



What is a NED?

A non-executive director is a director of a company who works on a part time basis and brings a level of independence to the board. A non-executive director usually attends all board meetings and is often called upon to represent the company at in-house and external conferences and functions. The objective is to bring a fresh outlook and experience to matters discussed at board level.

Not being part of the day to day operation of the company, non-executive directors can bring fresh viewpoints and advise on management issues based on years of business experience and contacts both within a particular industry and in the economy at large. Executives holding the position of non-executive director are often referred to as NEDs. An independent non-executive director is ideally:

- Not a representative of a shareholder who has the ability to control or significantly influence management.
- Not a past employee of the company, or the group, of which it currently forms part, in any executive capacity within the preceding three financial years.
- Not a member of the immediate family of an individual who is, or has been in any of the preceding three financial years, employed by the company or the group in an executive capacity.
- Not a current professional advisor to the company or the group.
- Not a significant supplier to, or customer of, the company or group.
- Free of significant contractual relationships with the company or group.
- Free from any business or other relationship that could be seen to materially interfere with the individual's capacity to act in an independent manner.

Benefits for the Company

In a dynamic business environment nothing, absolutely nothing, stays the same. However, many companies fail to grasp that change is a continuous process. Changes can be in the market place, product acceptance, corporate compliance or potentially challenging legislation, for example. NEDs can be a very cost-effective tool in ensuring that the board does not become complacent. The “we have always done it this way” syndrome is at best stultifying and can be fatal to the business.

Sometimes a board becomes moribund, lacking any form of vision or mission. In these circumstances a carefully chosen NED can bring business ideas, stimulus and connections to reinvigorate the board.

NEDs can appreciate opportunities and risks in the market place. They have the luxury of not being embroiled in the day to day running of the company. A good NED should be able to:

- Step back to see the wood from the trees.
- Voice controversial views as needed.
- Make a positive contribution to the success of the business.



Occasionally a CEO can be so transfixed by his vision for the company that all else is excluded and the company needs a counterbalance. A NED can provide that counterbalance, whereas another board member, with a career in mind, might be reluctant to do so. A forceful and dynamic CEO may well be an asset; however from time to time a NED can provide direction to ensure that the company, and consequently the shareholders, prosper.

Benefits for the NED

Working as a NED offers many advantages amongst which can be counted:

- An income commensurate with the time spent, and the knowledge and experience brought to the boardroom.
- A varied and satisfying career.
- A deeper understanding of other economic sectors.
- Satisfaction in assisting a company to maximise its potential.

Duties

A NED has the same duties and responsibilities as any other director and is personally liable in many areas. Above all a NED should ensure that there are sufficient internal controls in place to ensure good management of the company; that there is sufficient working capital available for the company to meet its obligations and commitments to suppliers, staff and other connected parties; and that the company is aware of, and proactive in, all aspects of corporate compliance.

Recruitment

Finding the right non-executive director is a critical process for the company. Appointments can be for many years and invariably for three or more. Availability is key; as is commitment to the position. A NED should also:

- Be of good repute in the community.
- Be a fit and proper person, and not disqualified from being a director.
- Be not older than 70 years of age.
- Have skills and experience relevant to the company.
- Be able to advise the board through active participation.
- Be strong enough to offer hard answers and confident enough to disagree with corporate policy when appropriate.

Gibraltar

There is a demand for part-time executive directors for companies seeking management and control in Gibraltar. Their selection requires many of the above criteria to be recognised and acted upon. It is essential that the right people with the appropriate skills and professional integrity are sought for these directorships, together with the necessary transparency of appointment.