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Nomination and remuneration committee: a review of literature

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Abstract

Purpose – This paper aims to synthesize the diverse literature on nomination and remuneration committees and provide avenues for future research.

Design/methodology/approach – This study provides a comprehensive literature review of theoretical and empirical studies published in reputable international journals indexed by Scopus.

Findings – The literature review reveals several aspects of the nomination and remuneration committee. These aspects have been classified into the definition of the nomination and remuneration committee, dimensions of the nomination and remuneration committee, measurement and research review results, reasons for conflict empirical findings, company dynamics and research on moderators, as well as recommending future research.

Research limitations/implications – Our literature review shows that nomination and remuneration committees play a role in improving board performance and company performance, reducing agency conflicts and improving corporate governance to provide implications for companies, regulators and investors and pave the way for future research.

Originality/value – This paper identifies issues related to nomination and remuneration committees, their theoretical and practical implications and avenues for future research.

Keywords Corporate governance, Nomination and remuneration committee, Company board, Compensation, Company dynamics

Paper type Literature review

1. Introduction

Committees in a company are essential to safeguarding stakeholders' interests and maximizing shareholder wealth because these committees play a role in implementing good corporate governance. One of these committees is the nomination and remuneration committee. The nomination and remuneration committee is tasked professionally in the board selection process to avoid excessive intervention by the chief executive officer (CEO) or board chairmen and to provide recommendations and advice to the board regarding the issue of remuneration for board members (Al-Absy *et al.*, 2018). The nomination committee, also known as the appointment committee, is responsible for recruiting and electing new directors and ensuring an impartial mechanism for selecting board members. In contrast, the remuneration committee develops policies relating to compensation (remuneration) so that

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the compensation system is designed not to benefit management at the expense of shareholders and other stakeholders (Puni and Anlesinya, 2020).

Based on agency theory (Jensen and Meckling, 1976), this committee has a role that enables the board to perform its control role effectively. Meanwhile, from the perspective of resource dependence theory (Pfeffer and Salancik, 1978), the board is considered a path-opener between the company and its environment. Based on this view, the nominating committee aims to adapt the board's composition to the demands posed by the company's external environment (Ruigrok *et al.*, 2006). Following these two theories, if a company is led by executives with good capabilities and supervised by knowledgeable board members (directors or commissioners) who are given appropriate remuneration, it will achieve a competitive advantage in its industry.

This paper aims to provide a research synthesis regarding the importance of nomination and remuneration committees based on the perspectives of agency theory and resource dependence theory. From our search results, these two theories are the most frequently used and most suitable for use in articles. We have considered the various benefits of nomination and remuneration committees, explained the definitions of nomination and remuneration committees, measured nomination and remuneration committees, diversity within nomination and remuneration committees, conflicting findings and areas of future research. We have reviewed research that has been published in academic journals. Therefore, this study has recorded all the research results on nomination and remuneration committees. It will undoubtedly help researchers in the future who conduct research in this field.

Our research has several contributions. First, we have provided a structured review of nomination and remuneration committee research. Of course, we hope that our research helps other researchers find new research ideas. Second, we have classified the nomination and remuneration committee research uniquely by categorizing it into six areas, namely the presence of the nomination and remuneration committee, the presence of independent directors and independence of the committee, gender diversity, nationality and skin color in the committee, the number of committee members and meetings, expertise, experience of monitoring and independence of the chairman, as well as the effectiveness of the nomination and remuneration committee. This classification will undoubtedly help researchers get a broad understanding of this committee. Third, we have identified future research on this committee, and we suggest that future researchers need to consider other diversity within this committee, such as educational background (accounting and finance, human resources and law), race, ethnicity, disability, language, religion, experience in the industrial world, experience as a member of the board (including this committee), experience in the field of human resources and age diversity. In addition, we have suggested future research questions and cross-country comparisons. Fourth, our research provides input for regulators and companies to create regulations that require the formation of these committees because their benefits are so great. Lastly, for investors, this research provides input for investing in companies that have this committee.

Our literature review differs from previous qualitative and quantitative studies on nomination and remuneration committees. Mani *et al.* (2023) examined the board committee literature from the Web of Science database between 2002 and 2023. They found the composition of board committees, such as gender, independence and expertise, as well as factors that influence corporate governance, such as reporting quality, earnings management and board monitoring, all of which have had a significant impact on the board committee literature. One of their suggestions is to conduct further exploration of the nomination and remuneration committee. Nachemson-Ekwall and Mayer (2018) conducted a qualitative study comparing the nomination systems in the U.K. and Sweden. They saw similarities and significant differences in the nomination systems of the two countries, especially in terms of institutional investors. In qualitative research, Jerzemowska and Koyama (2020) discuss that there are three forms of board systems in Japan that are permitted under the Company Regulation (revised in 2014).

The quantitative research of Gai *et al.* (2021), taking an observation period from 2001 to 2014 with a sample of 6,302, examines how the structure of USA boards of directors links multi-committee directors in responding to financial restatements. Ashraf *et al.* (2022) explore the relationship between board committee independence and corporate financial distress in China and the UK with a sample of 251 non-financial companies in the UK and 168 non-financial companies in China during 2007–2016. Harymawan *et al.* (2019) examined CEO busyness and company performance in Indonesia using 876 non-financial, insurance and real estate companies with an observation period of 2014–2017, and Harymawan *et al.* (2020) used the same sample to examine remuneration committees, executive remuneration and company performance in Indonesia. Mans-Kemp and Viviers (2019) used a sample of Top 40 index companies registered at the Johannesburg Stock Exchange and obtained 251 samples with a period of 2011–2016 to examine the role of nominating committees in board diversity in South Africa, while Kanapathippillai *et al.* (2016) used a sample of Top 200 Australian Securities Exchange (ASX) with period observation 2007–2011 to develop an index to investigate the effectiveness of remuneration committees and disclosure of remuneration narratives, and Chaudhry *et al.* (2020), using a sample of 50 non-financial companies registered in the Karachi Stock Exchange (KSE) 100 in 2016, examined the influence of the expertise of audit committee chairpersons and nominations on firm performance in Pakistan. Our research differs from previous research because we reviewed it by considering the nomination and remuneration committees they researched.

We have organized the literature review into the following sections: literature identification and classification; the definition and importance of studying the nomination and remuneration committee; dimensions of the nomination and remuneration committee; measurement and research review results; overall synthesis and research agenda; and conclusion.

2. Identification and classification of literature

We have reviewed the literature on nomination and remuneration committees for relevant articles published in the last 26 years in the Scopus index, articles ranging from Conyon and Peck (1998) to Edacherian *et al.* (2024). We chose the last 26 years because Conyon and Peck (1998) first raised the topic of remuneration committees and Shivdasani and Yermack (1999) raised the topic of nomination committees, and their research became a reference for other studies in subsequent years. Our search in Scopus used the keywords "nomination and remuneration committee," "remuneration committee," and "nomination committee" with the subjects of business, management and accounting, economics and econometrics, and finance. Furthermore, several appropriate studies were collected from several journals from quality publishers such as Emerald, Elsevier, Taylor & Francis, Wiley and Springer, as well as highly reputable journals. Articles that become the literature in this study must have a committee variable for nomination, remuneration, or compensation. This keyword search method aligns with upper-echelon review literature research (Bromiley and Rau, 2016) and board demographic diversity (Kagzi and Guha, 2018).

Our research uses the Preferred Reporting Items for Systematic reviews and Meta-Analyses (PRISMA) method; we have identified nomination and remuneration committees as a core research topic and established criteria for articles to be sampled (inclusion criteria) as well as those to be excluded from the sample (exclusion criteria). First, the main focus of the article that we will use as a sample (inclusion criteria) is that the article explains the role of the nomination and remuneration committee in corporate governance, so the article uses this committee as a research variable both as an independent and dependent variable and as a moderator variable. Figure 1 shows the stages of searching for articles in our sample using the PRISMA method. First, we searched the data using the keyword "nomination and remuneration committee" in the Scopus database and found a total of 42 studies. Then we did the same thing to search with each keyword, namely "nomination committee" and "remuneration committee." For the keyword nomination committee, 170 articles were found, while for the keyword remuneration committee, 678 articles were found. Second, we skimmed each article to identify whether the article correctly used these committees as variables in its research. Third, for exclusion criteria, articles that use this committee as a control variable and that do not explain the role of this committee in corporate governance were removed from the sample. Finally, we also removed articles that were not in English, as well as articles whose journals were no longer listed in the SCImago Journal Country and Rank (SJR). In total, we included 61 published papers.

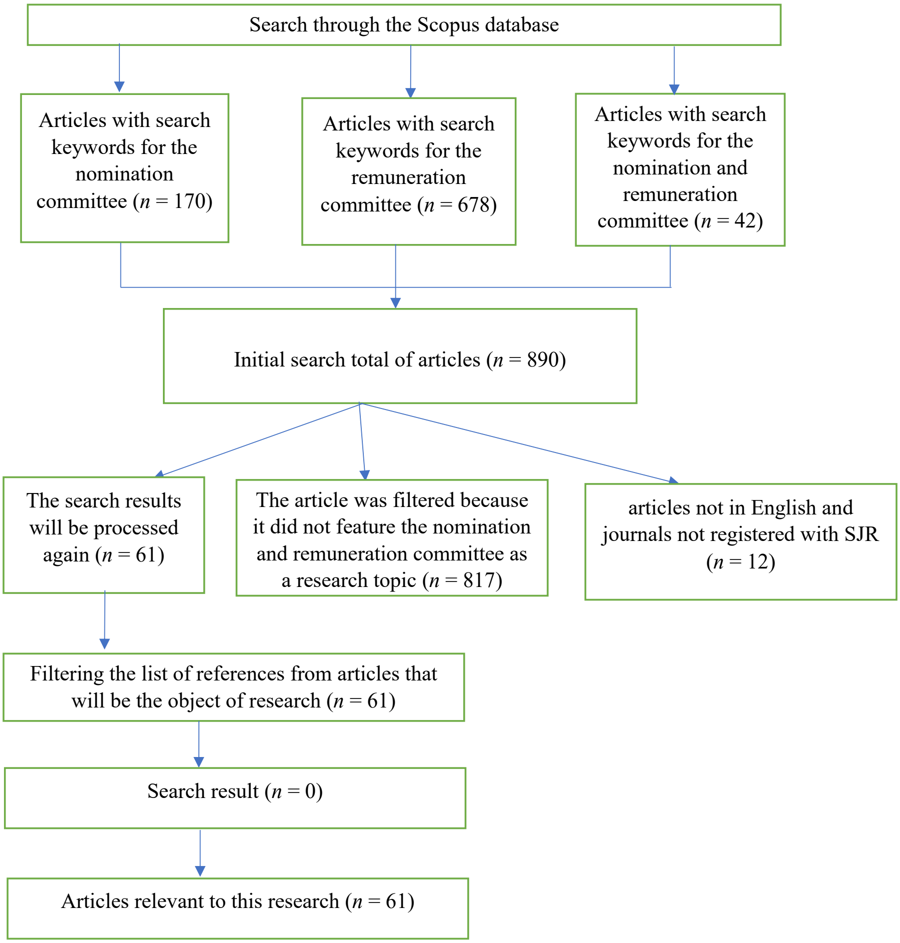

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Figure 1.
Stages of article search using the PRISMA method

3. Definitions and significance of studying the nomination and remuneration committee

In this section, we explain the definition of a nomination and remuneration committee and the importance of studying this committee.

3.1 Definitions of committee nominations

The nomination and remuneration committee is a committee under the board tasked with assisting the board concerning the nomination and remuneration functions of the board. Nominations are nominations to be appointed to a firm board, while remuneration is compensation given to the board because of their position. Table 1 presents definitions and opinions regarding the nomination and remuneration committee.

3.2 The importance of studying the nomination and remuneration committee

Agency theory is the dominant theory used when discussing company boards and committees (Alhossini *et al.*, 2021; Ibrahim *et al.*, 2022; Lu *et al.*, 2022; Nguyen *et al.*, 2020). Agency theory explains the existence of a contract between the owner (principal) and manager (agent) to manage the company. Agents will receive compensation in the form of salaries, bonuses, facilities and other compensation from the owner. The principal tries to maximize his welfare, while the agent is interested in meeting his personal needs by using company resources, or what is called opportunistic management behavior. The principal does not have enough information about the agent's performance. Agents, as managers, have more information about the company. This is what causes information asymmetry. To overcome this, agency theory offers two views, namely by increasing the supervisory function or by aligning the interests of agents and principles through remuneration programs that satisfy agents so as to avoid management's opportunistic behavior. The party whose job it is to monitor the performance of the board and the amount of remuneration they are entitled to receive is the nomination and remuneration committee, so the existence of this committee is very important in achieving company goals. This is in accordance with the opinion of Harymawan *et al.* (2020) that a higher level of compensation will result in higher company performance because it will reduce agency costs and information asymmetry. While Kanapathippillai *et al.* (2016) found that the remuneration committee functions as an important corporate governance mechanism because of the potential reputation and litigation risks faced by members of the remuneration committee, making them work effectively to influence the preparation of the annual report, which openly discloses their actions on executive remuneration, this action will be considered positively by investors and regulators.

Resource dependence theory examines the beneficial impact of having this committee based on a resource perspective. This theory explains that companies use a diversity of resources to achieve company goals (Lu *et al.*, 2022). Lu *et al.* (2022) say there are two assumptions related to resource dependency theory, namely that board composition is influenced by environmental context and needs and that different board compositions will produce different results. Meanwhile, Pfeffer and Salancik (1978) explain the role of the board of directors in a company from two perspectives. The first is the environmental interconnectedness perspective, which explains that board members with diverse backgrounds will provide many resources to the company. The second perspective explains that internal control and administrative actions will affect company efficiency. From the explanation of the two points of view above, it can be concluded that diversity and the right number of board members will improve the quality of company board resources, which will support the achievement of company goals. This is in accordance with the opinion of Kaczmarek *et al.* (2012), which states that the nomination committee is tasked with nominating board members and recommending the election of directors to the board, so this

Type	Opinion	Researcher
Nomination	The nomination committee should concern the company as it plays an essential role in nominating the right members of the executive and board of directors and eliminating ineffective board members	Kaczmarek *et al.* (2012)
Nomination	The nomination committee is a committee that is responsible for selecting potential board members and assessing existing board members, as well as choosing the CEO who will be responsible for the company's operations	Chaudhry *et al.* (2020)
Nomination	The main task of this committee is to regularly review the composition of the board and make recommendations regarding the appointment of qualified candidates	Mans-Kemp and Viviers (2019)
Remuneration	One of the duties of the nomination and remuneration committee is to manage (evaluate and recommend) board compensation so that the remuneration structure (salary, honorarium, incentives, and benefits) of directors and executives has been optimally determined to improve performance and reduce agency costs and information asymmetry	Harymawan *et al.* (2020)
Remuneration	The remuneration committee is tasked with making recommendations to the board on the policy structure and all forms of remuneration for directors and top management, leading to the establishment of a formal and transparent procedure for developing policies on director remuneration	Nyambia and Hamdan (2018)
Remuneration	The remuneration committee is a committee that has an essential role in supporting and advising the board on matters related to remuneration (for example, the level and composition of remuneration, disclosure of remuneration policies, and the process of determining remuneration and performance appraisal). So that there is alignment between the interests of shareholders, executive performance, and remuneration	Kanapathippillai *et al.* (2016)
Nomination and compensation (Remuneration)	The nomination committee is tasked with ensuring that people with the best skills, qualifications, and expertise will be responsible for acting in the interests of shareholders and improving the company's financial performance to add value to shareholders. At the same time, the compensation committee is responsible for board decisions regarding the payment of salaries, bonuses, commissions, and profit sharing by considering the directors' qualifications, expertise, and past achievements in designing remuneration packages, along with the company's financial constraints	Ashraf *et al.* (2022)

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Table 1. Definitions and opinions of the nomination and remuneration committee

committee plays an important role in determining the composition and diversity of the board, planning elections and ensuring that the board will be structured appropriately in carrying out its duties and functions.

Hutchinson *et al.* (2015) said the nomination committee is a transparent and efficient mechanism for examining, selecting and appointing directors by the company, taking into account the skills, experience, expertise and diversity of the board, so that this process will increase investor confidence. Furthermore, the nomination committee must also utilize all its capabilities and the company's social environment to obtain quality board members. Edacherian *et al.* (2024) found a link between the nomination and remuneration committees of companies in India, providing them with access to human resources and information regarding appropriate incentive structures that will improve performance. So based on the two theories above, we conclude that it is very important to study the nomination and remuneration committee to maximize the alignment of interests of the principal and agent and to have superior resources on the board to achieve company goals.

4. Dimensions of the nomination and remuneration committee

The observed attribute of the nomination and remuneration committee is the existence of a committee (Borlea *et al.*, 2017; Eulaiwi *et al.*, 2016; Harymawan *et al.*, 2019; Hutchinson *et al.*, 2015; Kanapathippillai *et al.*, 2016; Kent *et al.*, 2021; Puni and Anlesinya, 2020; Ruigrok *et al.*, 2006; Saha and Kabra, 2022), independent director (board) presence and committee independence (Ashraf *et al.*, 2022; Eulaiwi *et al.*, 2016; Ismail *et al.*, 2020; Nyambia and Hamdan, 2018; Vinjamury, 2020), gender diversity on the committee (Alkalbani *et al.*, 2019; Kaczmarek *et al.*, 2012; Mans-Kemp and Viviers, 2019), diversity of nationality and race on the committee (Kaczmarek *et al.*, 2012; Mans-Kemp and Viviers, 2019; Ruigrok *et al.*, 2006), number of members and frequency of committee meetings (Appiah and Chizema, 2016; Kanapathippillai *et al.*, 2016), expertise, experience, monitoring and independence of the committee chairman (Chaudhry *et al.*, 2020) and committee effectiveness or quality (Appiah and Chizema, 2016; Kanapathippillai *et al.*, 2016, 2019).

4.1 The existence of a nomination and remuneration committee

Corporate governance codes around the world recommend separating corporate governance so that the nomination and remuneration committees become stand-alone committees within the corporate structure. It is due to the overwhelming evidence of CEOs dominating board members' selection and evaluation of their performance and remuneration. This separation is necessary because it aligns the interests of owners and management; the nomination and remuneration committee maintains a reputation by recruiting directors and boards who work effectively and make better disclosures related to human resources (Saha and Kabra, 2022). The nomination committee is a committee that monitors the board, so it is responsible for providing information by providing independent views to shareholders, especially regarding nominations, performance evaluation, remuneration recommendations and human resource affairs for the board. Due to the busyness of the executive and board involved in the monitoring function, institutional investors and shareholders view the nomination committee as an important signal of the board's ability to build and maintain independence (Shivdasani and Yermack, 1999).

The presence of the nomination and remuneration committee in several studies shows increased access to resources to reduce agency costs, improving company performance (Harymawan *et al.*, 2020; Vinjamury, 2020), board gender diversity (Hutchinson *et al.*, 2015) and CEO compensation and executive (Kanapathippillai *et al.*, 2016; Khan *et al.*, 2023; Yarram and Rice, 2017). Table 2 presents several studies related to the presence of the nomination and remuneration committee.

4.2 The presence of an independent director or board and the independence of the nomination and remuneration committee

Corporate governance regulations around the world suggest the presence of independent members on the nomination and remuneration committees. It increases this committee's

Author	Country	Dependent variable	Independent variable	Result
Saha and Kabra (2022)	India	voluntary disclosure index (VDI)	Nomination and Remuneration Committee	There is no Significant
Shehadeh *et al.* (2022)	Jordan	Capital Structure	Nomination and Remuneration Committee	Negative no significant
Vinjamury (2020)	India	Tobin's q ROE ROA NPM	Nomination and Remuneration Committee	Positive Significant Positive Significant Positive no Significant Positive no Significant
Berezinets *et al.* (2017)	Russia	Tobin's q	Komite Nomination and Remuneration Committee	Negative Significant
Nguyen and Soobaroyen (2022)	United Kingdom	CEO Compensation	Nomination and Remuneration Committee	Positive Significant
Fauzi *et al.* (2017)	Indonesia	Tobin's q	Nomination and Remuneration Committee	Negative Significant
Romano and Guerrini (2012)	Italy	Financial reporting fraud	Nomination and Remuneration Committee	Positive Significant
Puni and Anlesinya (2020)	Ghana	Firm performance (ROA, ROE, EPS, Tobin's q)	Nomination Committee	Negative Significant
Borlea *et al.* (2017)	Romania	ROA Tobin's q	Nomination Committee	Positive no Significant Negative no Significant
Appiah *et al.* (2016)	Ghana	Gender diversity	Nomination Committee	Positive no Significant
Hutchinson *et al.* (2015)	Australia	Gender diversity	Nomination Committee	Positive no Significant
Kent *et al.* (2021)	Australia	Employee disclosure	Nomination Committee	Positive Significant
Harymawan *et al.* (2020)	Indonesia	Executive Remuneration Director Remuneration Total Remuneration ROA Tobin's q ROE	Remuneration Committee	Positive Significant Negative no Significant Positive no Significant Positive Significant Positive Significant Positive no Significant
Kang and Nanda (2017)	India	Total remuneration manager	Remuneration Committee	Positive no Significant

(*continued*)

Table 2.
Research the presence of the nomination and remuneration committee

Author	Country	Dependent variable	Independent variable	Result
Kanapathippillai *et al.* (2016)	Australia	Total Compensation CEO	Compensation Committee	Positive no significant
Yarram and Rice (2017)	Australia	Total executive pay for mining and non-mining companies	Remuneration Committee	Positive Significant on mining company Positive no Significant on non-mining company

Table 2.

Source(s): Table created by authors

independence, effectiveness and performance. The independence of the members of the nomination and remuneration committee is a mechanism to control the interests of principals and agents who are believed to have supervisory functions and are experts in their fields, so that it is expected to provide good benefits for the company. Independent committee members are a resource that can be used to make the best decisions for the company's operations.

There are several studies on the independence of nomination and remuneration committees, such as Van Zyl and Mans-Kemp (2023) who found that independent remuneration committees have an important role in facilitating relationships with investors to ensure fair remuneration. Ruigrok *et al.* (2006), found that companies with nominating committees had more independent directors and independent members dominated the committee composition. Appiah and Chizema (2016) found that boards dominated by outside companies and nomination committees dominated by independent members reduced the risk of bankruptcy. Eulaiwi *et al.* (2016) found that independent members on the nomination committee significantly reduced the number of busy directors in the company. Ashraf *et al.* (2022) found that the independence of the nomination and compensation committees reduced the likelihood of corporate financial distress in the U.K. and China. He *et al.* (2018) found that the independence of the nomination committee significantly reduced restatements. The independence of the remuneration committee significantly increases the remuneration of executive directors (Ntim *et al.*, 2019; Nyambia and Hamdan, 2018), and Ntim *et al.* (2019) also mention that the independence of the nomination and remuneration committee increases payments to the CEO, significantly increasing voluntary executive narrative remuneration action disclosure (Kanapathippillai *et al.*, 2016).

Non-executive (independent) members of the remuneration committee can reduce agency problems (Lagasio *et al.*, 2023). Lagasio *et al.* (2023) stated that non-executive directors can actually design remuneration schemes that better align the interests of management and shareholders compared to executive members, who may be driven by personal interests. This is supported by Fulgence *et al.* (2023), who found that companies whose CEO and chief financial officer (CFO) were involved in remuneration or nomination committees disclosed less corporate governance information. Based on the findings of several studies above, we draw the conclusion that an independent board that is included in the nomination and remuneration committee and is an independent member of this committee will improve the performance of the board.

4.3 Diversity of gender, nationality and race (skin color) in the nomination and remuneration committee

The issue of gender equality has been exciting in recent years. The appointment of women on corporate boards is one of the most hotly discussed corporate governance issues and attracts much interest from academics, governments, policymakers and practitioners (Nguyen *et al.*, 2020). Many countries have provided opportunities for women to serve on company boards, some even requiring companies to hire at least one female director. Resource dependence theory explains that gender diversity improves financial performance because companies will find capabilities and expertise that can increase the company's competitive advantage while also increasing the legitimacy and image of the company because it raises the issue of gender equality. Meanwhile, from the agency theory perspective, gender diversity is an important corporate governance mechanism for companies (Gallego-Álvarez *et al.*, 2010). Because supervision carried out by women is considered better than that done by men (Adams and Ferreira, 2009), it reduces agency costs (Reguera-Alvarado *et al.*, 2017), and women pay more attention to ethical issues (Rodriguez-Dominguez *et al.*, 2009) so that they comply with rules and pay attention to corporate governance, increasing supervision reduces information asymmetry problems.

In several kinds of research regarding the presence of women on the nomination and remuneration committee, among others, Ruigrok *et al.* (2006) found that female members of the nomination committee had a non-significant negative effect on the number of female directors, meaning that women did not appoint the board based on gender equality and were appointed according to their qualifications and abilities. However, Kaczmarek *et al.* (2012) found the presence of women on the nomination committee had a significant positive effect on board gender diversity, while Mans-Kemp and Viviers (2019) found a positive relationship between board and nomination committee gender diversity. Alkalbani *et al.* (2019) found companies with women on the remuneration committee reduced dissent through say-on-pay. Still, companies with more than 30% women on this committee were likelier to have less shareholder dissent through say-on-pay. In contrast, women in nomination committees significantly negatively affect say-on-pay dissent voting. This is supported by research by Tarkovska *et al.* (2023) who found that the presence of women on committees would further reduce the wage gap. Singhania *et al.* (2022) found the presence of women on the nomination and remuneration committee significantly increased Tobin's q but decreased ROA.

According to agency theory, foreign board members have more capabilities and resources to increase their ability to observe and supervise international markets, reducing agency costs. According to the resource dependence theory, a board that comes from abroad will enhance the performance of the board's service or resource provision function because the board will devote more time and energy to other activities, such as board development programs and board evaluations, which will increase the board's work efficiency (Kaczmarek and Nyuur, 2022). Boards that come from abroad bring knowledge and expertise about markets in specific countries and cultures, so these foreign boards will connect companies to new environments. Therefore, nominating committees tend to be interested in attracting and recruiting foreigners as company directors (Ruigrok *et al.*, 2006). The presence of foreign nomination and remuneration committee members is expected to be able to select board members who have the appropriate qualifications and provide commensurate remuneration so that the company can expand its international market.

Several kinds of research on the number of foreign nomination and remuneration committee members has been conducted, such as Ruigrok *et al.* (2006), who found that the number of foreign directors had a significant positive effect on the nomination and remuneration committee, and foreign directors on the nomination committee significantly increased the change in the number of foreign directors. Kaczmarek *et al.* (2012) found that the presence of foreign members on the nomination committee significantly increased the national diversity of the board. Mans-Kemp and Viviers (2019) found a positive relationship between the racial diversity of boards and the racial diversity of nominating committees in increasing the number of newly appointed directors of color to the board. Based on the explanation of several studies above, it can be concluded that the more gender and nationality diversity within the committee, the greater the diversity on the company board, which is expected to improve the performance of the board and the company.

4.4 Number of members and frequency of meetings nomination and remuneration committee

Regulations in several countries suggest that this committee has a minimum number of three members; this number is assessed so that it can carry out the nomination and remuneration functions of the board effectively and efficiently. Alkalbani *et al.* (2019) found the size of the remuneration committee increased say-on-pay dissent voting. Wang *et al.* (2021) found that committee size negatively affects company performance. Appiah *et al.* (2016) found that the size of the nominating committee increases the gender diversity of the board. Gai *et al.* (2021) find the number of committees increases with new directors, new directors with board experience and new directors with audit experience. Therefore, we believe that the greater the number of committee members, the greater the supervision of the board's performance and the higher the quality of the board candidates who will lead the company. However, this number must be adjusted to the company's needs because if the committee members are too large, their performance will not be effective because it will cause significant differences of opinion and other costs such as salaries, allowances and others.

Board meetings can measure the board's commitment to the company; the more often the board holds meetings, the better the oversight function and input, and they will find solutions to the problems faced by the company. Kanapathippillai *et al.* (2016) found that remuneration committee meetings significantly positively affected voluntary narrative executive remuneration action disclosure. Conyon and Peck (1998) say that companies that have a remuneration committee will align top management salaries with company performance, which will support the relationship between high remuneration and high performance. This is in line with research by Lagasio *et al.* (2023), who found that nomination and remuneration committees that hold frequent meetings with a high presence of non-executive directors can avoid adverse financial conditions. We found no other research that examined nomination and remuneration committee meetings directly. However, we found these committee meetings to be part of the committee effectiveness or quality variable, as was done by several studies (Appiah and Chizema, 2016; Eulaiwi *et al.*, 2016; Kanapathippillai *et al.*, 2016), which will then be discussed in the section on the effectiveness of the nomination and remuneration committee.

4.5 Expertise, monitoring experience and independence of the chairman of the nomination and remuneration committee

Several countries make regulations for the chairman of the nomination and remuneration committee to be independent, so the decisions issued by this committee are genuinely in the company's interests, not the interests of certain parties. When the chairman of this committee has expertise, education and experience regarding the board selection process and the amount of remuneration, it will increase satisfaction from the board and shareholders so that harmony between both parties can be achieved. When the committee is chaired by someone with the necessary expertise and monitoring capabilities, it is possible to have an appropriate and effective director on the board of the company (Chaudhry *et al.*, 2020). Kanapathippillai *et al.* (2016) found that the independence of the remuneration committee chairperson did not affect voluntary narrative executive remuneration action disclosures. Ntim *et al.* (2019) found pay-for-performance sensitivity (PPS) was higher in companies that had independent nomination and remuneration committees, and Ashraf *et al.* (2022) found that independent compensation and nomination committees are beneficial to a company's financial health. For this reason, we believe that the independence of the nomination and remuneration committee is necessary for the assessment and remuneration of the board according to its performance so that the board will improve its performance, which will have an impact on company performance.

We did not find other research regarding the independence of the chairman of the nomination and remuneration committee, but this variable is combined into the effectiveness or quality of the committee, as has been done by several studies (Appiah and Chizema, 2016; Eulaiwi *et al.*, 2016; Kanapathippillai *et al.*, 2019). Chaudhry *et al.* (2020) found that the experience of committee chairs significantly increased return on asset (ROA), return on equity (ROE) and net profit margin (NPM); the human resources expertise of committee chairs increased ROA, ROE and NPM and the supervisory abilities of committee chairs increased ROA, ROE and NPM.

4.6 The effectiveness or quality of the nomination and remuneration committee

Various studies regarding the effectiveness or quality of nomination and remuneration committees were assessed through the existence of the committee, the size (number) of committee members, the number of independent members on the committee, the number of committee meetings, the expertise in finance or human resources on the committee and the independence of the committee chair. Appiah and Chizema (2016) found that the effectiveness of the nomination committee negatively affects corporate bankruptcy. Eulaiwi *et al.* (2016) found the characteristics of the nomination committee to be significantly associated with a reduction in the number of busy directors on corporate boards. Pahi and Yadav (2019) found the nomination and remuneration committee index had no significant positive effect on dividend policy. Kanapathippillai *et al.* (2016) found that committee quality has a significant positive effect on voluntary narrative executive remuneration action disclosure, and Kanapathippillai *et al.* (2019) found the effectiveness of the compensation committee has a positive and significant relationship with total CEO compensation. Al-Absy and AlMahari (2023) found that the interaction of the effectiveness of the nomination committee, the frequency of board meetings and the number of female directors were significantly and positively related to ROA and earnings per share (EPS) compared to insignificant results when investigated through a direct relationship. All the research results above are closely related to agency theory and resource dependency theory because the effectiveness and quality of this committee will improve the supervisory function, reduce agency costs, minimize information asymmetry and increase the selection of quality board resources so that it will improve the quality of the board and company performance.

5. Measurement and results review of research

5.1 Different measurements for nomination and remuneration committees

Research on nomination and remuneration committees generally uses the presence or existence of this committee in corporate governance. The method of measurement is to use a dummy variable, which gives a score of 1 if the company has this committee and a score of 0 if it does not (Fauzi *et al.*, 2017; Harymawan *et al.*, 2020; Kanapathippillai *et al.*, 2016; Khan *et al.*, 2023; Saha and Kabra, 2022; Vinjamury, 2020). For gender diversity in the nomination and remuneration committee, the researcher uses a dummy variable, which gives a score of 1 if there are women in the membership of this committee and a score of 0 if there are no (Alkalbani *et al.*, 2019; Hutchinson *et al.*, 2015; Ruigrok *et al.*, 2006), using the percentage of women on the committee (Mans-Kemp and Viviers, 2019), and using three configurations, giving a score of 0 if there are no women, a score of 1 if there is 1 woman, and a score of 2 if there are 2 or more women (Kaczmarek *et al.*, 2012). For nomination and remuneration committees with diversity in nationalities and races, several researchers measured the dummy variable by giving a score of 1 if there were foreign or racially different committee members and a score of 0 if not (Ruigrok *et al.*, 2006). Using three configurations by giving a score of 0 if there are no foreign committee members, a score of 1 if there is 1 foreigner, and a score of 2 if there are 2 or more foreigners (Kaczmarek *et al.*, 2012) and using percentages if there are differences in race (Mans-Kemp and Viviers, 2019).

The presence of an independent director or board and independence in the nomination and remuneration committee are measured using a dummy variable, giving a value of 1 if there are independent members and a score of 0 if not (Appiah and Chizema, 2016; Kanapathippillai *et al.*, 2016; Ruigrok *et al.*, 2006), which used the percentage of the number of independent members (Eulaiwi *et al.*, 2016; Nyambia and Hamdan, 2018). The number (size) of nomination and remuneration committee members and meetings is measured by adding all committee members and the number of meetings in one year (Alkalbani *et al.*, 2019; Appiah and Chizema, 2016; Gai *et al.*, 2021). For experience, monitoring and expertise, Chaudhry *et al.* (2020) used a dummy variable given a score of 1 if the committee chairperson had expertise in human resources. For monitoring, a score of 1 if holding more than 1 committee in the company, an experience score of 1 if he has more than 3 years of experience in the company and a score of 0 if not. The independence of the committee chairperson also uses a dummy variable by giving a score of 1 if the chairperson is independent and 0 if not (Kanapathippillai *et al.*, 2016, 2019).

Committee effectiveness has several measurements. Appiah and Chizema (2016) measure the composite index of the dummy variable attendance of the nomination committee, the size of the nomination committee members, the independence of the nomination committee, the independence of the chairman of the nomination committee and the meetings held by the nomination committee. Eulaiwi *et al.* (2016) measure the C_Factor, a factor score of five governance attribute nomination committees, namely independence, size, independence chairman, number meeting and qualification. Pahi and Yadav (2019) used a dummy variable based on a governance score set in India, and Kanapathippillai *et al.* (2016) measure the quality of the remuneration committee with a composite score obtained from five characteristics of the remuneration committee, namely committee independence, committee size, independence of the committee chairman, committee expertise and committee meetings. Meanwhile, Al-Absy and AlMahari (2023) measured the effectiveness of the nomination committee using the nomination committee score (NCScore), which is the sum of five components (NC size, independence, meeting frequency, female directors and separation of the committee). All committee effectiveness measurements above have values ranging from 0 to 5, with 0 indicating the lowest effectiveness and 5 indicating the highest effectiveness.

5.2 Research review

Most studies on the relationship between nomination and remuneration committees and company performance rely on accounting-based or market-based indicators (Harymawan *et al.*, 2020; Puni and Anlesinya, 2020). The nature of these two indicators is used because researchers have criticized the single reliance on accounting-based performance criteria (Dezsö and Ross, 2012) because they can be manipulated. Alternatively, market-based returns are used as they reflect risk-adjusted performance and are not affected by multi-industry or multi-national contexts (Nayyar, 1992), but forces influence this indicator in management. Some researchers also examine areas other than performance, such as earnings management (Al-Absy *et al.*, 2018; Nuhu *et al.*, 2023), financial reporting fraud (Romano and Guerrini, 2012), board gender diversity (Hutchinson *et al.*, 2015), financial distress (Ashraf *et al.*, 2022; Lagasio *et al.*, 2023), bankruptcy (Appiah and Chizema, 2016), financial stability (Al-Absy, 2020), board remuneration (Harymawan *et al.*, 2020; Kang and Nanda, 2017; Nyambia and Hamdan, 2018) and voluntary narrative executive remuneration action disclosure (Kanapathippillai *et al.*, 2016).

5.3 Reasons for differences in research findings

Empirical findings regarding the relationship between nomination committees and remuneration, as well as company dynamics, have both favorable and unfavorable impacts. There are many reasons for these mixed findings. First, researchers have examined different types of data. Some use panel data (Appiah and Chizema, 2016; Harymawan *et al.*, 2020; Kaczmarek *et al.*, 2012), while some use cross-sectional data (Chaudhry *et al.*, 2020). Many researchers have argued that panel data offers accurate results. However, most research on board diversity is based on cross-sectional data (Dezsö and Ross, 2012). The results of studies that use cross-sectional data on corporate governance experience problems of reverse causality and endogeneity (Adams *et al.*, 2010).

Second, different researchers have operationalized nomination and remuneration committees differently. Some combine the presence or existence of a nomination and remuneration committee (Berezinets *et al.*, 2017; Saha and Kabra, 2022; Shehadeh *et al.*, 2022). Some separate the nomination committee and remuneration committee (Borlea *et al.*, 2017; Vinjamury, 2020); some use diversity and characteristics (Alkalbani *et al.*, 2019; Kaczmarek *et al.*, 2012; Mans-Kemp and Viviers, 2019; Ruigrok *et al.*, 2006); and there are also those who build a committee effectiveness (quality) index (Appiah and Chizema, 2016; Eulaiwi *et al.*, 2016; Kanapathippillai *et al.*, 2016; Pahi and Yadav, 2019), thus giving different results.

Third, a meta-analysis of studies by Post and Byron (2015) found that differences in contextual factors, such as differences in the regulations of the sampled countries and socio-cultural communities, can lead to different results, for example, legal systems that have gender quotas on company boards (Terjesen *et al.*, 2015) and public trust in diversity (van Knippenberg *et al.*, 2011). In addition, researchers also use different samples and research times. In the contingency theory argument, due to differences in industry, regulations, time and samples, there are various impacts.

5.4 Moderation research

We found several factors to moderate the nomination and remuneration committee, such as the independence of the nomination committee, which positively moderates the effect of the presence of the chief executive officer's (CEO) presence on the nomination committee on the demographic diversity of the board (Kaczmarek *et al.*, 2012). The interaction of the nomination and remuneration committee and board size has a significant negative effect on Tobin's q ROE and NPM and is negatively significant to ROA, while the interaction of the nomination and remuneration committee and the independent board has a significant negative effect on Tobin's q and ROE and is negatively insignificant to ROA and NPM (Vinjamury, 2020). The interaction between the busyness of the CEO and the nomination and remuneration committee has no significant positive effect on ROA and return on sales (ROS), but it has no significant negative effect on ROE (Harymawan *et al.*, 2019).

The interaction of the presence of the compensation committee and ROA revealed a significant positive effect on CEO salary performance, and the interaction of the effectiveness of the compensation committee and ROA had a positive effect on total CEO compensation (Kanapathippillai *et al.*, 2019). The remuneration committee moderates the effect of market capital on full pay, which is negatively significant for mining companies but not significant for non-mining companies in Australia (Yarram and Rice, 2017). The nomination and remuneration committee positively moderates the director pay slice on ROA, ROE, ROA earnings before interest and tax (EBIT) and ROEEBIT but not Tobin's q, and the remuneration nomination committee positively moderates the director pay slice on ROA, ROAEBIT and ROEEBIT in the future but does not moderate ROE and Tobin's q (Rahayu *et al.*, 2022). The nomination committee moderates positive pay-for-performance sensitivity to all executive directors' pay and CEO pay, and the remuneration committee negatively moderates PPS to all executive directors' pay and CEO pay (Ntim *et al.*, 2019). Al-Absy and AlMahari (2023) examine the moderating effect of nomination committee effectiveness. They found that the effectiveness of the nomination committee significantly positively moderated the relationship between the frequency of board meetings and the number of female directors and company performance. Meanwhile, Jhunjhunwala and Sharda (2023) found a negative moderating impact of busy nomination and remuneration committees and their participation on the relationship between innovation and Tobin's q. Based on the research results above, we draw the conclusion that the moderating effect of the nomination and remuneration committee has a positive effect on board performance and company performance.

6. Overall synthesis and research agenda

Existing research on nomination and remuneration committees has the potential to become an important area in the study of corporate governance. However, the findings should support the operationalization of board diversity, compensation (remuneration) and conflicting findings and explore various aspects of nomination and remuneration committees that have not yet been explored. Figures 2–4 show the author's country, authors and research evolution of the nomination and remuneration committee. In this picture, Spain is represented by authors such as Fernández Méndez C., Arrondo García R. and Fernández Rodríguez E. Furthermore, this research originating from Spain was continued by the United Kingdom (UK) with writers such as Collins G. Ntim, Sarah Lindop, Dennis A. Thomas, Hussein Abdoua and Kwaku K. Opong. This research from Spain was also continued in India with authors such as Rama Sastry Vinjamury, Shital Jhunjhunwala and Shweta Sharda, as well as in the United Arab Emirates with writer Tarek Roshdy Abdelhalem Gebba. Malaysia, as a member of the Association of Southeast Asian Nations (ASEAN), is the first country to write on this theme with authors Mujeeb Saif Mohsen Al-Absy, Ku Nor Izah Ku Ismail and Sitraselvi Chandren. Figure 4 shows that the themes that dominate the nomination and remuneration committee are the board, independence, composition, remuneration, firm performance, corporate governance mechanisms and family firm corporate governance. Figures 5–7 show the countries, authors and research evolution of the nomination committee and figures 8–10 show the countries, authors and research evolution of the remuneration committee. Table 3 shows the number of citations from several

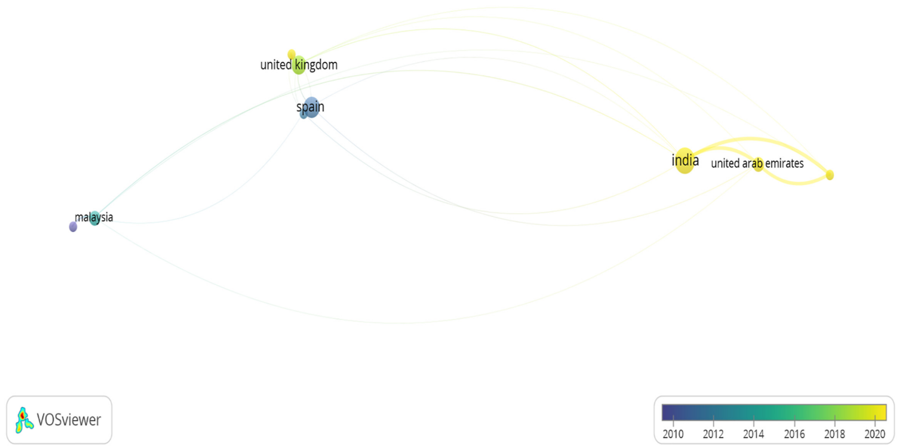

Figure 2.
Country author's nomination and remuneration committee

Source(s): Processed figure of the VOSviewer application

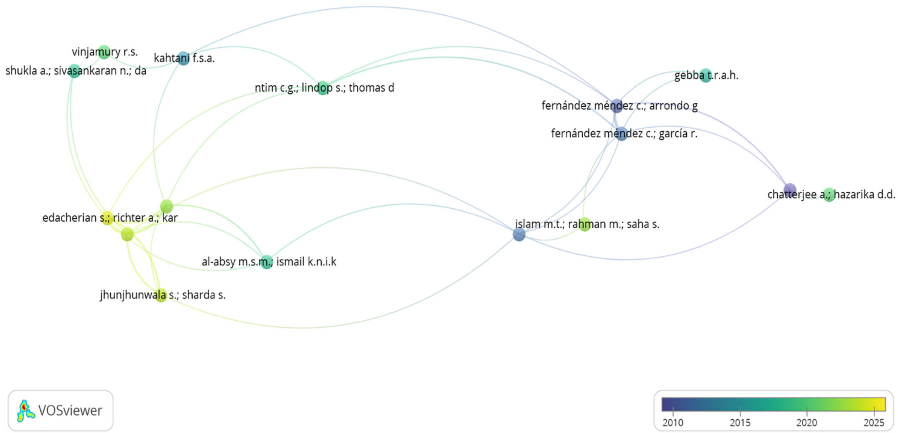

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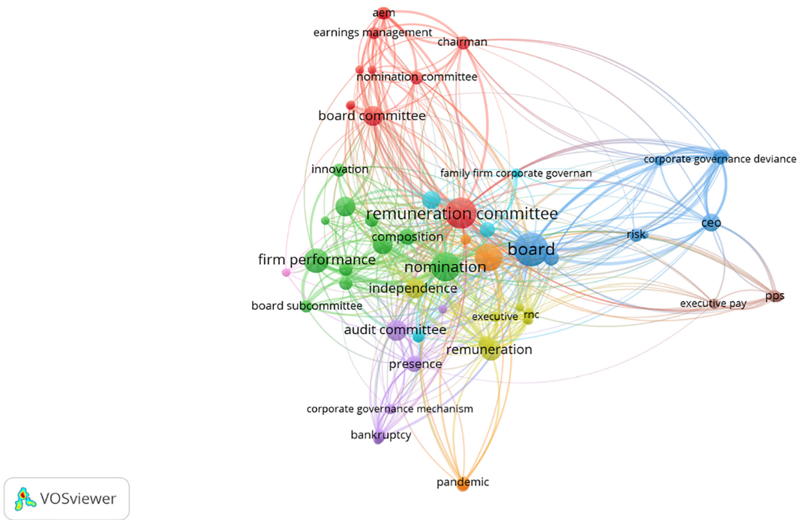
Figure 3.
Author's nomination and remuneration committee



Source(s): Processed figure of the VOSviewer application

Figure 4.
Evolution of nomination and remuneration committee research

previous studies, and Table 4 shows the evolution of nomination and remuneration committee research publications as a whole.

Next, we will present future research opportunities. We group these research opportunities into: first, the existence of a nomination and remuneration committee; second, the presence of an independent director or board and the independence of the committee; third, diversity in gender, nationality and race (skin color); fourth, the number of members and frequency of meetings; fifth, the expertise, experience, monitoring and independence of the committee chairman; sixth, the effectiveness of the nomination and remuneration committee and seventh, other dimensions that have not been researched and are cross-country.

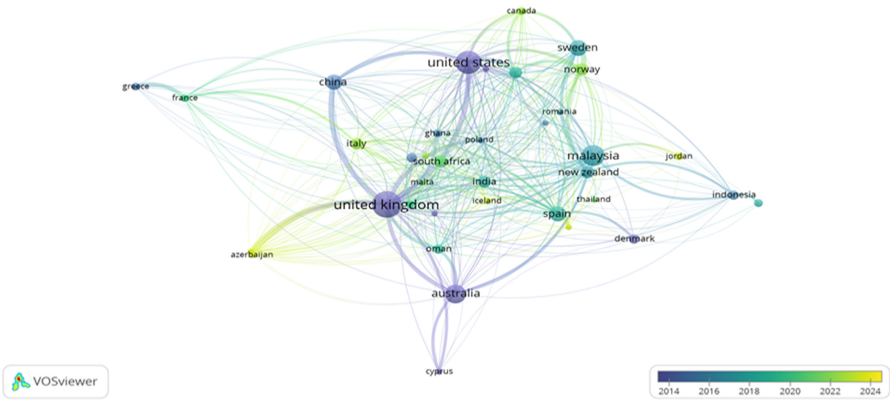


Figure 5.
Country author's nomination committee

Source(s): Processed figure of the VOSviewer application

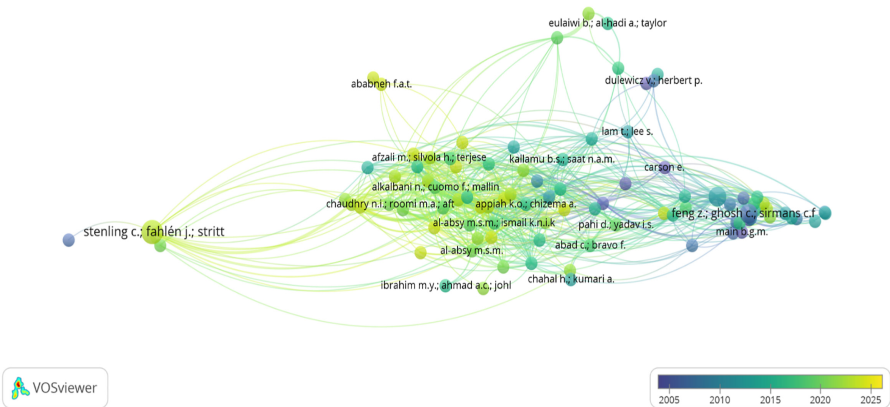


Figure 6.
Author's nomination committee

Source(s): Processed figure of the VOSviewer application

First, for the existence of a nomination and remuneration committee, we suggest comparing companies that already have and do not have this committee, large and small companies, and then using this committee as a moderator variable for the relationship between board diversity and company performance, financial distress, bankruptcy and dividend payout. Second, we suggest that future research can use this committee independence as a moderator variable for the relationship between board busyness and board remuneration on company performance, bankruptcy, financial distress and dividend payout in family and non-family companies and test the direct relationship of committee independence to diversity and board independence in family and non-family companies. Thirdly, we recommend research to examine the relationship between gender diversity in the nomination and remuneration committee on company performance, financial distress, bankruptcy risk and dividend payout and make gender diversity on this committee a moderating variable to test the relationship between board gender diversity on company performance, financial distress, bankruptcy risk and dividend payout. Meanwhile, research opportunities for national diversity in nomination and remuneration committee members are to determine the effect of national diversity in

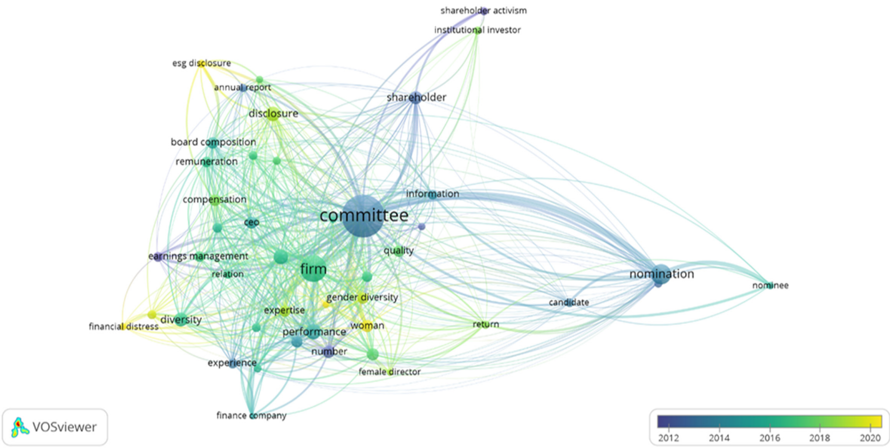


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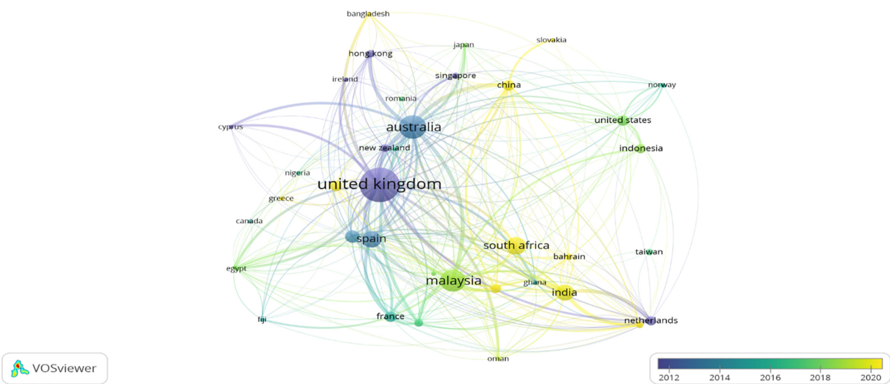
Figure 7. Evolution of nomination committee research



Source(s): Processed figure of the VOSviewer application

Figure 8. Country author's remuneration committee

nomination and remuneration committees on company performance, financial distress, bankruptcy risk, innovation and dividend payout. Furthermore, how does national diversity in nomination and remuneration committees moderate the relationship of board diversity to firm performance, financial distress, bankruptcy risk, innovation and dividend payout?

Fourthly, we recommend examining the impact of the number of members and frequency of nomination and remuneration committee meetings on company performance, financial distress, bankruptcy risk and dividend payout. Furthermore, we can use the number of members and frequency of nomination and remuneration committee meetings as moderator variables for the relationship between board diversity and board remuneration on company performance, financial distress, bankruptcy risk and dividend payout. Fifth, we suggest investigating the influence of the expertise, experience, monitoring and independence of the chairman of the nomination and remuneration committee on firm performance, financial distress, bankruptcy risk, dividend payout, board diversity, busyness and board remuneration. Furthermore, it can be used as a moderator variable to determine the effect

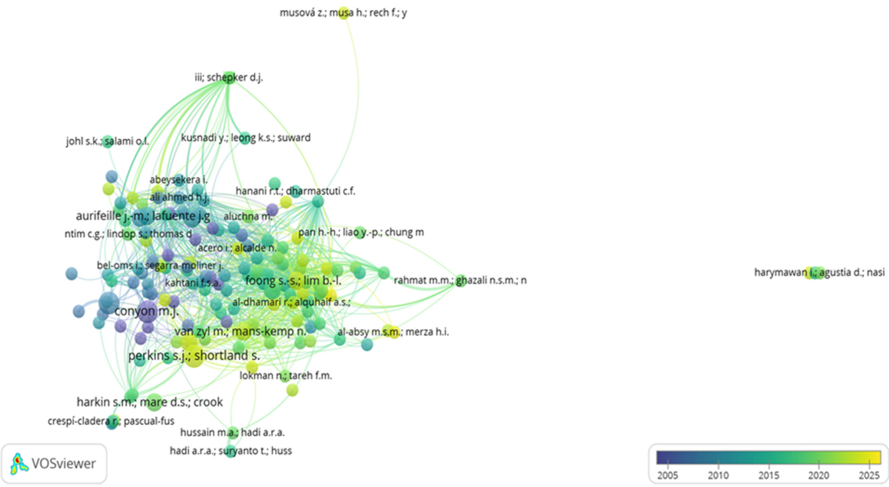


Figure 9.
Author's remuneration committee

Source(s): Processed figure of the VOSviewer application

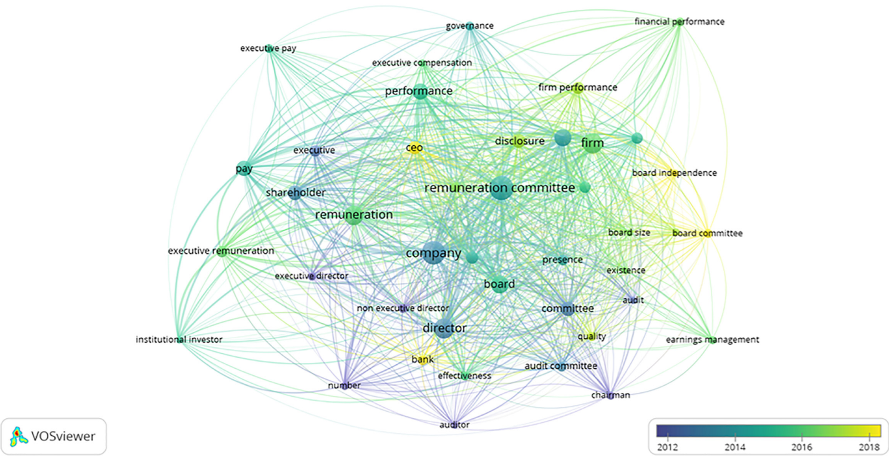


Figure 10.
Evolution of remuneration committee research

Source(s): Processed figure of the VOSviewer application

of board diversity and board remuneration on company performance, financial distress, bankruptcy risk and dividend payout. Sixth, future research opportunities are to examine the effectiveness of the nomination and remuneration committee on company performance, financial distress, bankruptcy risk, dividend payout, board diversity and board remuneration. Furthermore, the effectiveness of this committee can be used as a moderator variable that tests the effect of board diversity and board remuneration on company performance, financial distress, bankruptcy risk and dividend payout.

Seventh, future researchers can study the effects of committee diversity that are rarely studied; we found this in board diversity, but we estimate it can be used in the diversity of nomination and remuneration committees, such as the race and ethnicity of board members

Author	Title	Citation Scopus	Citation Scholar
Conyon and Peck (1998)	Board Control, Remuneration Committees, and Top Management Compensation	462	1,219
Shivdasani and Yermack (1999)	CEO Involvement in the Selection of New Board Members: An Empirical Analysis	708	1894
Ruigrok *et al.* (2006)	The determinants and effects of board nomination committees	117	309
Kaczmarek *et al.* (2012)	Antecedents of Board Composition: The Role of Nomination Committees	73	155
Hutchinson *et al.* (2015)	Who selects the "right" directors? An examination of the association between board selection, gender diversity and outcomes	93	190
Kanapathippillai *et al.* (2016)	Remuneration committee effectiveness and narrative remuneration disclosure	19	39
Appiah and Chizema (2016)	The impact of board quality and nomination committee on corporate bankruptcy	12	30
Appiah *et al.* (2016)	Nomination committee-board gender diversity nexus in Ghana	6	12
Eulaiwi *et al.* (2016)	Multiple directorships, family ownership and the board nomination committee: International evidence from the GCC	42	57
Berezinets *et al.* (2017)	Board structure, board committees and corporate performance in Russia	26	50
Yarram and Rice (2017)	Executive compensation among Australian mining and non-mining firms: Risk taking, long and short-term incentives	2	10
Al-Absy *et al.* (2018)	Board Chairmen's Involvement in the Nomination and Remuneration Committees and Earnings Management	16	24
Mans-Kemp and Viviers (2019)	The role of nomination committees in diversifying boards in an emerging market context	12	21
Ntim *et al.* (2019)	Executive pay and performance: the moderating effect of CEO power and governance structure	66	138
Puni and Anlesinya (2020)	Corporate governance mechanisms and firm performance in a developing country	69	216
Chaudhry *et al.* (2020)	Impact of expertise of audit committee chair and nomination committee chair on financial performance of firm	24	60
Harymawan *et al.* (2020)	Remuneration committees, executive remuneration, and firm performance in Indonesia	16	38
Gai *et al.* (2021)	Board design and governance failures at peer firms	4	10
Ashraf *et al.* (2022)	Does board committee independence affect financial distress likelihood? A comparison of China with the UK	8	16
Saha and Kabra (2022)	Corporate governance and voluntary disclosure: evidence from India	10	22
Iannuzzi *et al.* (2023)	Nomination committee characteristics and exposure to environmental, social and governance (ESG) controversies: evidence from European global systemically important banks	2	6
Van Zyl and Mans-Kemp (2023)	Insider perspectives on director remuneration governance deliberations	1	1
Fulgence *et al.* (2023)	Board Effect and the Moderating Role of CEOs/CFOs on Corporate Governance Disclosure: Evidence from East Africa	0	3
Lagasio *et al.* (2023)	May board committees reduce the probability of financial distress? A survival analysis on Italian listed companies	0	3
Edacherian *et al.* (2024)	Connecting the right knots: The impact of board committee interlocks on the performance of Indian firms	0	1

Source(s): Table created by authors

Table 3. Citation of articles on nomination and remuneration committees

Table 4. Evolution of nomination and remuneration committee research publications

Author	Negara asal	Research question	Research method	Result	Theory
Conyon and Peck (1998)	USA	How is the oversight role of the board and remuneration committee in determining management compensation?	Quantitative method with a sample of the Financial Times top 100 companies by market value in the UK during 1991–1994	Top management pay and company performance are more closely aligned in companies with outsider-dominated boards and remuneration committees	Agency theory and social comparison theory
Shivdasani and Yermack (1999)	USA	Does CEO involvement in the selection of new directors affect the nature of board appointments?	Quantitative methods with Fortune 500 non-financial companies during 1994–1995	When the CEO serves on a nominating committee or there is no nominating committee, companies appoint fewer independent outside directors and more outsiders who have conflicts of interest	Agency theory
Ruigrok *et al.* (2006)	Switzerland	What impact does the existence of a nomination committee and its composition have on board independence and board demographic diversity?	Quantitative method, with a sample of 210 Swiss public companies from 2001 to 2003	Companies that have nomination committees tend to have a higher number of independent and foreign directors. The composition of the nomination committee is important in the nomination of independent and foreign directors	Agency theory, resource dependence theory, and group effectiveness theory
Kaczmarek *et al.* (2012)	UK	Does the diversity of nomination committees (gender and nationality) affect the diversity (gender and nationality) of corporate boards?	Quantitative method with a sample of companies listed on the Financial Times and London Stock Exchange (FTSE) 350 during 1999–2008	The increased presence of women and non-British nationals on nominations committees will have a positive impact on the level of gender diversity and nationality on the board. The CEO on the nominating committee interacts with the independence of this committee, thereby exposing board demographic fault lines	Social identity theory

(*continued*)

Author	Negara asal	Research question	Research method	Result	Theory
Hutchinson *et al.* (2015)	Australia	Does the presence of a designated nomination committee and the representation of women on the nomination committee affect gender diversity on the board?	A quantitative method with a sample of the top 500 companies listed in Australia in 2007 and 2011	Gender diversity on the board is significantly and positively associated with the presence of an appointed nomination committee, and women's representation on the nomination committee is a significant explanatory factor in increasing gender diversity on the board	Agency Theory, stakeholder theory, Social identity theory, and resource dependence theory
Kanapathippillai *et al.* (2016)	Australia	What is the impact of the effectiveness of the remuneration committee on narrative voluntary disclosure of information on remuneration?	Quantitative method, with 673 observations of Australian companies during 2007–2011	The existence and quality of a remuneration committee play an important role in the decision to provide voluntary disclosure regarding remuneration measures and the extent of this disclosure	Agency Theory
Appiah and Chizema (2016)	Ghana and UK	How board quality influences the relationship between corporate bankruptcy and nomination committee effectiveness?	Quantitative method, with 1,835 firm-year observations for 98 bankrupt and 269 non-bankrupt UK-listed non-financial firms between 1994 and 2011	Nomination committee effectiveness has a negative impact on corporate bankruptcy, and the interaction of board quality and nomination committee effectiveness has a significant negative relationship with corporate bankruptcy	Agency theory and resource dependence theory

(*continued*)

Table 4.

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Eulaiwi *et al.* (2016)	Australia dan Oman	What is the relationship between outside board directorship and family ownership concentration?	Quantitative method, with 1,091 firm-year observations of non-financial publicly listed firms from Gulf Cooperation Countries (GCC) during the 2005–2013 period	There is a positive relationship between family ownership and the number of outside directorships held by board members. The existence of a nominating committee and the quality and characteristics of its membership suppress the positive relationship between outside directorship and family ownership	Agency theory type 2 and institution-based theories
Berezinets *et al.* (2017)	Russia	What is the relationship between board structure and company performance?	Quantitative method, with a sample of 207 Russian companies during the period 2007–2011	Positive relationship between Tobin's q and gender diversity on boards. There is no empirical evidence regarding significant differences in Tobin's *q* values between companies that have nominations and remuneration for companies that do not have this committee	Agency theory and resource dependence theory

(*continued*)

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Yarram and Rice (2017)	Australia	How does the company determine the salaries of its executive employees?	Quantitative method with a sample of 129 mining companies and 332 non-mining companies for the research period 2005–2013	Mining companies pay CEOs less overall than non-mining companies. The remuneration committee has a significant positive effect on the total salary of mining companies and an insignificant positive effect on non-mining companies. The remuneration committee moderates the influence of market capital on total salary in a significantly negative way in mining companies but not significantly in non-mining companies. When CEOs are on remuneration committees, they reduce the pay and performance sensitivity of long-term incentive pay at non-mining companies	Optimal contracting theory

(continued)

Author	Negara asal	Research question	Research method	Result	Theory
Al-Absy *et al.* (2018)	Malaysia	How is the Chairman of the Board involved in the Nomination and Remuneration Committee on Profit Management?	Quantitative method, with a sample of 300 companies listed on the Main Market of Bursa Malaysia with the lowest positive ROA for 2013 to 2015	The chairmen of the nomination committee, ordinary members of the nomination committee, and board chairmen's involvement in the nomination committee have a significant positive relationship with AEM and REM, and the chairmen's involvement in the remuneration committee has a significant negative relationship with accrual earnings management (AEM) but not real earnings management (REM)	Agency Theory
Mans-Kemp and Viviers (2019)	South Africa	Does the nominating committee serve as an internal change mechanism to promote gender and racial diversity?	Quantitative method, with a sample of 40 companies listed on the Johannesburg Stock Exchange (JSE Top 40) for the 2011–2016 period	A more diverse board has a nomination committee that is much more diverse in terms of both gender and race	Similarity attraction theory, human capital theory, resource dependence theory, and agency theory

(*continued*)

Table 4.

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Ntim *et al.* (2019)	UK	Can CEO power and corporate governance structure moderate pay-for-performance sensitivity (PPS)?	Quantitative method, with 1,690 observations of non-financial companies in South Africa during 2003–2012	Executive pay and performance are positively related to PPS. concentrated ownership and weak board structure; second-order agency conflicts (director supervisory power and opportunism) are stronger than first-order agency problems (CEO power and self-interest). CEO power and CG structure have a moderating effect on PPS. PPS is higher in companies that have more reputable CEOs, founders, and shareholders, higher ownership by directors and institutions, and independent nomination and remuneration committees, but lower in companies with larger boards, more powerful CEOs, and a long term of office	Agency Theory, optimal contracting theory and managerial power hypothesis.

(*continued*)

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Puni and Anlesinya (2020)	Ghana	How do corporate governance mechanisms influence company performance?	Quantitative method, with 38 registered companies in Ghana from 2006 to 2018	The presence of insiders and outsiders on a company's board improves financial performance. Board size, frequency of board meetings, and shareholder concentration/ ownership structure generally have a positive impact on financial performance. However, the presence of board committees (audit, nomination, and remuneration) generally has a negative impact on financial performance, while CEO duality has no impact on financial performance	Agency and stewardship theory
Chaudhry *et al.* (2020)	Pakistan and Saudi Arabia	What is the influence of financial expertise, monitoring, and experience of the chairman of the audit committee and human resources (HR) expertise, monitoring expertise, and experience of the chairman of the nomination committee on financial performance?	Quantitative method, with 50 Pakistani non-financial companies listed on the KSE 100 during 2016	The financial and monitoring expertise of the audit committee chairman and the experience expertise of the nomination committee chairman have a positive effect on company performance. However, no significant influence was found from the experience of the audit committee chairman and the monitoring and HR expertise of the nomination committee chairman on company performance	Agency theory and human capital theory

(*continued*)

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Harymawan *et al.* (2020)	Indonesia and USA	What is the relationship between the remuneration committee, executive remuneration, the board of directors, and company performance?	Quantitative method, with 847 observations on companies listed on the Indonesia Stock Exchange (IDX) during 2014–2017	The remuneration committee is positively related to executive remuneration and company performance. Higher remuneration is only associated with higher performance in companies that have established a remuneration committee. The interaction between the remuneration committee, the level of remuneration of senior company officials, and company performance is significantly positive	Agency Theory
Gai *et al.* (2021)	USA	How directors who structurally link multiple board committees (referred to as multi-committee directors (MCDs)) explain some board actions as merely symbolic while others are more substantive	Mix method, combining qualitative interviews and causal identification strategies of Russell 3,000 companies with 16,279 observations over the period 2001–2014	Assigning directors to multiple board committees can improve governance performance under certain circumstances. The presence of an MCD linking the audit and nomination committees is associated with the appointment of more experienced directors and a reduced likelihood of future financial restatements and lawsuits	Agency Theory

(*continued*)

Author	Negara asal	Research question	Research method	Result	Theory
Ashraf *et al.* (2022)	Portugal	What is the relationship between board committee independence and corporate financial distress in China and the UK?	Quantitative method, with samples of Chinese and British non-financial companies during 2007–2016	In China, there is a positive and significant relationship between the percentage of independent audit committee members and a company's financial distress. The opposite relationship was found for the independence of the compensation and nomination committees. In the UK, the relationship is similar, but the results are only significant for the independence of nomination committees. The overall results show that independent audit committee members do not support the company's survival. On the other hand, independent compensation and nomination committee members are beneficial to a company's financial health	Agency theory, resource dependence theory, and stewardship theory

(*continued*)

Table 4.

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Saha and Kabra (2022)	India	How do several leading corporate governance (CG) practices influence voluntary disclosure (VD)?	Quantitative method with the top 100 non-financial and non-utility companies by market capitalization in India during 2013–2014 to 2017–2018	significant negative influence of board independence on VD, while gender diversity and the risk management committee show a significant positive influence on VD. Board size, role duality, ownership concentration, audit committee independence, and nomination remuneration committee do not have a significant influence on VD. The relationship between CG mechanisms and various types of VD shows that board independence, in particular, has a strong negative influence on corporate strategy disclosure (CSD) and forward-looking disclosure (FWLD), while gender diversity and risk management committees show a significant positive influence on CSD, FWLD, CG disclosure, and financial and capital market disclosure. In particular, none of the CG mechanisms considered influences the influence of human and intellectual capital disclosure	Agency theory and resource dependence theory

(continued)

Author	Negara asal	Research question	Research method	Result	Theory
Iannuzzi *et al.* (2023)	Italy	Whether the characteristics of the nomination committee can serve as key attributes to reduce ESG disputes and whether the composition of the nomination committee influences the appointment of ESG-friendly directors to the board	Quantitative method with a sample of 30 systemically important global banks from 2015 to 2021	A bank's exposure to ESG controversies can be reduced when nominating committee members have at least one committee member who is a member of the sustainability committee and a foreign director. ESG disputes in banks are reduced when nomination committee members are younger, while the number of independent members has a negative impact. There is a positive influence on the composition of the nomination committee and the characteristics of its members, as well as the appointment of ESG-friendly directors on the board	Agency theory and resource dependence theory

(*continued*)

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Van Zyl and Mans-Kemp (2023)	South Africa	What are the perspectives of asset managers and listed financial services companies in South Africa on the impact of voting and engagement on director pay policies and practices?	Qualitative method with semi-structured interviews conducted with asset managers, CEOs, chief financial officers, and remuneration committee members from listed financial services companies in South Africa	Most asset managers and financial services representatives prefer proactive private involvement in pay issues, given its impact on voting outcomes and, ultimately, director remuneration practices and policies. The independent remuneration committee has an important role in facilitating relationships with investors to ensure fair remuneration	Agency Theory

(*continued*)

Table 4.

Table 4.

Author	Negara asal	Research question	Research method	Result	Theory
Fulgence *et al.* (2023)	UK	What is the influence of board size and board independence, as well as the interaction effect between board independence and CEO/CFO, on corporate governance disclosure practices?	Quantitative method with 1,000 annual observations of companies from 2007 to 2017 in East Africa	Large boards and independent directors are associated with greater CG information disclosure. CEO/CFO power negatively moderates the relationship between board independence and corporate governance disclosure, but not in environments with stronger institutions and corporate governance systems. Companies whose CEOs and CFOs are involved in remuneration or nomination committees disclose less CG information. The combined effect of the CEO and CFO on the nomination and remuneration committee and the independent board in reducing corporate disclosure appears to be more pronounced in the post-financial crisis period compared to the crisis period	Agency theory

(*continued*)

Author	Negara asal	Research question	Research method	Result	Theory
Lagasio *et al.* (2023)	Italy and France	What is the influence of the composition and function of board committees on a company's financial difficulties?	Quantitative method with a sample of 273 listed companies in Italy during 2004–2017	Non-executive members on the remuneration and audit committees, as well as more remuneration committee meetings, can increase company stability. In contrast, a high frequency of nominating committee meetings appears to be positively associated with the likelihood of financial distress	Agency theory
Edacherian *et al.* (2024)	United Arab Emirates, Netherlands and India	What is the relationship between board interlocks and corporate performance, which is rooted in different perspectives on the role of the board of directors?	Quantitative method with 5,133 annual observations of non-financial companies in India during 2014–2018	Interlocks between audit committees are negatively related to firm performance. In contrast, interlocks between the nomination and remuneration committees of Indian firms are positively related to performance	Agency theory and resource dependence theory

Source(s): Table created by authors

Table 4.

(Johnson *et al.*, 2013), the disability of board members and the language used by board members (Piekkari *et al.*, 2015), religion and education of board members (committee) (Çetin, 2021; DasGupta and Pathak, 2022; Lu and Wu, 2020), age and membership on other committees (Iannuzzi *et al.*, 2023) experience in the industry, experience as a board member and experience in the field of human resources. This diversity can also be used to build measurements of the effectiveness of nomination and remuneration committees. Several researchers have summarized board diversity and attributes, which will facilitate further research (Lu *et al.*, 2022; Nguyen *et al.*, 2020).

Future research can also use new variables that have been associated with board diversity, such as greenhouse gas (GHG) (Crichton *et al.*, 2021; Tingbani *et al.*, 2020), climate change (Crichton *et al.*, 2021), environmental innovation (Farza *et al.*, 2022), carbon emission and disclosure (Elleuch Lahyani, 2022; Fan *et al.*, 2023), environmental, social and governance (ESG) (Menicucci and Paolucci, 2023; Wu *et al.*, 2024; Yadav and Prashar, 2023), investment efficiency (Mirza *et al.*, 2020; Tran Phuong *et al.*, 2022; Ullah *et al.*, 2020a, b) and earning management (Orazalin, 2019; Sial *et al.*, 2019; Ullah *et al.*, 2023). We also suggest crossing countries so that the research has a broader impact. We agree with previous systematic literature review (SLR) research (Alatawi *et al.*, 2023; Alhossini *et al.*, 2021; Lu *et al.*, 2022; Nguyen *et al.*, 2020) that our findings are dominated by quantitative research. For this reason, we recommend that further research use mixed methods and qualitative methods. Table 5 presents future research opportunities.

7. Conclusion

The main aim of this research is to review in depth the nomination and remuneration committee. We identify what is known and not known about these committees around the world. We review theoretical and empirical studies related to the formation of these committees and their contribution to the firm. Nomination and remuneration committees are an interesting and important area of research in corporate governance because they are responsible for appointing and evaluating board performance and recommending board remuneration. This research analyzes 61 studies in various countries over the past 26 years from highly reputable international journals and quality publishers.

Our research contributes to the topic of nomination and remuneration committees because: first, our review includes the definition of nomination and remuneration committees, the operationalization of committees, empirical findings and recommendations for future research. Second, we summarize everything related to the structure and characteristics of nomination and remuneration committees. We find that these committees improve board performance and company performance. Finally, we recommend seven nomination and remuneration committee topics for future research. We found from several papers that there are still many countries that have not required the formation of this committee, so companies in these countries have not yet formed this committee. Therefore, our literature review also makes a contribution to companies, regulators and investors. For regulators and companies, this research provides input to create a regulation that requires companies to form this committee because we found so many benefits. Meanwhile, investors should choose a company that has this committee as a place to invest.

Our literature review has limitations, namely that we only review articles listed in the Scopus database search. For this reason, we recommend that further reviews be combined with other large databases such as EBSCOhost, Emerald Insight, Web of Science, ScienceDirect, SpringerLink, Wiley Online Library and Google Scholar. We hope that this literature review can help various parties understand the state of affairs and existing research regarding nomination and remuneration committees.

Research opportunities	Suggested research questions
Presence of the Nomination and Remuneration Committee	How was the company's performance before and after forming the nomination and remuneration committee? How is the performance of companies that form and do not form nomination and remuneration committees in large and small companies? Does the nomination and remuneration committee moderate the effect of board diversity on company performance, financial distress, bankruptcy, and dividend payout?
The presence of an independent director or board and the independence of the nomination and remuneration committee	Does the independence of the nomination and remuneration committee moderate the influence of the board's busyness on company performance, financial distress, bankruptcy, and dividend payout? Does the independence of the nomination and remuneration committee moderate the effect of board remuneration on company performance, financial distress, bankruptcy, and dividend payout? Does the independence of nomination and remuneration committees affect the diversity and independence of boards in family and non-family companies?
Diversity of gender, nationality, and race (skin color) in the nomination and remuneration committee	How does the gender diversity of the nomination and remuneration committee affect company performance, financial distress, bankruptcy, and dividend payout? Does gender diversity in the nomination and remuneration committee moderate the effect of board gender diversity on company performance, financial distress, bankruptcy, and dividend payout? How does national diversity on the nomination and remuneration committee affect company performance, financial distress, bankruptcy risk, innovation, and dividend payout? Does national diversity on the nomination and remuneration committee moderate the effect of board diversity and board remuneration on company performance, financial distress, bankruptcy risk, innovation, and dividend payout?
Number of members, Number of nomination and remuneration committee meetings	How do the number of members and nominations and frequency of remuneration committee meetings affect company performance, financial distress, bankruptcy risk, dividend payout, board diversity, and board remuneration? Does the number of members and frequency of nomination and remuneration committee meetings moderate the effect of board diversity and board remuneration on company performance, financial distress, bankruptcy risk, and dividend payout?

(*continued*)

Table 5.
Suggested research opportunities and questions

Research opportunities	Suggested research questions
Expertise, experience, monitoring, and independence of the chairman of the nomination and remuneration committee	How do the expertise, experience, monitoring, and independence of the chairman of the nomination and remuneration committee affect company performance, financial distress, bankruptcy risk, dividend payout, board diversity, board activity, and board remuneration? Do the expertise, experience, monitoring, and independence of the chairman of the nomination and remuneration committee moderate the effect of board diversity and board remuneration on company performance, financial distress, bankruptcy risk, and dividend payout?
The effectiveness of the nomination and remuneration committee	How does the effectiveness of the nomination and remuneration committee affect company performance, financial distress, bankruptcy risk, dividend payout, board diversity, and board remuneration? Does the effectiveness of the nomination and remuneration committee moderate the effect of board diversity and board remuneration on company performance, financial distress, bankruptcy risk, and dividend payout?
Other dimensions and across countries	How does diversity in race and ethnicity, disability, language, religion, age, education, industry experience, experience as a board member, and membership on other committees affect company performance, financial distress, bankruptcy risk, dividend payout, board diversity, board busyness, and board remuneration? Does race and ethnicity, disability, language, religion, age, education, experience in industry, experience as a board member, and membership on other committees moderate the effect of board diversity and remuneration on company performance, financial distress, bankruptcy risk, and dividend pay? Does the nomination and remuneration committee affect climate change, greenhouse gases, carbon emission disclosure, environmental innovation, investment efficiency, and earning management? Does the nomination and remuneration committee moderate the impact of board diversity on climate change, greenhouse gases, carbon emission disclosure, environmental innovation, environmental, social, and governance (ESG) investment efficiency, and earnings management? We also suggest making comparisons between countries and conducting cross-country research so that the research has a more broad impact

Table 5.

Source(s): Table created by authors

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