



On the nomination and remuneration committee agenda 2026

Board Leadership Center (India)

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Introduction

The role of Nomination and Remuneration Committees (NRC) is being reshaped as boards navigate an environment marked by rapid technological changes, geopolitical volatility, regulatory recalibration, and shifting workforce expectations. The traditional distinction between strategy, risk, culture, and people strategy is narrowing, placing NRCs at the centre of board effectiveness.

In India, this shift coincides with the consolidation of multiple labour laws into the four labour codes, with implications extending beyond compliance to workforce structures, compensation and benefits architecture, and industrial relations risk. These developments intersect with existing challenges faced by the NRC like AI integration with existing workforce and leadership models, the need for increased technological know-how to assess macro market changes in the board meetings, growing complexity in succession planning, rising expectations around diversity and inclusion, and heightened scrutiny of executive remuneration.

Against this backdrop and based on our discussions with board leaders across corporate India, the themes outlined below reflect the priorities shaping NRC agendas for the 2026–27 financial year.

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From talent oversight to capability stewardship

01

As AI integrates into roles across levels and sectors, it is reshaping how work is done and fundamentally changing the skills required to execute strategy. Organisations are facing not only talent gaps, but also constraints in adaptability, redeployment, and capability renewal. For boards, this elevates people oversight from workforce planning to strategic feasibility. The NRC's role is evolving to ensure the organisation has the right mix of skills, learning capacity, and talent agility to integrate AI effectively and remain aligned with shifting strategic priorities.

Integrated AI and workforce governance

AI is increasingly influencing the entire hire-to-retain lifecycle across industries. India's emerging AI governance guidelines emphasise fairness, explainability, accountability, and human oversight—principles that are equally relevant for HR systems and people decisions.

Key shifts

- A skills-based view of talent vs. the traditional headcount-based view, as roles within organisations evolve rapidly.
- AI adoption is compressing hierarchies and concentrating value in fewer, high-leverage roles, increasing execution risk if these roles are not intentionally protected.
- Redeployment—not hiring—is becoming the primary test of organisational agility.
- Employee sentiment and conduct signals are becoming leading indicators of potential governance and regulatory risk.

Questions for boards

1. Which parts of the business strategy are most exposed to capability constraints?
2. How is AI reshaping roles, leadership expectations, and talent pipelines across the business value chain?
3. How is the organisation ensuring fairness in AI-assisted people decisions?



Leadership continuity, succession, and chair/committee strength

Boards are witnessing increased leadership fatigue and a visible reluctance among experienced professionals to assume or retain high-exposure roles in volatile business environments. For NRCs, succession planning is no longer a contingency exercise but a central mechanism to ensuring institutional resilience.

Core issues

- Leadership pipelines built for stable environments often collapse under stress.
- Organisations underestimate the change-management impact, especially when multiple transitions overlap.
- Committee chairs serving across multiple committees and boards face rising complexity and workload, increasing fatigue risk.
- India's independent director's databank and partnerships with search firms are expanding chair and director pipelines, but boards often underutilise these, opting instead for familiar faces.

Questions for boards

1. How resilient is the organisation to business disruptions if multiple leadership transitions occur simultaneously?
2. Does succession planning account for multiple business scenarios and pipeline durability?
3. Is there a structured approach to chair and committee chair succession?
4. Are executive performance expectations and incentive frameworks calibrated to balance transformation ambition with sustainable leadership tenure and risk accountability?



149 CEOs resigned in 2025



India Inc sees CEO exits rise in 2025, The economic times, Jan 2026

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Board composition, evaluation, and evolving effectiveness

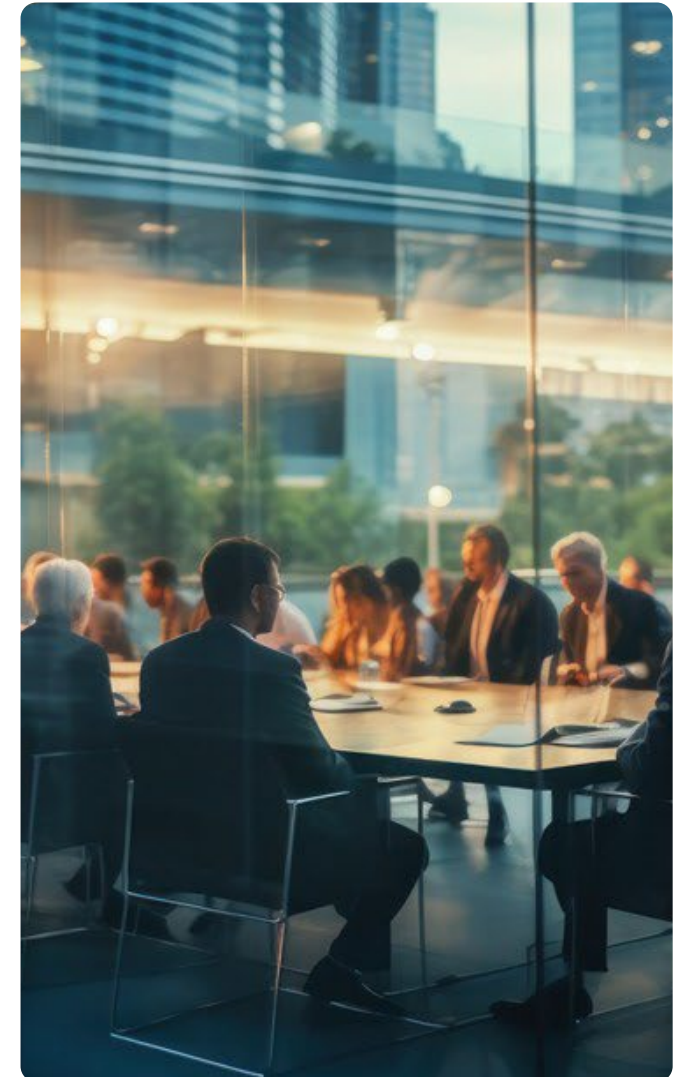
Boards are increasingly expected to oversee domains such as AI, cyber risk, ESG transitions, and geopolitical exposure - areas that did not traditionally shape board skill sets. While board evaluations are now well established, they often stop short of influencing composition, role allocation, or accountability. The growing gap between formal governance structures and actual board effectiveness places NRCs at the centre of how boards can evolve in line with the risks they oversee.

Challenges

- Evaluations tend to assess board processes rather than future readiness or capability alignment.
- Board members serving on multiple boards face time constraints, making sustained commitment to structured learning programs difficult,
- Boards with limited capability refreshes or additions risk anchoring decisions in outdated know-how and assumptions.
- High levels of trust within boards, without structured challenge, can reduce decision quality; conflict avoidance is emerging as a governance risk.

Questions for boards

1. What dimensions of board effectiveness remain untested- future skills and readiness, a culture of questioning and challenging assumptions and data, or psychological safety?
2. How do evaluation findings influence board composition, committee memberships, or tenure decisions?
3. How does the board incorporate a broader range of voices across the business value chain to capture feedback on board effectiveness?
4. How does the board use technology to make the evaluation process more frequent and reduce friction in obtaining more qualitative responses?



Remuneration as a signal of governance intent

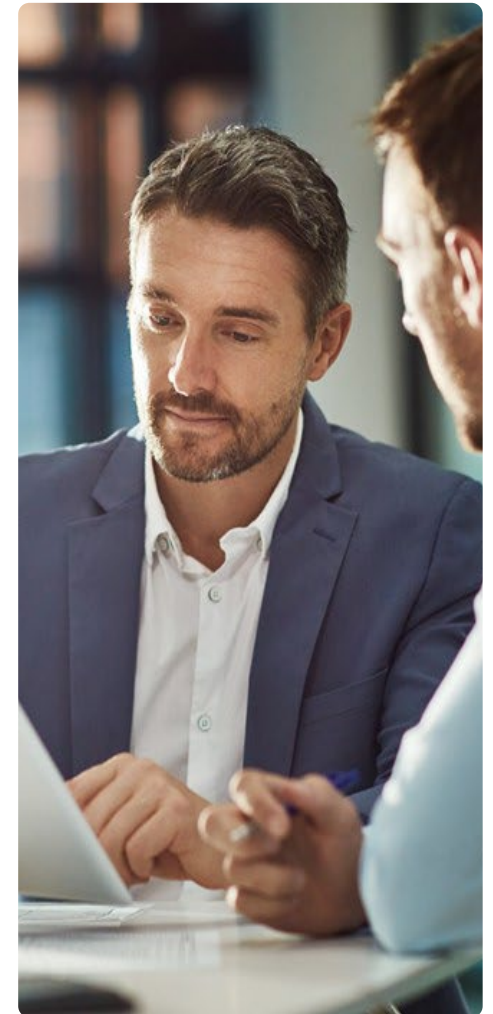
Stakeholders are increasingly scrutinising not just pay outcomes, but the assumptions and values embedded within the pay decisions. As scrutiny from shareholders, proxy advisors, employees, and regulators intensifies - particularly where incentives appear misaligned with long-term performance, risk management, or stated ESG priorities - stakeholders are looking beyond pay levels to test alignment with long-term value, risk, culture, and fairness.

Emerging focus areas

- Remuneration structures frequently reward outcomes while under-pricing the risks taken to achieve them, creating deferred governance exposure.
- Short-term impact on employee cost and statutory liabilities arising from the new wage code are likely to invite increased scrutiny of the salaries and wages line in the profit and loss statement
- ESG metrics, if poorly designed, weaken both incentive effectiveness and governance credibility.
- Claw back provisions are increasingly used to signal board expectations around conduct and accountability.
- Pay equity – especially in the Indian context, including CEO compensation relative to median employee pay, gender pay gaps, gig-worker compensation and incentive structures – is increasingly shape shareholder narrative as organisations transition to newer ways of working.

Questions for boards

1. What implicit behaviours do current pay structures reward?
2. How well are downside risks and conduct expectations embedded in the rewards philosophy?
3. Are ESG-linked metrics specific, measurable, and credible?
4. How defensible are remuneration decisions under shareholder and workforce scrutiny?



Regulatory changes reshaping workforce and compensation governance

The implementation of India's four labour codes marks the most significant workforce regulatory shift in decades. Organisations need to redesign wage structures, social security obligations, working-hour frameworks, occupational safety and health (OSH) practices, and industrial relations policies.

What boards must oversee

- **Wages and structure:** Standardised wage definitions, the national floor wage, implications for PF/bonus/allowances, and mandatory appointment letters.
- **Working time and OSH (the occupational safety, health and working conditions code):** Revised work-hour norms, overtime provisions, strengthened OSH requirements—impacting shift models, employment policies relating to women, and industrial workforce.
- **Industrial relations:** Higher thresholds for standing orders and approvals for layoffs or closure; expanded notice requirements for strikes; heightened industrial relations sensitivity.
- **Social security expansion (to include evolving workforce models: gig, contract, and platform talent):** Gig and platform workers formally recognised; mandatory aggregator contributions; potential vendor and contract governance exposure.
- **State-level variances:** With labour being a concurrent subject, implementation is being staggered—requiring state wise readiness.

Beyond labour codes

- SEBI's ESG reporting expansion (BRSR and BRSR Core) demand clearer linkage between people outcomes, culture, and governance disclosures.
- Expectations around fairness, transparency, and pay equity are rising rapidly.
- The independent director databank and governance reforms are strengthening expectations around director capability building.

Questions for boards

1. What is our readiness roadmap across entities and states?
2. How do workforce policies, payroll, variable pay, and contractor governance change?
3. How do disclosures transparently connect pay, culture, and ESG outcomes?
4. How is the NRC monitoring extended workforce welfare, safety, and compliance?
5. Do remuneration, wellbeing, and conduct expectations extend consistently to contractors and platform workers tied to critical operations?

Culture, conduct, and external accountability

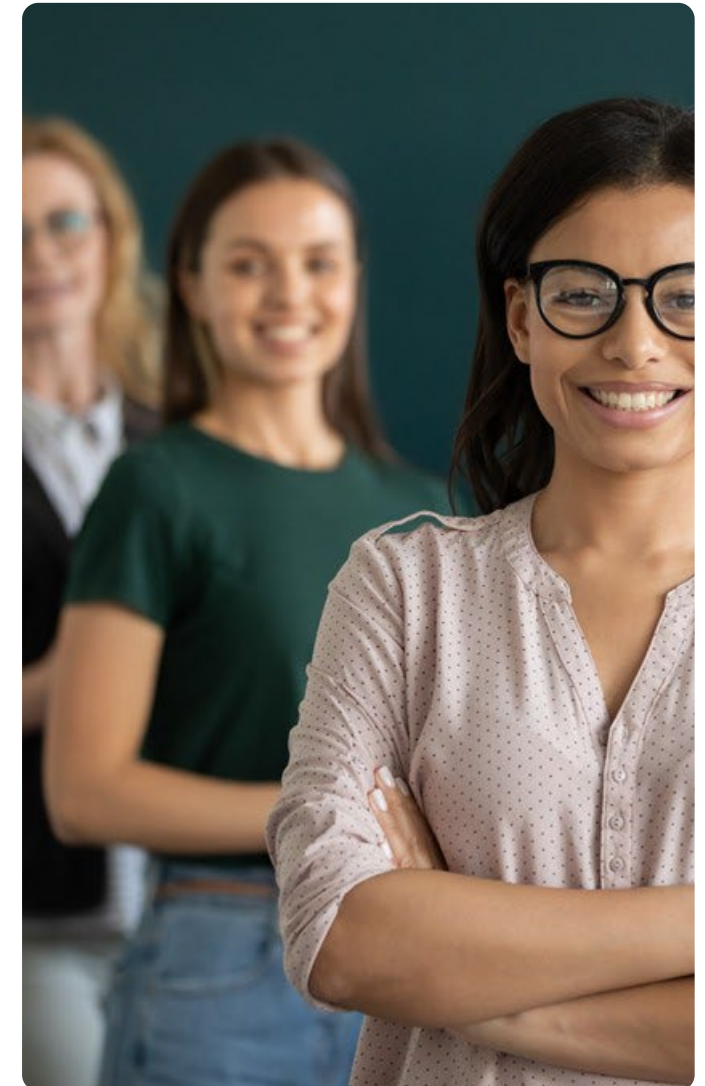
Indian regulators, investors, and courts are increasingly evaluating boards on culture stewardship, conduct oversight, and the credibility of governance processes—not just compliance. While India has not yet experienced widespread activist shareholder pressure, proxy advisory influence and workforce expectations are steadily converging. Boards are increasingly being judged on preparedness rather than response. NRCs play a critical role in shaping how leadership credibility, pay fairness, and governance maturity are perceived—often before issues escalate into public scrutiny.

Key shifts

- Stakeholder scrutiny increasingly focuses on patterns, not just isolated incidents.
- Workforce narratives travel faster than formal disclosures with social media usage and access influencing trust in real time.
- Cultural risks typically surface first in patterns of decision making and tone, long before they become reputational event.
- Boards that engage stakeholders episodically may appear less credible than those maintaining low-visibility governance discipline.

Questions for boards

1. What leading indicators of culture and conduct (speak-up data, people sentiment, attrition in critical roles) does the NRC receive regularly?
2. How are culture and conduct considerations embedded into leadership evaluation, succession, and remuneration?
3. How aligned are governance narratives with lived employee experience?



Diversity, equity, and inclusion as organisational capability

The DEI discourse is shifting from numeric representation to governance effectiveness. Boards are increasingly expected to demonstrate how diversity improves oversight, risk recognition, and strategic debate. At the organisational level, expectations around fairness, inclusion, and equity are intensifying, with direct implications for leadership credibility and trust in governance. For NRCs, DEI is becoming a test of institutional maturity rather than social intent.

Challenges

- Boards with limited cognitive and experiential diversity are slower to detect emerging risks across technology, culture, and stakeholder trust.
- Breakdowns in inclusion typically surface first as decision-making blind spots rather than visible cultural failures.
- Perceived inequities in progression or pay weaken confidence in leadership pipelines and overall talent credibility.
- An organisation's DEI maturity is increasingly tied to its ability to adapt and remain resilient during periods of disruption.

Questions for boards

1. What does diversity mean for the organisation?
2. How does the organisation look beyond gender diversity and include diversity of thought and viewpoints by incorporating voices across the business value chain (employees, vendors, key customers, contractors, communities etc.)?
3. How does diversity tangibly improve board and leadership decision-making?
4. What risks arise if DEI efforts are perceived as symbolic rather than systemic?



The NRC's role in 2026 is not simply to oversee appointments and pay—it is to steward **leadership continuity, workforce resilience, culture health, and governance credibility** in an environment where decisions are rapidly and publicly interpreted as signals of trust.

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