



Rethinking NRCs in the AI era

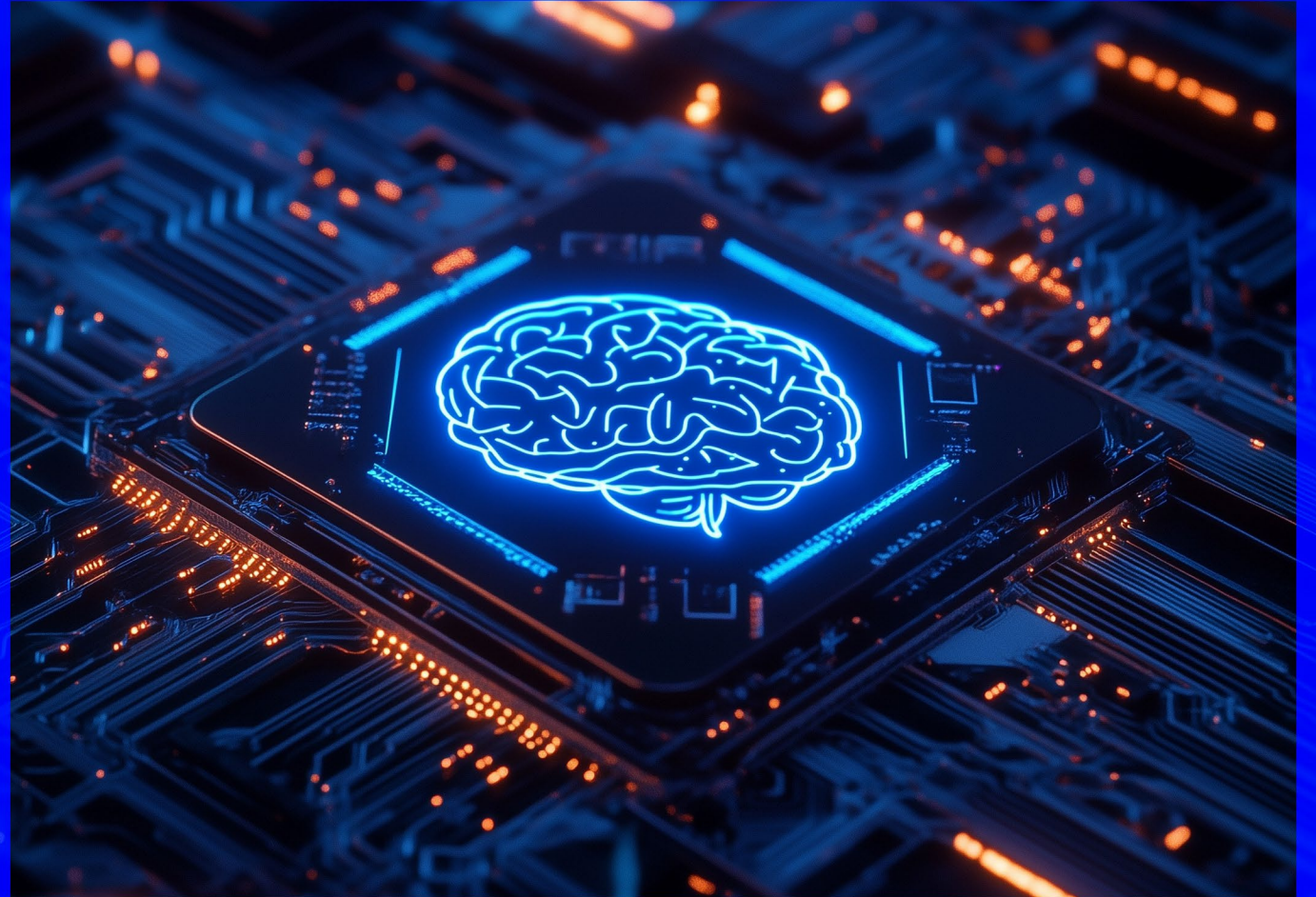
From oversight to stewardship

Board Leadership Center (India)

October 2025

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The invisible architect

As artificial intelligence (AI) moves from the margins to the mainstream of business strategy, a quiet but profound shift is underway in boardrooms. The implications of AI are not confined to digital transformation or operational efficiency. They are reshaping the contours of work, culture, leadership, and even ethics. In this transformation, Nomination and Remuneration Committees (NRCs), often seen as stewards of people and pay are being thrust into a much broader strategic role: **that of governance architects in an AI-augmented enterprise.**

This publication offers a board-level lens on the evolving responsibilities of NRCs, grounded in recent cross-sectoral deliberations and insights from boardroom conversations. It raises fundamental questions NRCs need to begin asking, and that sets out a path for **how boards can recalibrate their oversight frameworks in light of AI's human-related consequences.**

The strategic imperative: Why NRCs must engage with AI

AI is transforming the employee lifecycle—from recruitment and performance evaluation to career progression and exits. These changes are not just operational—they are ethical, cultural, and deeply human. Traditionally, NRCs have focused on succession planning, executive compensation, and leadership development. In an AI-enabled enterprise, these responsibilities are no longer siloed—they are deeply interwoven with decisions about how AI is deployed across the workforce. The ethics of automation—who gets displaced, who gets reskilled, and who decides—are not just HR questions; they are governance questions.

Boards therefore need to ask:

Are we equipped to interpret the people impact of AI strategies?

Are we embedding a values-based approach to automation?

Are we shaping the future of work, or reacting to it?



What NRCs should do to use AI in HR matters?

To effectively leverage AI in HR, NRCs must expand their mandate and embrace a broader governance role. This involves rethinking how AI intersects with every stage of the employee experience.

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NRCs must **move beyond traditional HR oversight to govern AI's role in recruitment** algorithms, performance analytics, career pathing tools, and even exit automation. These technologies are reshaping how talent is identified, evaluated, and retained

2

NRCs must champion career resilience. The rise of AI has made parts of the traditional employability pipeline obsolete, particularly in entry-level and back-office roles. Rather than focusing on replacement, NRCs should promote ethical redeployment strategies, invest in skilling for adjacent roles, and partner with CHROs to preserve human relevance. Employees' familiarity with organisational history and best practices is a valuable asset. NRCs should avoid treating human resources as commodities with a finite shelf life and instead foster a culture of continuous learning and adaptability

3

Leadership pipelines must be reimaged. Emerging roles such as chief AI ethics officer and digital people officers reflect the need for cross-functional oversight. NRCs should ensure these roles are integrated into succession planning and leadership development. It should also be noted that while AI-driven tools can support data gathering and analysis for succession planning, the final decisions must rest on human judgment, qualitative assessment, and the board's collective wisdom. NRCs should treat AI as an input—not a substitute—for the nuanced, people-centric decisions required in succession

4

Performance and inclusion frameworks must be redesigned. As algorithms become co-workers, NRCs must rethink how performance is evaluated and how inclusion is preserved in hybrid human-machine teams. Monitoring cultural indicators like Employee Net Promoter Scores (eNPS) can help detect anxiety, loss of control, and erosion of psychological safety

5

Executive compensation models, too, should evolve—linking leadership rewards to responsible AI adoption, reskilling outcomes, and workforce trust. These factors are increasingly recognised as material drivers of enterprise value, complementing traditional financial performance.

How NRCs should plan for AI integration?

Strategic planning for AI adoption requires a blend of foresight, structure, and contextual sensitivity. NRCs must lead this planning process with a clear understanding of both the opportunities and risks.

One of the first steps is building digital empathy in the boardroom. This does not require technical fluency but strategic curiosity. NRCs should invest in structured board primers, scenario-based AI briefings, and curated industry updates to anticipate how technology affects people, culture, and power dynamics.

Next, NRCs must help establish trusted AI governance frameworks. While many organisations focus on compliance—fairness, bias mitigation, data integrity, and explainability—NRCs must go further. They should advocate for human-in-the-loop safeguards, clear accountability mechanisms, and impact reviews in hiring, promotions, and performance evaluations.

Contextualisation is also critical. Global AI practices may not fit Indian cultural contexts, regulatory environments, or organisational maturity. NRCs should apply a 'Swadeshi' lens rooted in local ethics, needs, and capabilities rather than blindly adopting global trends.

To institutionalise oversight, NRCs can consider:

- Induct an AI ethics board and integrate AI literacy into leadership development modules
- Embedding AI literacy into leadership development
- Embed an 'Office of ethical and humane use of technology' reporting into HR and risk committees
- Conducting quarterly board-level briefings on AI's impact
- Creating a 'Digital capabilities quotient' for succession candidates.

These steps help ensure that AI planning is not fragmented or reactive, but deliberate and values driven.



What precautions NRCs should take to ensure ethical use of AI?

Ethical AI adoption is not optional—it is foundational. NRCs must ensure that AI systems are not only technically sound but also aligned with organisational values.

AI governance must be framed as people governance. Decisions about automation must be anchored in fairness, dignity, and inclusion. NRCs should lead this narrative, ensuring that human-centric principles guide every AI deployment.

Psychological and cultural risks must be actively monitored. Post-AI integration, many organisations report declining eNPS scores, citing anxiety and loss of control. NRCs must ensure that trust and morale are measured and addressed with fairness, transparency, and empathy.

While AI can reshape work processes and leadership styles, the core values, culture, and ethics of the organisation must remain constant and non-negotiable. NRCs should ensure that technology serves these foundational principles, not the other way around. AI must never be used to justify or dilute what is sacrosanct for the enterprise.

Key ethical questions NRCs should own include:

Who reviews the ethical implications of AI tools in recruitment?

Who ensures generative AI doesn't compromise IP, privacy, or psychological safety?

Are we consciously shaping the new social contract at work?

How are we embedding governance mechanisms to ensure the sustained protection and advancement of Diversity, Equity, and Inclusion (DEI) in the age of AI?

Cross-functional oversight is essential. AI governance should not be siloed under CHROs or CIOs. NRCs must ensure enterprise-wide guardrails are in place to mitigate reputational and ethical risks.



Conclusion: Stewardship in the age of algorithms

NRCs must not merely respond to AI's disruptions—they must shape its trajectory. By anchoring AI adoption in ethics, empathy, and equity, NRCs can ensure that technological progress enhances, rather than erodes, human dignity.

NRCs must redefine leadership in an AI world, ensuring that human dignity remains central even as algorithms shape the future of work. They must set direction and guardrails without stifling innovation.

In this paradigm, AI governance is people governance—and it belongs at the top. The future of work is not just about machines—it's about meaning. And NRCs must lead the way.

We would like to thank our nomination and remuneration committee members for their time in providing us with their valuable insights and perspectives that have contributed to building this point of view document

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