

Pressure on non-executive directors grows and engagement more vital than ever

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A myriad of pressures from all angles are mounting for NEDs. It is more important than ever that they remain engaged and educated in order to govern properly. [David Duffy](#), Co-Founder & CEO at [The Corporate Governance Institute](#), explains how the pressure on non-executive directors is at new heights and why engagement is more vital than ever.

The pressure is heating up for businesses. With so many international crises, and a growing expectation for companies to care for more than just their bottom line, this pressure is being directed at the top. Executive directors, non-executive directors (NEDs), and board members must be more devoted to good corporate governance more than ever before – otherwise they could fall foul of shareholders, court cases, and increasingly critical public, media, and national and international set of legislators.

For non-executive directors, who's job it is to be experts in their field and keep executives and boards in check, this may be relatively new – but they are increasingly important. Celebrity CEOs, self-interested shareholders, and a world growing more expectant of good environmental social governance (ESG) policies must be appeased to ensure success.

Global context

Two defining themes for any corporation today are ESG, in particular climate action and sustainability, and the economic strife that is impacting each nation throughout the world. With inflation high and supply chains struggling to keep up, businesses are finding it harder to grow – and talent and investment have been hard to come by.

While all this happens, commitments to sustainability are under increasing scrutiny – and the public and

employees are becoming more demanding that net zero commitments are stuck to. Legislators and politicians are, in many parts of the world, expecting more to. For example, the [EU is banning Apple-only charger connections](#) and the Corporate Sustainability Reporting Directive (CSRD) will [enforce the transparency of climate impact just like a business's yearly financials](#).

Shareholders are following suit, and their participation in corporate affairs in the UK are on the rise – [with a 30 per cent increase in voting on the previous year](#). Some activist groups are using this mechanism to demand more radical climate action from companies deemed to be lagging behind, and [they are asking for more holistic and more radical changes in policies](#). This is also being done via judicial means – and a [rapidly growing number of companies are being taken to court due to insufficient decarbonisation policies](#).

What does this mean for NEDs

For any NED charged with governing effectively and countering long-term risks, these growing threats to total independence should be noted. This does not mean they should be ignored – instead, boards should listen to those demanding more before they get on the wrong side of the law, the legislation, or the public.

NEDs have traditionally had a hands-off policy – with many in the position because of who they know and not what they know. As the role becomes harder, they must be more engaged and more educated on the topics that matter to ensure better governance. This is made more imperative by a growing legal responsibility to avoid fraud and economic crime.

The Economic Crime and Transparency Bill, which should soon be passed in the UK, will make charges and potentially include prison as a punishment for board members, EDs, and NEDs, if fraud takes place – whether intentional or not.

Corporate Governance Institute CEO and co-founder David W Duffy commented: “We should always have expected NEDs to be a fundamental part in corporate governance – engaging critically and independently in top-level business decisions. However, this isn’t always the case. Many spend more time on the golf course than they do in the board room or in the books.

“Things are changing though, and pressure, expectations, and legal requirements are mounting for businesses to do better – with NEDs a critical part of that process. Those businesses with management not engaged and educated on the topics that matter will soon find themselves open to an ever-growing number of risks. These risks are also not going away – we expect to see these demands only become more powerful as the climate crisis, and the political will to stop it, becomes greater.

“This is without even mentioning the ever-present threat and potential that technology increasingly represents. The number of cyber-attacks grows every day, and a lack of effective digital transformation continues to leave those caught lacking behind.

“These are just a few examples of a world growing more complex. NEDs will have to step up to the challenge and stay engaged and educated on the topics that matter.”