

Board Perspectives

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COSO's guiding principles for board oversight: Why directors should care

Today's boards are being asked to do more — at greater speed and under greater scrutiny — while navigating escalating risks and rapid change. COSO's new Guiding Principles for Board Oversight offer a practical, board-facing framework to help directors evaluate whether their oversight is fit for purpose and aligned with long-term value creation.

Recently, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released its [Guiding Principles for Board Oversight](#) developed in collaboration with PwC. According to COSO, the publication's 12 guiding principles “offer boards a practical tool for assessing whether their governance model remains fit for purpose as organisations confront accelerating change, heightened stakeholder scrutiny and increasingly complex risk environments.”

What is COSO?

COSO is a joint private-sector initiative aimed at improving organisational performance and governance by reducing fraud and providing frameworks for internal control and enterprise risk management. Its widely adopted integrated framework helps organisations design, implement and assess internal controls to

ensure operational efficiency, accurate financial and other reporting, and regulatory compliance. In the U.S. capital markets, it is the framework of choice for purposes of reporting on internal control over financial reporting. COSO is led by five major professional associations: The American Institute of Certified Public Accountants, American Accounting Association, Financial Executives International, The Institute of Internal Auditors and The Institute of Management Accountants.

Some may wonder if, because it is led, in effect, by accountants, auditors, educators and financial executives, COSO lacks the credentials to publish guiding principles for board oversight. The reality is that these professionals often engage with boards. They provide valuable information for directors and are aware of the history of governance failures and their root causes linked to ineffective board oversight.

And, to no surprise, many serve on boards. Importantly, COSO does not develop guidance in a vacuum; the guiding principles draw on extensive research, a review of widely recognised governance guidance, and input from directors, executives and governance professionals in addition to COSO's sponsoring organisations.

Why did COSO issue the guidance?

COSO states that the purpose of its corporate governance publication is to provide guiding principles and practical illustrations that support effective board oversight in a changing governance environment. The principles clarify roles, facilitate governance discussions, and highlight practices that support informed decisions and accountability.

The intent is to offer general guidance that serves as a unified reference for directors, executives and board advisers who operate in an environment largely framed by exchange listing standards, regulatory requirements, industry-specific expectations, general practices framed by case law (e.g., the "Caremark standard" in the United States), and accepted practices as outlined in various handbooks for public, private and not-for-profit organisations.

Is the guidance prescriptive?

This is an important question. To an audience of active board members, corporate secretaries, legal advisers and governance professionals, COSO provides all the appropriate caveats. For example, it asserts that the guidance is directional and illustrative. It does not mandate requirements or a single governance model, nor

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does it purport to cover an exhaustive summary of all board responsibilities. The intention is to bring together interrelated principles that support and inform effective board oversight. Most importantly, COSO makes it clear that the guidance is meant “to complement, not replace, applicable law, regulation and other widely recognised governance guidance.”

Some may assert that the guidance is too high-level and argue for something more granular. As a matter of fact, COSO tried that approach in 2025, and received diverse feedback highlighting its challenges. In response, COSO aimed to balance meaningful direction with flexibility by shifting the guidance from a formal framework to a principles-based resource, allowing boards to tailor how and to what extent to apply the principles to their specific needs.

In view of our experience with the board community, this approach makes sense. Directors prefer general principles that give them some “running room” to stake out the best approaches that make the most sense in the circumstances. There is no one-size-fits-all for large organisations, mid-caps and small caps.

How detailed is the guidance?

The COSO publication is effectively board-facing. Its introduction states that “the guiding principles focus on the board’s oversight role.” The core governance concept of each principle is described in a single sentence. Context on how the principle contributes to the board’s oversight, aligns with strategy and contributes to long-term value is then articulated to clarify why each principle matters. Illustrative examples are offered to demonstrate each principle in action.

Finally, as the effectiveness of board oversight is impacted by the support of executive management and other key functions, examples of how management may enable and inform the board are provided. The bottom line: The guidance is structured to enable directors to wade into the content so they can ease in — starting with the essentials — rather than feel forced to work through the guidance as if it were a novel.

What are the guiding principles?

The framework offers 12 actionable principles covering governance structures, board composition, and oversight of culture, strategy and risk. It emphasises linking board oversight with internal controls, executive leadership and long-term value creation.

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A summary of the 12 principles is provided below:

Board governance structure. The board defines and oversees a governance structure that supports its fiduciary duties, clarifies roles and delineates authorities, and aligns oversight responsibilities with the organisation's mission, strategy, objectives, risk appetite, and applicable legal and regulatory requirements.

Board accountability. The board follows laws, regulations and governance standards, honours shareholder or other beneficiary rights, and oversees governance and controls to promote stakeholder trust through complete, accurate and timely disclosures.

Board composition and leadership. Board members offer a diverse set of skills and backgrounds, maintain independence from management, and regularly review the board's composition, leadership roles and succession plans to ensure ongoing effectiveness.

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

Purpose, mission and values. The board periodically reviews the organisation's purpose, mission and values, and oversees their alignment with strategy, culture, incentive structures and workforce practices so that they guide decision-making and sustain strategic consistency at all levels of management.

Culture, conduct and tone at the top. The board sets clear expectations for integrity and ethical conduct; models these values in its actions and decisions; expects senior managers to uphold them; and ensures their alignment with the organisation's purpose, mission, and values.

Strategy, objectives and performance. The board provides independent perspective on strategy and objectives; approves plans and actions to execute the strategy; and oversees execution by monitoring performance against agreed objectives and measures while also confirming alignment of incentives with the organisation's purpose, mission, values, risk appetite and focus on creating long-term value.

Technology and data. The board ensures technology and data practices are managed according to the organisation's strategy and risk appetite and used to enhance performance and resilience.

Stakeholder engagement. The board oversees management's approach to identifying and engaging stakeholders; promotes

COSO's 12 guiding principles

1. Board governance structure
2. Board accountability
3. Board composition and leadership
4. Board effectiveness
5. Purpose, mission and values
6. Culture, conduct and tone at the top
7. Strategy, objectives and performance
8. Technology and data
9. Stakeholder engagement
10. Executive leadership and succession
11. Executive performance and compensation
12. Risk management and internal control

credible, balanced communication; engages directly when appropriate; and incorporates relevant stakeholder interests and feedback into strategic conversations to strengthen trust and long-term value creation.

Executive leadership and succession. The board appoints the CEO and, as appropriate, key executives; oversees leadership and succession planning; and periodically reviews management's talent strategy, leadership pipeline and capability needs to ensure leadership continuity and organisational resilience.

Executive performance and compensation. The board reviews CEO and, as appropriate, executive management performance; approves compensation plans; and oversees incentive structures to drive long-term performance and reinforce accountability for long-term value creation.

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

How should directors use the guidance?

The 12 principles are timeless, which makes them a convenient compendium of well-known governance concepts. The principles reflect widely established board expectations as well as context-dependent practices based on the facts and circumstances in each case and the applicable legal and regulatory environment. It is their familiarity that makes them credible and enhances their usefulness as a framework for assessing effectiveness of board oversight.

Thus, board members have the flexibility to determine the specific practices and examples that are most relevant. They can use the framework as a benchmark when conducting a periodic board self-assessment. COSO suggests that the principles can be used to frame board and committee discussions around priority oversight topics and inform director onboarding and continuing education through a shared governance vocabulary. During transitional moments such as leadership changes, major market shifts, material or unusual transactions or heightened stakeholder scrutiny, the board may find a framework grounded in governance principles useful to its deliberations.

How can others use the guidance?

COSO's publication can also support governance professionals, including corporate secretaries, chief audit executives, risk and

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compliance professionals, board advisers, institutional investors, and others who interact with the governance process. As discussed above, the shared language COSO's guidance offers can facilitate board oversight discussions and provide a context for the information and analysis executive management can provide to support those discussions. It can also be useful in identifying where information flows, decision-making processes or accountability may benefit from further clarification.

Where to start?

Deciding where to start in using COSO's framework is a matter of judgment, but for those who would like a simple approach, here are six questions directors and boards could ask based on COSO's guiding principles:

- How well does our **current governance structure** align with COSO's guiding principles, and are our defined roles, delegated authorities and committee functions clearly defined for effective oversight?
- Does our board oversight model support **disciplined decision-making** that supports sustainable long-term value creation and organisational resilience?
- Are we periodically reassessing **board composition and director expertise** to ensure the board's alignment with market opportunities, emerging risks and strategic challenges, as highlighted in the COSO framework?
- How does the board monitor and reinforce **ethical conduct**, integrity and tone at the top across the organisation, as emphasised by COSO's principles?
- Does the board have sufficient visibility into how **risk management, internal control and assurance activities** — including internal audit — are aligned with the organisation's strategy and risk appetite and key governance priorities, and does reporting from these functions provide a coherent, decision-useful picture of risk coverage and control effectiveness to **inform management and board deliberations**?
- Are we actively **engaging key stakeholders and communicating governance** expectations transparently, ensuring alignment with COSO's emphasis on accountability and responsiveness?

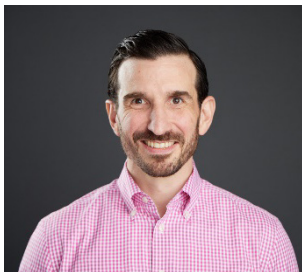
COSO's Guiding Principles for Board Oversight offer directors and governance professionals a practical, board-facing framework to assess whether governance is keeping pace with today's complex world — without prescribing a one-size-fits-all model.

What is the takeaway?

COSO's Corporate Governance: Guiding Principles for Board Oversight is designed to be globally adaptable across governance models, including public, private and not-for-profit organisations. It offers directors and governance professionals a practical, board-facing framework to assess whether governance is keeping pace with today's complex world — without prescribing a one-size-fits-all model. As COSO is not a regulatory body, its guidance is neither a mandate nor a foundation for attestation.

Critically, the guidance is easy to use; its modular presentation enables a read of the headline principle and a deeper dive into the examples as necessary. Used as a common governance language for self-assessments, committee agendas, director onboarding, governance education and decision-making during periods of transition, the guidance can help boards sharpen constructive challenges, improve information flows with those who support them, and reinforce follow-through as circumstances and needs evolve.

About the author



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Andrew is Protiviti's Global CAE Solutions leader. In this role, Andrew's focus is on understanding and advancing the strategic priorities and transformation agendas of CAEs and their leadership teams, as well as those of their executive and board stakeholders. Andrew is inspired by and committed to helping to advance the profession, raising the global brand and profile of internal audit and helping ensure the profession, its leaders and its practitioners get and remain future ready. He served as a project adviser during COSO's development of its guiding principles for board oversight.

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