On the NRC agenda 2025: Challenge or change?

Board Leadership Center (India)

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Introduction

The nomination and remuneration committee (NRC) plays a crucial role in ensuring the effective leadership and management of an organisation. Their responsibilities extend beyond just selecting and appointing board members to focus on shaping corporate governance practices, ensuring compliance with legal and regulatory requirements, and promoting a culture of ethical behavior and accountability.

Given the constantly evolving market influences, boards must have the skills and experience to oversee the company's strategy amid global policy shifts, geopolitical conflicts, economic fluctuations, developments in technology, climate risk, cybersecurity, artificial intelligence (AI), and numerous implications of a changing workforce, all amid heavy scrutiny by investors and other stakeholders. The board needs talent, structure, and processes to stay on top of it all. Boards also need to devote attention to ensure that performance and reward frameworks continue to attract, retain, and motivate, while understanding evolving shareholder expectations.

The NRCs face a challenging task, recalibrating to ensure that the board possesses the appropriate skills, oversight is both efficient and comprehensive, and remuneration aligns with the organisation's performance. Drawing on insights from our interactions with veteran board members across industries, committees and backgrounds, we highlight six issues to keep in mind as NRCs carry out their 2025 agendas.

01 Strategic talent composition

As the issues within the board's purview continue to evolve rapidly, boards must have the skills needed to guide their companies effectively through 2025. Keeping in mind the dynamic business environment, institutional investors and proxy advisory firms are focused on board composition, including director diversity, on-boarding, and board efforts to remain relevant and continuously improve.

Ensuring the right mix of people on the board is essential for effective governance and strategic decision-making. A well-composed board not just meets compliance and diversity requirements but brings valuable expertise to the table. Having directors with trending skills such as technology implementation, industry specialisation, corporate strategy, audit/finance, cybersecurity, and transactions/M&A makes the board more competitive, versatile, and effective in navigating a dynamic business environment.

We urge the NRC to hit the reset button on what directorship and director tenure should look like, laying a strong foundation for board oversight with the following in mind:

Considerations for the board

- Does the board have the diversity and expertise to guide the business through changing imperatives and stakeholder expectations?
- Are there qualified leaders with diverse perspectives and cultural understanding on the board?
- Do all board members have a foundational literacy in the top issues—both traditional and emerging—critical for effective oversight?
- Does the board conduct evaluations tied to director education efforts and renomination?
- Is the board matrix adjusted as skills, expectations, and company needs evolve? How are skill gaps addressed?
- Do directors have adequate time for board service? Is there a policy on the upper limit of other directorships?
- Does the board search broadly for talent, including underrepresented groups, to avoid groupthink?
- Does the NRC ensure directors recognise when their skills no longer align with company needs and act accordingly?
- Does the NRC adopt a clean slate approach each year, envisioning the ideal board to match the company's strategic outlook over the next three years and taking action to move the board toward that ideal?

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02 Cultivating dynamic board culture

In thinking about the year ahead, the NRC chair and other board leaders should set aside time to define the ideal culture the board aspires toward. A well-defined board culture aligns directors with shared values and principles, enhancing collaboration and strategic execution. It establishes ethical standards, builds stakeholder trust, and promotes an environment where diverse perspectives are valued.

Fostering a board culture that embraces change, continuous education, constructive skepticism, and service orientation is essential for thriving in today's business environment. Without these attributes, boards may find it challenging to keep pace with evolving market trends and stakeholder expectations. However, by championing adaptability, boards can better navigate uncertainties, drive innovation, and align with the organisation's goals.

What leadership characteristics, interpersonal skills, and values should the board strive to embody and promote? We provide the following thoughts to help initiate the conversation:

Considerations for the board

Change

- Embrace agility, humility, and resiliency to keep the board fit for purpose in today's volatile operating environment
- Expect to pivot on strategy and emerging issues with greater frequency
- Encourage—and applaud—directors who proactively step down when they recognise their skills sets are no longer aligned with the needs of the board.

Continuous education

- Require all directors to have a foundational knowledge of issues within the board's purview
- Provide opportunities for continuous board education—on cybersecurity, technology, sustainability, artificial intelligence and industry-specific developments
- Assess individual directors on their efforts to stay current on emerging issues—with results tied to the renomination process.

Constructive skepticism

- Support and guide the management team but maintain strong independence of mind
- Ask critical, probing questions and for supporting data
- Anticipate unseen risks and opportunities and ask how the company will monitor and adapt to change
- Supplement management's information by consulting with outside experts on issues beyond the board's expertise.

Service orientation

- Set the tone for ethical decision-making, prioritising the company's reputation for trust and responsible business practices
- Approach board service as a servant leader
- Align with values, mission, and strategic objectives of the organization to and support the achievement of long-term goals.

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03 Reconsider board processes to improve efficiency

As board oversight becomes more challenging and complex—with increasing demands on the board's time—boards continue to look for ways to maximise their efficiency and effectiveness. NRCs can help facilitate this effort by considering the following:

Meeting pre-reads: Distribute pre-read meeting materials in advance, allowing board members ample time to review and come prepared with insights and questions

Meeting agenda: Save time by using a consent agenda for routine matters and organise the agenda to priorittise important issues. Adding an executive session at the start may seem time-consuming, but provides valuable input to help the chair drive focus on keyareas This opening session should not replace the executive session at the end of the meeting. The time allocated on the agenda for the closing executive session should be estimated as closely as possible so that board members can plan travel schedules that allow them to fully participate

Streamline communication: Implement efficient communication channels for board members to share updates, documents, and discussions outside of formal meetings

Utilise technology: Leverage digital tools and platforms for virtual meetings, document management, and collaboration to save time and improve accessibility

Task forces: Establish specialised committees or task forces to handle specific areas, enabling more in-depth analysis and recommendations for the full board

Regular evaluations: Conduct regular evaluations of board/individual performance and processes to identify areas for improvement and implement necessary changes

Actionable minutes: Record clear and concise meeting minutes, outlining key decisions, action items, and responsibilities. Follow up on these actions between meetings to ensure progress

Meeting frequency and length: Consider whether the board and committees have the right number of meetings, and whether lengthening the time or adding an additional meeting would be beneficial. Some boards have added informal education sessions and/ or real-time dashboard information as a means of helping directors stay informed between meetings.

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Substantive oversight of sustainability matters such as diversity, equity and inclusion, organised labor, social aspects of ESG pertaining to treatment of contract labor, fair wages etc. often fall in the territory of NRC. In 2025, with geopolitical changes and the anticipated policy changes may push and pull in different and often opposing directions. The NRC may take the lead in establishing and enhancing governance processes to ensure that oversight of these topics remains comprehensive and aligned with the company's purpose and values as circumstances and strategy evolve.

Setting the tone

The NRC can support the board in setting the tone of actively considering the company's impact on employees, customers, and communities—not just financial metrics— when making significant business decisions. The NRC can also work with the board chair and the CEO to develop, assess, and update, as needed, a framework addressing when (or if) the CEO will speak out on social and political issues affecting the company and its stakeholders. And if, as suspected, we are entering an environment of deregulation, the NRC can set the tone by questioning whether management routinely couples the question "Can we do this?" with the added question "Should we do it?"

Oversight of diversity

With geopolitical changes pushing the agenda away from diversity; while every company's response will be tailored to its own values, business needs, and risk profile, NRCs can encourage the board to consider the following as the company assesses its diversity strategy:

- Are the company's diversity initiatives legally compliant?
- Has the board discussed with management the potential impact on the company's reputation of supporting (or moving away from) DEI initiatives, and is there alignment on the company's risk profile?
- Does management have a talent strategy that will enable the company to achieve its long-term goals and win the war for customers and talent in an increasingly diverse society?
- How are the company's diversity initiatives communicated to shareholders and other stakeholders? The board should ensure disclosures are consistent, accurate, and sufficient to explain the rationale behind initiatives.

Compliance with the new labor codes

India has recently introduced new labor codes aimed at simplifying and modernising the country's labor laws to create a more conducive environment for employers and workers. The NRC needs to work with the board to ensure compliance as well as ensure the implementation in the right spirit across the following key areas

- **Code on wages –** Implementation of a universal minimum wage and change in the definition of wages and the impact of the same on both the organization, the employees and the contractors
- **Social security code –** Impact of covering a wide range of workforce including contractual and indirect workforce across multiple benefits such as health, gratuity, PF etc. on the organisation and ensuring coverage till the last worker
- **Industrial relations code –** Ensuring the right governance and controls to effectively manage industrial relations and settle disputes with employees and unions
- **Occupational safety, health and working conditions code –** Ensure compliance with the provisions and provide the right facilities and welfare measures for workers.

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05 Governance on executive remuneration

With market increments back to pre-pandemic levels, the NRC faces an uphill task of retaining talent while ensuring expectations of executives, shareholders and regulatory bodies. There are certain themes the NRC must ensure alignment with:

Considerations for the board

- **Ensuring fairness and transparency:** The committee must ensure that executive remuneration is fair and transparent, aligning with the company's policies, performance, and market standards
- **Balancing short-term and long-term incentives:** Ensuring that the remuneration package motivates executives to achieve short-term goals while also considering the long-term sustainability and success of the company can be a challenge
- **Retaining top talent:** The remuneration package is competitive enough to attract and retain top executive talent in a competitive market
- **Aligning executive pay with company performance:** It can be challenging to effectively link executive remuneration with the company's performance to incentivise executives to drive the company's success
- **Regulatory compliance:** The committee must navigate complex regulatory requirements, including disclosure obligations and compliance with corporate governance principles, in designing and implementing executive remuneration packages
- **Shareholder expectations:** Balancing the interests of various stakeholders, including shareholders, employees, and executives in determining executive remuneration can be a challenging task for the committee.

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06 Succession planning

A board's vision extends far beyond quarterly results— it is about ensuring the organisation's long-term resilience, relevance, and leadership. In an era where regulatory scrutiny is intensifying, business risks are evolving rapidly, companies must demonstrate resilience in leadership and succession planning must be an integral part of every board's agenda. Without a structured plan in place, organisations face governance instability, loss of critical expertise, misalignment with future business needs, and, ultimately, a decline in investor confidence. Delayed or inadequate succession planning has, time and again, resulted in leadership vacuums that disrupt operations, erode market trust, and weaken competitive positioning.

To embed succession planning into the board's strategic framework, it must be an ongoing priority rather than a reactive process. This involves regularly assessing board composition against future business needs, identifying and developing internal and external leadership talent, and implementing structured transition programs with mentoring and onboarding phases. The right succession strategy also considers regulatory expectations, including tenure limits, independence criteria, and evolving corporate governance standards. Beyond compliance, a well-structured succession framework fosters board effectiveness, enhances decision-making, and instills confidence among investors and stakeholders. As boards set their priorities for the upcoming financial year, succession planning must be treated as a cornerstone of corporate stability, ensuring that leadership remains agile, accountable, and equipped to steer the company toward sustained growth and innovation.

Considerations for the board

- Are there any skill gaps that need to be addressed, particularly in areas like digital transformation, ESG, cyber risk, and governance?
- How do we ensure a balance between board continuity and refreshment to maintain institutional knowledge while bringing in fresh perspectives?
- Do we have a structured succession pipeline for key board positions, including the chairperson, committee chairs, and independent directors?
- Are we identifying and developing high-potential internal candidates for board and senior executive roles?
- How are we engaging with external talent pools to ensure we have access to diverse and highly skilled candidates for future appointments?
- How frequently are we reviewing and updating our succession planning framework to comply with evolving corporate governance norms?
- Have we established a contingency plan for sudden leadership departures to avoid governance disruptions?

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