

The Benefits of Appointing a Non-Executive Director (NED)

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What is a 'NED'?

Non-Executive Directors (NEDs) can play an important role within a business. They sit on the board of a company but are not part of the executive team and can therefore bring an impartial view without the conflict of having to manage the day to day operations of the company.

NEDs can monitor the executive directors, become involved in strategic policy making and, of course, act in the interest of the company's shareholders.

What are the Benefits of Having a NED on the Board?

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- Add an impartial view to the day to day running of the business.
- Help ensure that the Executive Directors are operating as efficiently as possible.
- Contribute to the strategic plan of the company.
- Monitor the performance of the company and offer constructive ideas and solutions, if required.
- Act in the best interest of the shareholders.
- Add additional experience and credibility to the company board.
- Expand the intellectual and strategic resources of the company.

What Type of Person Acts as a NED?

A Non-Executive Director is typically chosen based on their experience, reputation and understanding of the business. This individual is likely to be professionally qualified, with a strong background in corporate governance and risk. They have usually worked at a 'C-suite' level in at least one other previous company.

Other Legal and Regulatory Aspects to Consider

All directors, including NEDs have legal responsibilities to conduct their duties in an appropriate manner and they need to have an understanding of the requirements of the jurisdiction that they work in, as well as a reasonable knowledge of the other jurisdictions in which the company operates. If these individuals do not comply with their duties, they may be liable to civil and/or criminal proceedings and may be disqualified from acting as a director.

A NED must act in good faith and in the best interest of the company and they must not delegate their overall responsibility. Any potential conflict of interest should be fully and properly disclosed to, and approved by, the company to ensure that no conflict exists in relation to the company's constitution.

Summary

A Non-Executive Director on the board of a company can offer a number of positive benefits. Care should always be taken to ensure that such an individual is appropriate and has the necessary experience and skill set to join the board in this capacity. The appointment of the 'right' NED can bring a plethora of additional attributes to the company.

Dixcart have a number of senior managers who have extensive experience acting as NEDs, across a wide variety of industry sectors.

Additional Information

If you require further information regarding Non-Executive Directors, please speak to your usual Dixcart contact or email: advice@dixcart.com.

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