While it's going to be different for different people and in different situations, there are some things we know from the Superforecasting research that are good to have on everyone's

checklist. The key steps in the process are recognizing the dangers of overconfidence and underconfidence, avoiding groupthink, updating your views with new information, and, finally, getting feedback.

Overconfidence is first on my list because most people are overconfident even though they usually don't think they are. That can and does interfere with judgment. There are things you can do to counteract overconfidence, such as get feedback. Underconfidence can be just as bad, though it's not as common. Superforecasters find the right balance to avoid both these dangers.

Next is avoiding groupthink. It's best to make your initial judgment on your own. Ask everyone to write it down and bring it to the meeting. That way, even if certain voices are louder in a group, everyone gets to form their own opinion first. Sharing different perspectives is crucial. We all have partial information that strengthens the group when it's shared collectively.

This is how Superforecasters work too. First, they make their independent forecast, then they work in a team and update their call based on what their teammates bring.

Which brings me to the third point on the checklist. After you share information, make an update. This is critical. If the facts change, you want to change your

mind. Some people think it's best to stick to their guns. That might make for good television, but they're going to be lousy forecasters.

Finally, and this is what most organizations miss: Keep a record of your decision. Once the outcome becomes known, look back. What did you get right? What did you get wrong? What could you do better next time? Feedback is a critical step. That's how you can improve, and that's how you convert acting on a hunch into a skill.

BLC: How can boards help reduce overconfidence in decision-making?

WH: One quick tip is: Beware of stories. We all have the tendency to believe that an outcome is more likely than the evidence warrants if there's a persuasive story attached to that outcome. Your brain relaxes. In Kahneman's terms, it's "System 1,"¹ avoiding the hard thinking.

That's what scenarios are: coming up with stories. Scenarios tell you plausible futures that you may find yourself in. The board's biggest danger is to stop there. Finding the probable futures is the next step, and that's where you want to strip out the story. Get down to the essentials. What are the key drivers? What are the key risks that you might need to pay attention to? Evaluate those probabilities without the story. That's the board's pathway to better judgment on any big decision.

BLC: On the flip side, what's one way forecasts sometimes go wrong?

WH: One thing that often happens with bad forecasts is overweighting information that isn't actually relevant to the decision you need to make. It's noise, and it often happens when it's an expert who says the same thing over and over. Even when what they say is relevant, repetition clutters your brain, leading you to mistake volume for breadth. What you want is multiple sources that are relevant to the decision. Signal, not noise.

BLC: What are some other things directors can do to strengthen the quality of boardroom conversations around key decisions?

WH: It's helpful to minimize the risk of anchoring bias by adding some initial anonymity to the discussion process. We use a variation of the Delphi method, developed decades ago by RAND.² As much as possible, get everyone to form their initial view independently. Even writing it down on a piece of paper when you're sitting around the board table is helpful. Then have a discussion. That way, whoever speaks first isn't going to anchor the group. You're going to be able to hear everybody's independent perspectives, and you're going to have a better-informed opportunity to update your own judgment.

Also, conduct a pre-mortem, which is a wonderful tool from Gary Klein.³ Imagine you are in the future, and the decision you made today went wrong and the project failed. Explore why that happened. Ask what you missed. Then update again.

BLC: What are some questions to ask during boardroom discussions about major decisions to help surface hidden risks and assumptions?

WH: First, ask: What do we all agree on? That's usually the easiest question, and that's what most people ask, and then they stop there. But points of disagreement are just as important. So, the next step is to ask what those points are. What do I think is important that someone else doesn't see that way? Getting those points of contention surfaced ensures that risks and hidden assumptions are part of the discussion. Finally, ask: "What would get you to change your mind?" It might be an opposing viewpoint; it might be something else. If the answer is, "Nothing will get me to change my mind," that could be a red flag. You want to have people on your team who are willing and able to change their minds when the evidence changes.

BLC: There's a lot of discussion about the importance of human judgment in using AI. How can AI help support complex decision-making? How are Superforecasters using AI?

WH: At Good Judgment, we've long argued for humans plus AI, not either/or. We've discussed having a variety of perspectives while also avoiding noise. This is where AI can be helpful, and this is one way Superforecasters use it in their research. The world is awash with information. Most of it is not going to be relevant to what you need to decide.

AI can help you cast a wide net, then help sift through what's meaningful and what's not. It can also help with developing questions we should ask ourselves to challenge our preexisting views. And it's great at synthesizing large amounts of data. Where it fails is where data is sparse and decisions are messy and complex. It doesn't replace human judgment there.

BLC: Talk about Superforecasters' openness to changing their minds.

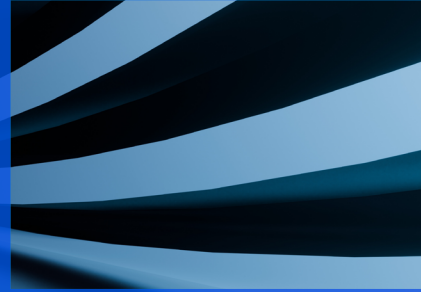
WH: In plain terms, their strength is relentless curiosity. They treat beliefs as hypotheses, always testing them and adapting as the facts change.

¹ System 1 operates automatically and quickly, with little or no effort and no sense of voluntary control. Source: Daniel Kahneman, *Thinking, Fast and Slow*, Farrar, Straus and Giroux, 2011.

² Bernice B. Brown, *Delphi Process: A Methodology Used for the Elicitation of Opinions of Experts*, RAND Corp., 1968.

³ Gary Klein, *Performing a Project Premortem*, Harvard Business Review, September 2007.

Strengthening board engagement as volatility tests strategy



By John H. Rodi and Patrick A. Lee

Disruption and uncertainty have become the new normal for companies. Setting a five-year strategic plan and revisiting it annually now seems like a quaint concept. Against this backdrop, our conversations with seasoned directors throughout the year have emphasized the need for more dynamic, real-time board engagement in strategy. In particular, boards are focusing on strategy execution, AI, and the geopolitical and macroeconomic landscape.

Volatility—from geopolitics to cyber risks to AI—threatens to make long-term strategy challenging without vigilant checks on execution. Boards can help link strategy and risk; challenge assumptions; monitor key performance indicators, key risk indicators, and key control indicators; encourage pivots when needed; and bridge strategy gaps that management might be missing. While the long-term strategy sets the direction, strategic execution helps ensure the organization’s survival and continued value creation in the face of real-time shocks.

Agile strategy

Directors are increasingly expected to test underlying assumptions and help ensure that strategy is anchored in a clear articulation of risk appetite. While scenario planning is important to stress-test the long-term strategy, many directors see challenges with traditional scenario planning. In the past, companies may have identified two or three key uncertainties, and management and the board constructed three or four plausible scenarios to address them. Today, however, most organizations face so many consequential uncertainties that a traditional scenario-planning matrix cannot address them all.

Scenario planning is essential to help expand leadership thinking about strategy and to build the cognitive muscle to respond to change. But given its limitations, companies and boards are placing more emphasis on resilience, agility, and adaptability as core competencies around strategy execution. They enable management to adjust strategic execution without the need to revisit the long-term strategy.

Responding to shifts

As discussed in *Assessing the Company’s Adaptability: Questions for Boards*, our tool in the 2026 NACD Blue Ribbon Commission report, agility and adaptability are not simply a reaction to disruption. They reflect an organization’s ability to learn continuously; make timely decisions amid uncertainty and volatility; and redeploy capital, talent, and leadership ahead of competitors.

Of course, judgment is required when deciding whether a change in the external environment warrants revisiting the company’s long-term strategy, rather than just adapting its execution. That judgment and the ability to bring the board along, which is increasingly a core leadership competency for the CEO, will become more challenging given the uncertainties posed by AI and macroeconomic and geopolitical risks.

AI. This is top of mind in most boardrooms, as AI is a transformational shift that will fundamentally reshape operating models, decision-making processes, and competitive dynamics across industries. It requires boards to oversee how AI is embedded into a company’s broader strategy and translated into concrete initiatives. It also requires boards to help ensure that companies proactively adapt their strategies, governance frameworks, and talent capabilities to remain competitive and resilient.

That said, outside of the technology companies that are investing billions of dollars in AI, directors should be wary of allowing AI to unduly dominate strategy discussions, which should continue to focus on the “business of the business”: How is management defining markets and finding competitive advantage in pursuit of growth and long-term value creation?

Top of mind for many directors are culture, workforce, talent, and people issues. Achieving the benefits of generative AI (GenAI) and agentic AI at scale hinges on placing people at the core of adoption. Companies should prioritize change management, workforce empowerment, skills development, and cultural transformation.

What skills are necessary in an agentic AI and GenAI world? How does the company mitigate the risk of “de-skilling”? Fundamentally changing what people do every day and how they work requires leadership.

Second, directors are focusing on how AI can enable strategic execution and enhance productivity, efficiency, and decision quality in areas such as sales, workflow design, customer service, supply chain optimization, product innovation, workforce management, and research and development.

Other key boardroom considerations include:

- Whether AI investments are aligned with strategic priorities and whether the company has the data infrastructure and talent to operationalize these investments
- The need for an AI capital allocation framework to help assess potentially very different risk-return profiles for different types of AI investments
- The adequacy of the company’s AI governance processes and guardrails
- Whether the company’s cybersecurity defenses and incident response plan keep pace with the growing sophistication of cyberthreats posed by AI

Given the increasing importance and complexity of AI, as well as the speed of AI advancements, ongoing board education on AI remains essential. This may include reports from management, outside education programs, and updates from third parties.

Macroeconomic and geopolitical risks. Macroeconomic volatility and geopolitical fragmentation are becoming central to strategic oversight. Geopolitical risk is reshaping decisions about market entry, supply chain configuration, and technology investments. Boards are becoming more engaged in evaluating concentration risks, regulatory divergence across jurisdictions, and the potential for sudden policy shifts.

At the same time, boards should monitor evolving economic and geoeconomic risks. For example, the prolonged period of near-zero interest rates during the COVID-19 pandemic obscured weak strategic decisions by making capital unusually cheap. Now, with interest rates significantly higher, the cost of

capital is forcing companies to be more selective about where they invest.

For decades, US markets have benefited from an implicit premium tied to strong rule of law and institutional stability. That assumption is now being reassessed. As a result, some European and Asian companies are diversifying away from US-based financial infrastructure and increasingly pricing political risk into US assets.

These shifts carry several important strategic implications for the board’s consideration:

- **Supply chains are now a core strategic asset.** Many companies are prioritizing “friend-shoring” and near-shoring to build resilience, even though this increases costs.
- **Balance sheet discipline has returned.** Levels of leverage that seemed acceptable in recent years appear risky in a higher interest rate environment.
- **Geographic investment decisions require a geopolitical lens.** Companies should evaluate geopolitical alignment risks across markets when making capital allocation decisions.
- **Speed has become a competitive advantage.** Organizations that can move quickly, including on acquisitions, pricing, or market entry, are better positioned to capitalize on narrow windows of opportunity.
- **Clear stakeholder communication is critical.** Companies should articulate how leadership is navigating uncertainty, offering a credible and human narrative without overstating confidence.

To help put the board’s assessment of strategy into context, it can be helpful to review the company’s historic total shareholder return for the past 1, 3, 5, and 10 years. This can show whether the firm is lagging relative to competitors. Is the company leaving value on the table in terms of cost, capital allocation discipline, or margin structure? Dynamic engagement by the board will be key to effectively calibrating strategy in a low-visibility, high-volatility environment.

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Mark your calendar

Webcast: A board lens on macro disruptions

Virtual

The KPMG BLC and Eurasia Group discuss the forces disrupting the global business landscape and how to distinguish between structural changes and temporary disruptions.

To watch, visit watch.kpmg.us/BLCwebcast.

Webcast: SEC comment letter trends 2026

October 19 at 1:00 p.m. ET or October 20 at 11:30 a.m. ET

KPMG professionals explore the SEC's current comment letter landscape and what recent activity may signal for companies with SEC reporting obligations. Gain practical insights to help anticipate areas of scrutiny and strengthen reporting readiness.

To register, visit kpmg.com/us.

2026 LCDA Board Leaders Convening

November 11–13, Orlando, FL

Join KPMG at the Latino Corporate Directors Association (LCDA) 11th Annual Board Leaders Convening for LCDA members and Latino business leaders at the pinnacle of corporate leadership and governance. This invitation-only event features dynamic panels, peer exchanges, and timely discussions on emerging trends in corporate governance.

To register, visit latinocorporatedirectors.org.

KPMG Annual Finance & Accounting Executive Symposium

December 2–3, Las Vegas, NV

Designed for financial executives, the 36th Annual Symposium will include sessions on generative AI for finance and accounting, SEC reporting, private company accounting, cybersecurity, and the latest financial and accounting reporting issues.

To register, visit kpmg.com/us.

Podcast: Takeaways from the 2026 proxy season

On demand

KPMG BLC Senior Advisor Stephen Brown and Freshfields Partner Pamela Marcogliese discuss key developments for boards from the 2026 proxy season.

Listen or download at listen.kpmg.us/BLCpodcast.

Selected reading

[2026 Cybersecurity & technology risk survey](#) *KPMG LLP*

[SEC proposes to rescind Rule 14a-8](#) *Mayer Brown*

[2026 New director snapshot](#) *Spencer Stuart*

[KPMG Adaptability Pulse Survey](#) *KPMG LLP*

[Evaluating internal CEO candidates](#) *Heidrick & Struggles*

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