



DEFINITION – WHAT IS AN INDEPENDENT DIRECTOR

An Independent Director is a member of the Supervisory Board or Advisory Board of a company or organization who does not form part of the executive management team. Independent Directors act in advisory capacity only. Typically, they attend regular board meetings to offer the benefit of their advice and serve on committees concerned with sensitive issues such as strategy, risk, audit, remuneration, etc. They are usually paid a fee for their services but are not regarded as employees.

Independent Directors are usually chosen because they have a breadth of experience, are of an appropriate caliber and have particular personal qualities. It is a challenging position which requires knowledge, confidence, analytical skills and an external, objective viewpoint in order to assist the company's Supervisory Board. When a company reaches a certain stage in its evolution, it may wish to utilize the knowledge, skills and reputation of an Independent Director having expertise within the industry, whilst the company may be too small to employ, or afford to employ, an additional Executive.

Fundamentally the Independent Director's role is to provide a creative contribution and improvement to the Supervisory Board by providing dispassionate and objective criticism. Their role may change depending on the organization, though they are usually not involved in the day-to-day management of the company but monitor the executive activity and contribute to the development strategy.