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INDEPENDENT DIRECTORS

THE 10 MUST-HAVE ATTRIBUTES

INDEPENDENT directors are crucial in promoting transparency, accountability and good governance within an organisation.

They are appointed to the board to provide unbiased judgment and oversight. They play a vital role in safeguarding the interests of various stakeholders, including shareholders, employees, customers and the wider society.

Self-assessment is becoming an increasingly popular assessment tool. But alas, it is fraught with conflicts of interest since you are assessing yourself.

As such, it is always better to get someone else to assess you even if that may prove to be an uncomfortable exercise. This is because we seldom take too kindly to criticism, even when they are constructive.

So, here is a 10-point checklist for independent directors:

❑ **Independence:** Independence is the cornerstone attribute of an independent director. They should possess an impartial and objective mindset, free from any conflict of interest that could compromise their judgment.

Independence ensures that the director's decisions are driven solely by the best interests of the organisation and its stakeholders. For directors of public-listed companies (PLCs), the definition of independence is found in the listing requirements.

❑ **Integrity:** Integrity is of paramount importance for an independent director. They must maintain the highest ethical standards and act with honesty, fairness and transparency. Integrity builds trust and credibility within the organisation and in

the eyes of external stakeholders.

❑ **Expertise:** Independent directors should bring diverse expertise and experience to the board. They should possess industry knowledge, financial acumen and strategic thinking abilities. Their expertise allows them to contribute effectively to board discussions, decision-making processes and the evaluation of management performance.

❑ **Analytical skills:** Independent directors must have strong analytical skills to assess complex business situations, financial statements and regulatory frameworks. They should be able to ask pertinent questions, challenge assumptions and critically evaluate information presented to them. Analytical skills help them identify potential risks, evaluate opportunities and make informed decisions.

❑ **Leadership:** Independent directors should exhibit strong leadership qualities. They should be able to inspire and influence others, facilitate constructive boardroom discussions and mediate conflicts. Effective leadership helps create a positive boardroom culture that fosters collaboration, constructive dissent and open communication.

❑ **Sound judgment:** Independent directors must possess sound judgment to evaluate risks, opportunities and strategic initiatives. They should be able to make informed decisions in the best interests of the organisation, taking into account the long-term sustainability and stakeholder impact.

Sound judgment involves balancing multiple perspectives and considering the broader implica-

tions of decisions.

❑ **Independence of mind:** In addition to their independence from conflicts of interest, independent directors must also possess independence of mind. This means having the courage to express their views, even if they differ from the prevailing consensus. Independence of mind ensures that diverse perspectives are considered and critical issues are thoroughly debated within the boardroom.

❑ **Effective communication:** Independent directors must be effective communicators. They should be able to articulate their thoughts clearly, listen actively and engage in constructive dialogue with fellow directors and management. Effective communication enables them to express their concerns, provide guidance and facilitate understanding among stakeholders.

❑ **Commitment and dedication:** Independent directors are expected to dedicate sufficient time and effort to fulfil their responsibilities. They should attend board and committee meetings regularly, stay updated on industry developments and actively participate in board activities.

Commitment and dedication demonstrate their commitment to the organisation's success and the fulfilment of their fiduciary duties. There have been cases of directors serving as executive directors in more than one organisation. This begs the question of how they can hold multiple full-time jobs.

Although the listing requirements limit directorship at PLCs to five, there are no prohibitions as to positions at non-PLCs. Here,

the listing requirements leave it up to the director to decide whether he can fulfil his board responsibilities adequately. As a check and balance, the board, too, has to evaluate whether that director is able to fulfil his board responsibilities adequately.

❑ **Continuous learning:** Independent directors should embrace a mindset of continuous learning and professional development. They should stay updated on evolving governance practices, regulatory changes and emerging trends in their industry. Continuous learning allows them to enhance their skills, knowledge and effectiveness as independent directors.

Every professional body has continuous professional education requirements. And such requirements must also apply to professional independent directors. Currently, such requirements are at a nascent stage in that the listing requirements only require all directors to attend training and disclose the training attended in the annual report — there are no requirements to accumulate a certain number of points per annum.

In conclusion, independent directors play a critical role in corporate governance by providing impartial judgment, oversight, and guidance.

By embodying these attributes, independent directors can contribute to the long-term success and sustainability of the organisations they serve, while safeguarding the interests of stakeholders and upholding the principles.

The writer is chief executive officer of Minority Shareholders Watch Group.

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