On the 2025 nom/gov committee agenda

KPMG Board Leadership Center

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Every year the expectations for the board are raised, and 2025 will be a year of challenge and change. Boards must have the skills and experience to oversee the company's strategy amid post-inauguration 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 will need the talent, structure, and processes to stay on top of it all. Nominating and governance (nom/gov) committees have their work cut out for them, recalibrating to ensure that the board has the right skills and that oversight is efficient yet comprehensive. Working with other board leaders, nom/gov committee chairs should strive to establish a board mindset that embraces change, continuous learning, and a firm commitment to board service.

Drawing on insights from our latest research and interactions with directors and business leaders, we highlight six issues to keep in mind as nom/gov committees consider and carry out their 2025 agendas.

Ensure that board composition and skill sets are keeping pace as the business environment changes.

Reconsider board processes to improve efficiency.

Set the stage for a board culture that embraces change, continuous education, constructive skepticism, and service above self.

Determine the appropriate board committee structure for overseeing emerging issues based on the company's unique circumstances.

Ensure that the board and management are aligned on the company's sustainability strategies and risks.

Communicate with—and understand the views of—the company's key investors.

Ensure that board composition and skill sets are keeping pace as the business environment changes.

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. Despite the changing business environment, board refreshment remains low. Indeed, S&P 500 boards added an average of less than one new director per board during the 2024 proxy season.[1] Not surprisingly, Spencer Stuart's annual survey of nom/gov committee chairs found that more than three-quarters of respondents ranked board composition as their top priority, up from 56 percent in the prior year.

As expected, institutional investors and proxy advisory firms are focused on board composition, including director diversity, overboarding, and board efforts to remain relevant and continuously improve. For example, State Street Global Advisors (SSGA) in 2024 stated it may vote against S&P 500 nom/gov committee chairs at companies that lack board diversity[2] or do not disclose, or commit to disclosing, a policy that includes numerical limits on directorships as well as a description of the nom/gov committee's annual evaluation process regarding director time commitments.[3]

We urge the nom/gov committee 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:

- Does the board have sufficiently relevant and diverse lenses to successfully guide the business in a world of changing business imperatives, demographics, and stakeholder expectations? Does the board include qualified leaders with relevant expertise who bring diversity of perspectives based on different life experiences? In a business environment with changing demographics, does the board have a sufficient set of lenses to understand the business implications of cultural differences?
- Do all board members have a foundational literacy in the top issues—both traditional and emerging—critical to effective oversight of the company's strategy and risks? Does the board conduct individual director evaluations that assess directors' efforts to stay educated as the issues evolve—with results tied to the renomination process?
- Does the board adjust the board matrix as director skills, stakeholder expectations, and company needs evolve over time? If there are skills gaps in the board matrix, how will they be addressed, e.g., new director, advisory board, third-party expert, continuing director education?
- Do the directors have adequate time to dedicate to their board service? Is there a policy for board members addressing the expected upper limit on other directorships?
- Does the board search broadly for the best board talent, including tapping into networks that highlight lesser-known talented candidates from underrepresented groups? If the board is not tapping into a diverse talent pool, how will it manage the risks associated with groupthink?
- Has the nom/gov committee set the expectation—during onboarding and on an ongoing basis—that part of being a steward of the company means recognizing when your skill sets no longer align with the company's needs and either working to address the gap or voluntarily rolling off? Does the board engage in difficult conversations when needed to translate expectation into action?
- Does the nom/gov committee 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?

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 maximize their efficiency and effectiveness. Nom/gov committees can help facilitate this effort by considering the following:

Meeting pre-reads

Assess how meeting materials can be made more reader friendly. Consider concise and pointed executive summaries and bulleted takeaways, saving detailed information for appendices. Also consider the timing of distribution: board members may need more than a few days to properly absorb ever-increasing amounts of information.

Meeting agenda

Save time by using a consent agenda for routine matters, and organize the agenda so that important issues requiring board discussion will not be rushed. Efficiencies can sometimes be counterintuitive: adding an executive session up front takes time, yet it may ultimately save time by providing valuable input to help the chair drive focus on the areas of most importance to the board.

This opening executive 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.

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[4] as a means of helping directors stay informed between meetings.

Set the stage for a board culture that embraces change, continuous education, constructive skepticism, and service above self.

In thinking about the year ahead, the nom/gov committee chair and other board leaders should set aside time to define the ideal culture the board aspires toward. 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:

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 recognize 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, 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 above self

- Set the tone for ethical decision-making, prioritizing the company's reputation for trust and responsible business practices.
- Approach board service as a servant leader.

Determine the appropriate board committee structure for overseeing emerging issues based on the company's unique circumstances.

As new issues emerge for board oversight, the nom/gov committee should assess whether the board's committee structure remains optimal. Nom/gov committees should, at least annually, define each committee's responsibilities, identify overlaps or gaps, and implement a committee structure that facilitates information sharing and coordination.

Questions for assessing board committee structure

- How are responsibilities for overseeing emerging board issues allocated across the full board and committees? Should any committees be renamed or have their charters adjusted?
- Is the audit committee or any other committee currently overloaded? Are the committees employing the same efficiencies that are recommended on **page 5** for the full board? If necessary, can the work be transferred to another, or new, committee?
- If the board is considering establishing a new or ad hoc committee, does the board have the skill sets and number of directors needed to fill such a committee?
- Which committee has the skill and bandwidth to oversee short-term and long-term CEO succession, e.g., nom/gov or compensation and human capital committee?
- What mechanisms are in place to ensure coordination and communication between committees (e.g., meetings of the committee chairs, cross-committee membership, open committee meetings, and committee reports)?

While the circumstances for every company and board are unique, the sample allocation below may serve as a thought starter.

Sample allocation of oversight responsibility by board committee

	Audit	Compensation	Nom/Gov	Comments
Technology/AI[5]	• Technology risk management • Data governance (e.g., quality of input, accuracy of output, protecting IP) • Internal controls around use of AI in financial planning and reporting • Compliance with technology-related laws and regulations	• Workforce talent strategy related to technology • Goals and executive compensation metrics tied to technology	• Coordination of the board's technology oversight • Board skill sets/experience/ education in technology • Ethical use of technology • Board's use of technology	• Among S&P 500 boards, the following separate committees have been established: science and technology (17%); environment, health and safety (13%); risk (12%); public policy/ social and corporate responsibility (7%)[6] • Frequently, boards begin learning about a new issue as a full board, then evolve to look to the committees for deeper dives in their areas of expertise while incorporating the topic into board discussions of enterprise strategy and risk.
Sustainability	• Accuracy and consistency in sustainability reporting • Sustainability disclosure controls and procedures • Compliance with sustainability-related laws and regulations • Talent strategy for sustainability competence in the Finance organization	• Human capital management strategy and risks • Workforce diversity • Corporate culture • Health and safety • Employee engagement • Talent development • Pay equity • Talent, goals, and compensation metrics tied to sustainability	• Sustainability strategy and risks • Coordination of the board's oversight of sustainability • Communication and engagement with shareholders on sustainability issues • Board diversity • Board skill sets/experience/ education in sustainability	
Cybersecurity/ Data privacy	• Cybersecurity/data governance strategy and risk management • Internal controls and procedures to manage cybersecurity • Compliance with cybersecurity/data privacy laws and regulations, including cyber incident reporting • Third-party risks related to cybersecurity/data privacy • The company's cyber insurance coverage	• Goals and compensation metrics tied to cybersecurity/data privacy • Workforce upskilling strategy	• Board skill sets/experience/ education in cybersecurity • Coordination of the board's cybersecurity/data privacy oversight	

Ensure that the board and management are aligned on the company's sustainability strategies and risks.

In addition to addressing committee structure for oversight of sustainability, substantive oversight of sustainability matters often also falls to the nom/gov committee. The country's political divisions run deep on sustainability-related topics, including climate change, the energy transition, and other environmental issues; diversity, equity, and inclusion (DEI); organized labor; health policy; and more.

In 2025, the polarization will not disappear and is likely to increase during this transition year as the incoming presidential administration, state and local governments, investors, and other stakeholders push and pull in different and often opposing directions. The nom/gov committee 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 nom/gov committee 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 nom/gov committee 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 nom/gov committee 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 climate change

Climate change is already affecting some businesses as the cost implications of damage from weather-related events—including storms and fires, plus rising insurance premiums—hit home. Regardless of the fate of SEC climate regulation under the new administration, the disclosure laws in California and Europe, and investor interest in climate-related issues should cause the nom/gov committee to ensure that oversight of climate strategy, risk, and disclosure is robust.

Nom/gov committees should focus on risk and opportunity, how the company's environmental goals and initiatives align with overall strategy, how these goals/initiatives are being communicated and disclosed, and how the company is preparing to meet reporting requirements and stakeholder expectations. (See more on sustainability and climate reporting in **On the 2025 audit committee agenda**, page 8.)

Oversight of diversity

KPMG Chair and CEO Paul Knopp has said: "In times of increased complexity, fostering a diverse workforce is more important than ever, as businesses must pivot quickly and adapt to changing circumstances. Inclusive, diverse teams drive innovation, produce better outcomes, and enable organizational growth."[7]

The Supreme Court's 2023 decision in *Students for Fair Admissions (SFFA)*[8] ruled university race-based affirmative action programs unconstitutional. While the ruling was not applicable to private companies, the decision has led to litigation and threats of litigation targeting corporate diversity initiatives. While every company's response will be tailored to its own values, business needs, and risk profile, nom/gov committees can encourage the board to consider the following as the company assesses its diversity strategy:

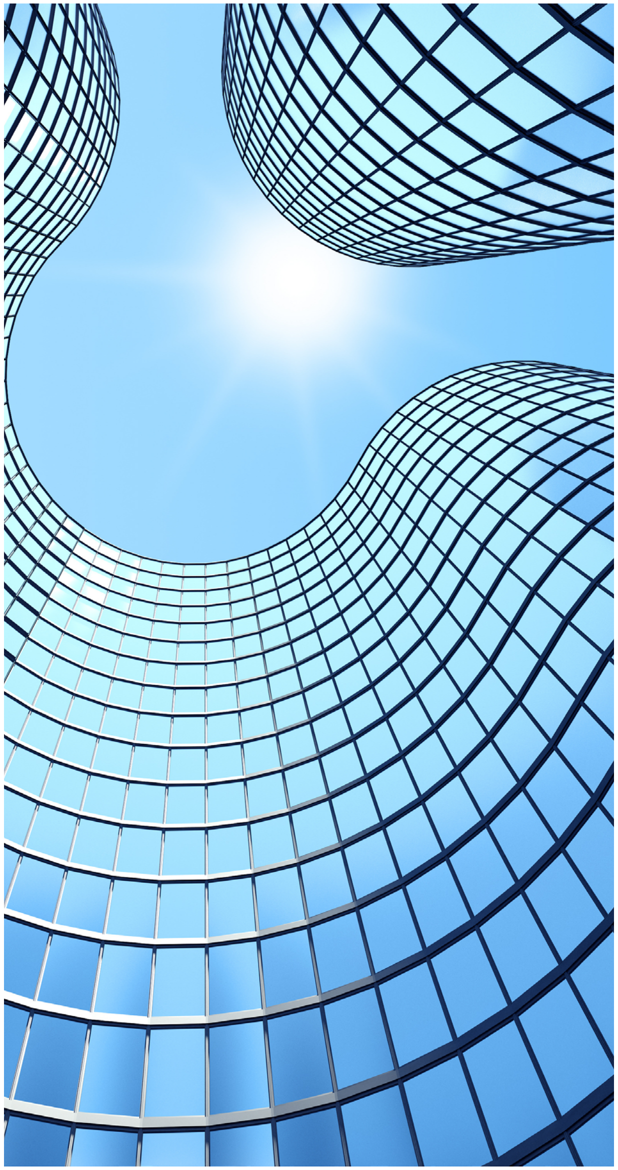
- Are the company's diversity initiatives legally compliant? Corporate diversity programs that were legal before the SFFA decision remain so; however, boards should help ensure that management is monitoring for changes in state or federal law.
- Has the board discussed with management the potential impact 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.

Human rights in the supply chain

The EU's Corporate Sustainability Due Diligence Directive (CSDDD) went into effect in July 2024, with a phased approach requiring the first companies to comply by 2027. The CSDDD establishes corporate sustainability due diligence obligations—related to adverse environmental and human rights impacts—for companies operating in the EU, including non-EU companies with significant operations in the EU. These new requirements apply not only to the operations of the company, but also to the operations of subsidiaries and business partners in a company's chain of activities.[9]

Nom/gov committees of companies with significant EU operations—or companies in the supply chain of companies with significant EU operations—should ensure the board is monitoring management's efforts to achieve compliance.

Communicate with—and understand the views of—the company's key investors.



2025 may be a time of lower interest rates—which means more M&A activity—which means more shareholder activism. The nom/gov committee should assess management's investor relations initiatives to build relationships of trust with key investors. If the company does not have a robust and up-to-date activist defense plan and has not recently engaged in vulnerability studies or scenario planning, the nom/gov committee should urge management not to delay. And board leaders should be prepared to speak to investors themselves along with management as needed.

Institutional investors expect boards to consider and disclose how the composition and work of the board supports company strategy and oversight of risk, and to engage directly on this topic as well as sustainability, CEO compensation, and CEO succession. The advent of the universal proxy card, which allows shareholders to vote for individual director candidates from both the company and dissident slates, puts greater onus on companies to provide detailed disclosures that instill confidence in the board's oversight and support for the company's slate of directors. Going forward, nom/gov committees should do their best to demonstrate to shareholders—through director bios, the skills matrix, disclosures about the board evaluation process, and in the board's engagements—that the right directors are sitting around the table.

> **In this year of change and challenge, the nom/gov committee can play a pivotal role in elevating the value of the board and helping the company build trust with investors and other stakeholders.**
>
> **—Susan Angele**
> KPMG BLC senior advisor

For more on CEO succession, see **On the 2025 board agenda**, page 9.

Notes

[1] Spencer Stuart, 2024 U.S. Spencer Stuart Board Index, 2024, p. 2.

[2] SSGA may vote against all nom/gov committee members at boards lacking gender diversity and nom/gov committee chairs at S&P 500 boards lacking racial/ethnic diversity.

[3] SSGA, Global Proxy Voting and Engagement Policy, Effective March 25, 2024, p. 9. Also see Sam Nolledo, Director Commitments Policies, Overboarding, and Board Refreshment, Glass Lewis, March 11, 2024. Vanguard, Proxy voting policy for U.S. portfolio companies, Effective February 2024, pp. 5 and 6.

[4] Matteo Tonello, 2023 Disclosure Practices on Board Leadership and Structure, Harvard Law School Forum on Corporate Governance, January 18, 2024.

[5] NACD, Technology Leadership in the Boardroom: Driving Trust and Value, 2024, p. 18.

[6] Spencer Stuart, 2024 U.S. Spencer Stuart Board Index, 2024, p. 44. The 2023 edition of this report included cybersecurity with the science and technology committee category, which stood at 15% of the index having such a committee (p. 37).

[7] Latino Corporate Directors Association, 9th Annual Board Leaders Convening Program Book, 2024, p. 3.

[8] *Students for Fair Admissions, Inc. v. President & Fellows of Harvard College*, 600 U.S. 181 (2023).

[9] For more, see KPMG LLP, Sustainability in the EU: Global implications of due diligence acts, August 2024.

About the KPMG Board Leadership Center

The KPMG Board Leadership Center (BLC) champions outstanding corporate governance to drive long-term value and enhance stakeholder confidence. Through an array of insights, perspectives, and programs, the BLC promotes continuous education and improvement of public and private company governance. BLC engages with directors and business leaders on the critical issues driving board agendas—from strategy, risk, talent, and sustainability to data governance, artificial intelligence, audit quality, proxy trends, and more. Learn more at **kpmg.com/blc**.

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