



# Elevating boards: The strategic role of NRCs in corporate governance

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In today's corporate corridors, the alignment of talent and strategy has emerged as a critical determinant of organisational success, highlighting the transformative potential of the Nomination and Remuneration Committee (NRC). Traditionally focused on executive appointments and compensation, NRCs now stand poised to expand their remit by addressing broader strategic imperatives of the boardroom. By evolving from transactional oversight bodies to strategic enablers, NRCs can shape both the workforce agenda and the broader governance framework.

As businesses grapple with an increasingly complex environment, NRCs are uniquely positioned to lead the way in redefining governance priorities. Whether it is by ensuring competitive and just executive compensation frameworks, fostering a culture of continuous development, or embedding robust mechanisms for workforce planning, NRCs can serve as catalysts for organisational resilience and growth. Their evolution into strategic enablers offers the potential to unlock significant value and solidify their prominence as gatekeepers of corporate governance.

**Drawing from our engagements with numerous boards and distinguished directors, the following key themes have emerged to enhance NRC effectiveness:**

**Inculcating  
a larger 'human  
capital viewpoint'**

**Effective  
governance begins  
"at the top"**

**Executive  
compensation:  
Rewarding Excellence,  
Ensuring Equality**

**Information  
symmetry**

**A call for data-driven  
people practices**

**Succession  
planning and career  
progression**

**Enhancing overall  
effectiveness of  
the NRC**

**Preparing the  
workforce for  
future**



# Inculcating a larger 'human capital viewpoint'

In recent years, the evolving corporate landscape has demanded NRCs to move beyond their procedural role of retaining top talent, maintaining transparency in processes such as appointment, reappointment, and remuneration of Key Managerial Personnels (KMPs), and establish their role as strategic enablers of workforce development to contribute to the long-term sustainability of the organisation. Today's forward-thinking organisations recognise that NRC's influence extends across the entire talent ecosystem and not just the leadership at top. This progressive outlook emphasises the importance of nurturing every individual contributing to the company's success—not just those at the top—thereby fostering a culture of inclusivity, development, and shared accountability for sustainable growth.

## A responsibility to all

Operate with the principle that every individual who steps into our organisation is our responsibility and consider the larger workforce beyond KMPs and SMPs

## Proactive oversight and guidance

While internal auditors often address workforce-related risks, the NRC can complement their efforts by asking critical questions and offering strategic guidance

## Focus on workforce excellence

Emphasise 'quality', 'durability', and 'scalability' in human capital strategy while upholding the principles of 'dignity', 'equality', and 'fairness' to promote equity

## Focus on talent sustainability and resilience

Drive initiatives such as upskilling, reskilling, and succession planning to ensure a future-ready workforce.

## Questions for boards to consider:

- Does the NRC operate with a mindset that views the entire workforce and not just the senior leadership as critical to organisation's success? If not, are we trying to identify critical workforce segments beyond traditional leadership i.e., KMPs and SMPs?
- Is the NRC proactively asking the right questions and issuing meaningful guidance to ensure workforce-related risks are mitigated beyond the scope of internal audits?
- Do we examine issues like attrition, salary disparities, and toxic work cultures?
- Does the NRC go beyond the letter of the law to embrace its spirit, ensuring principles like fairness and inclusivity permeate every layer of the workforce?





# Effective governance begins “at the top”

Effective governance stems from strong leadership at the top level, where independent directors, the NRC chairperson, and the Chief Human Resource Officer (CHRO) play instrumental roles in driving balanced and strategic decision-making. In boardrooms influenced by dominant shareholders, the presence of an experienced and capable independent chairperson becomes even more vital to ensure objectivity and alignment with the organisation’s long-term objectives.

NRC chairperson	Independent Directors (IDs)	CHRO
<ul style="list-style-type: none"><li>• Bring specialised expertise in Human Resource (HR), leadership development, or organisational behaviour to enhance decision-making.</li><li>• Align talent management, workforce planning, and executive compensation with the long-term organisational vision.</li></ul>	<ul style="list-style-type: none"><li>• Act as impartial overseers, ensuring focus on leadership succession, executive remuneration, and workforce strategy.</li><li>• Promote constructive challenge and accountability, aligning NRC priorities with emerging workforce trends and strategic goals.</li></ul>	<ul style="list-style-type: none"><li>• Provide data-driven insights on workforce trends, succession planning, and engagement.</li><li>• Bridge board strategy with operational realities, ensuring human capital decisions are future-ready and aligned with business goals.</li></ul>

## Questions for boards to consider:

- Do we have the necessary expertise on the committee to provide informed oversight of workforce and leadership development strategies?
- Are we adequately challenging management’s decisions on leadership succession planning and workforce strategies to ensure alignment with strategic objectives?
- How can we leverage external advisors or subject matter experts to improve the quality of NRC deliberations and decisions?
- Are the organisation’s diversity, equity, and inclusion initiatives aligned with the broader strategic goals, and how do we measure their impact?



# Executive compensation

## Rewarding excellence, ensuring equality

Executive compensation in leading organisations across India continues to outpace performance and profitability and remains a sensitive issue. As organisations strive to grow in a sustainable manner, fair and transparent compensation practices are essential to foster trust and maintain workforce morale and avoid talent drain and dissatisfaction. NRCs should consider the below areas to reinforce their role as custodians of equitable governance:

<b>Aligning CEO/KMP salaries with the organisation's median salary for fairness</b>	<b>Assess and address CEO-KMP salary gaps</b>	<b>Implement holistic pay strategies, including fixed, variable pay, and Employee Stock Ownership Plan (ESOPs)</b>	<b>Prioritise team rewards over individual incentives</b>
<b>Emphasise Long-Term Incentive Plans (LTIPs)</b>	<b>Shift focus to Outcomes and Key Results (OKRs) over Key Responsibility Areas (KRAs)</b>	<b>Review pay variances by age, gender, and diversity metrics</b>	<b>Benchmark CEO pay while addressing internal salary disparities to reduce attrition</b>

### Questions for boards to consider:

- Are the LTIPs appropriately structured to mitigate excessive risk-taking while promoting sustainable value creation?
- How does the organisation assess the effectiveness of its OKRs in driving measurable outcomes, and what mechanisms are in place to recalibrate them in dynamic market conditions?
- What analytics or predictive tools are used to identify and address potential disparities in pay equity across age, gender, and other diversity factors?
- How does the board ensure that the internal salary benchmarking process balances retention of critical talent with minimising workforce dissatisfaction due to perceived pay inequities?



# Information symmetry

In most boardrooms, the NRCs often operate in silos, with limited interaction with the Audit Committee (AC), Risk Management Committee (RMC), and management, restricting its ability to address critical workforce issues with the same level of insight and strategic focus as its counterpart committees. Integrating information flows across these committees ensures a more cohesive governance framework, enabling the NRC to make well-informed, impactful decisions.

Insights from internal audits, risk assessments, and financial reviews discussed within the AC and RMC meetings can offer the NRC a deeper understanding of workforce-related risks, cultural gaps, and compliance issues that influence leadership and talent strategies.

Establishing structured mechanisms for cross-committee communication, such as shared dashboards or periodic joint sessions, allows for better alignment of priorities, ensuring that the NRC operates with the strategic foresight and interconnectedness necessary to contribute to long-term organisational resilience.

## Questions for boards to consider:

- How can the NRC leverage data from internal audits and risk assessments reviewed by the AC and RMC to identify potential workforce and cultural risks that could impact leadership pipelines and organisational performance?
- What mechanisms can be established to ensure seamless sharing of critical reports, such as risk heatmaps, compliance dashboards, and key financial trends, to enable the NRC to align talent strategies with broader risk and financial priorities?
- Are the NRC, AC, and RMC collaborating effectively to address cross-functional risks, such as cybersecurity threats, regulatory changes, or ESG compliance, which may influence workforce capabilities and succession plans?
- Can the board implement integrated platforms or digital tools, such as governance dashboards or analytics systems, to provide real-time visibility into data and decisions across these committees?
- Should the board mandate periodic joint sessions between the NRC, AC, and RMC to discuss overlapping areas, such as executive performance, organisational culture risks, and strategic workforce planning, to ensure alignment on long-term objectives?





# A call for data-driven people practices

As industries increasingly leverage advanced analytics, people practices should also evolve to adopt data-driven approaches to gain deeper insights into organisational health and culture. For instance, analysing attrition trends by gender, role, and tenure could help identify systemic challenges, while structured reviews of exit interview data might uncover patterns driving employee turnover in an organisation. Similarly, salary benchmarks comparing CEO and key management personnel compensation with median salaries may reveal disparities requiring attention of the NRC.

To enhance their effectiveness, NRCs might consider requesting integrated human capital reports that address pressing themes such as workplace culture, risks of modern slavery, and human rights adherence, aligning with global best practices. These insights could help NRCs guide the organisation toward more equitable and sustainable people practices. By embedding data into their deliberations, NRCs would be better positioned to shape a forward-looking workforce strategy while fostering a more resilient organisational culture.

## Questions for boards to consider:

- Are we leveraging advanced workforce analytics to provide the NRC with actionable insights on key metrics such as attrition, diversity, and employee engagement trends?
- Do our compensation practices align with both internal equity and external benchmarks? Are we monitoring their impact on employee satisfaction and retention?
- How effectively are we analysing exit interview data to identify systemic issues, and are there mechanisms in place to address recurring trends highlighted through these insights?
- Are we integrating workforce analytics into broader board discussions to align our talent strategy with business objectives and emerging workforce challenges?





# Succession planning and career progression

To grow further in its strategic role, NRC should broaden its scope beyond KMPs and SMPs by identifying and nurturing other critical resources within an organization such as functional leaders, Subject-Matter Experts (SMEs), and other high potential talent. These key contributors should also be included in leadership pipeline to ensure a comprehensive approach to succession planning.

Additionally, NRCs should design detailed growth charts for directors, outlining clear pathways for leveraging their unique skills to progress within the board and its committees. This outlook could not only align individual aspirations with organisational needs but also helps ensure a continuous supply of capable leaders ready to take on higher responsibilities.

## Questions for boards to consider:

- How can the NRC effectively identify and include high-potential individuals beyond KMPs and SMPs to build a robust and diverse talent pipeline?
- What criteria and frameworks can be used to create tailored growth charts for directors, detailing pathways for skill enhancement and progression within board roles and committees?
- Are we ensuring that director career progression plans are aligned with the organisation's long-term strategy and governance priorities?
- What steps can the committee take to provide directors with cross-committee exposure, enabling them to gain varied governance insights and prepare for broader roles?
- What mechanisms can the NRC establish to monitor the effectiveness of these initiatives to ensure they deliver measurable outcomes?





# Enhancing overall effectiveness of the NRC

The corporate landscape is evolving at a rapid pace, and for NRCs to maintain their relevance and effectiveness, it is crucial that they continuously assess and refine their existing practices and strategies. To stay ahead, NRCs should look to embrace forward-thinking approaches that ensure agility, transparency, and alignment with organisation's overarching strategic goals.

NRCs should consider focusing on the following key areas to evaluate and enhance its effectiveness:

## Frequency of NRC meetings

Regular well-timed meetings with room for open-ended discussions monthly or quarterly to discuss overall human capital strategy

## Enhancing board evaluations

Incorporating external evaluators to foster transparency and anonymity leading to more honest assessments

## Specialised sub-committees

Sub-committees such as HR, Diversity, and Compensation can drive deeper expertise and ensure that critical governance issues are given the attention they deserve

## Introducing shadow boards

Shadow boards comprising of young professionals under the age of 30 can help bridge generational divides while offering fresh perspectives

## Continuous learning and development

Mandatory disclosures on learning activities and establishment of structured development programmes

## Diversity and inclusion

Diversity should be embedded at the highest levels of decision-making to bring wider range of perspectives in the boardroom for varied insights

## Questions for boards to consider:

- Are our NRC meetings held frequently enough to ensure timely oversight and address emerging issues?
- How can we integrate external evaluations to ensure objective, candid assessments of board performance?
- Are there mechanisms in place to eliminate silos and encourage cross-committee collaboration?
- Do we have mechanisms in place to assess the effectiveness of our existing sub-committees (if present)?
- How can we ensure that our evaluation processes for director performance are comprehensive and aligned with strategic goals?
- Are we leveraging data and technology to improve decision-making and increase the transparency of the NRC's operations?





# Preparing the workforce for future

The evolving dynamics of work, driven by AI and automation, call for a reimagined workforce strategy that emphasises adaptability, diversity, and digital readiness. To meet these challenges, NRCs should consider embedding diversity and inclusion into their core mandate—not merely as a compliance exercise but as a strategic imperative.

Boards and NRCs should work collaboratively with management to anticipate the workforce of the future, comprising a blend of human expertise, AI-driven systems, and advanced technologies. This preparation requires investments in continuous learning initiatives for directors and employees, focusing on adaptability, digital proficiency, and cross-functional capabilities. Additionally, as technology reshapes roles and responsibilities, NRCs should drive conversations around ethical considerations, workforce integration, and the changing definition of human capital.

## Questions for boards to consider:

- How can the board collaborate with the NRC to redefine roles and responsibilities in light of AI, automation, and other advanced technologies, ensuring a balance between domain expertise and digital skills?
- What frameworks can be established to evaluate and implement continuous learning programmes that address digital readiness, adaptability, and leadership development for directors and employees?
- How can the board oversee the integration of automation into workforce practices while ensuring a seamless balance between efficiency, ethical considerations, and the human touch?
- Are ethical considerations regarding AI and automation adequately addressed in workforce policies, including potential impacts on jobs, employee well-being, and decision-making processes?
- What tools and initiatives can be introduced to ensure directors are equipped to navigate the complexities of digital transformation, including board-level upskilling and exposure to cross-functional insights?





# No one size fits all...

In conclusion, the discussions around the remit and effectiveness of NRCs highlighted the diverse yet interconnected priorities shaping modern governance. However, there is no one-size-fits-all approach, these insights intend to provide a framework for boards and NRCs to tailor their strategies, align governance practices with organisational goals and the challenges of a rapidly changing world.





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