

Lead independent director

Knight in command

Board Leadership Center (India)

The role played by the 'Lead Independent Director' (LID), also known with diverse titles such as 'independent deputy chair' or 'senior independent director', is crucial and cardinal for the board's solidarity. The LID acts as a go-between channel among the chairperson, the board of directors and other stakeholders of the board. The responsibility of LID is to navigate the independent directors on the board around the areas concerning consensus and establishing recognition and implementation of emanating plan.

In a typical scenario, the LID endeavours to build and harmonise functions and relationships of the board, however, otherwise when under difficult situation, they are expected to contribute to resolving

issues. The LID ordinarily, plays the role of intermediary contact point for raising the issues and concerns of principal shareholders or in the event of failure of communication through regular channel of chairperson, chief executive officer (CEO) or other executive directors or in circumstances where the correspondence is unsuitable.

Certainly, the appointment of LID, improves the performance of the company where there is an executive chairman pooled with other director of the board, however, merits are radically dependent on other constituents, for instance, competence of director and governance maturity of the company, etc.

Role of LID



A LID's role should be tailored to a company's specific needs and focused on addressing any deficiencies in the effectiveness of the board. A LID may add value to a company's performance, regardless of the specific job description. For instance:

- Freeing management to focus on running the company's operations
- Improving relations and the information flow among management and the board
- Evaluation of performance of the board and assisting with corporate governance objectives.

Global best practice



Internationally, several countries have endorsed and embraced the concept of LIDs within their jurisdictional boundaries. For instance, in accordance with the U.K. Corporate Governance Code, it is obligatory to appoint LID, who in turn needs to attend and respond to inadequately answered concerns of shareholder by the management or chairperson of the board.

Moreover, the guiding principles of corporate governance requires LID to act as an independent chief between all members of the board assisting in coordination of the affairs and reached conclusions of the other independent directors and chairperson of the independent directors.

In conformity with the acceptable best global practices, the roles and responsibilities of a LID is discussed as below:

Supporting the board chair:

To act as an alternative communication channel for the board members

Authority to convene meetings:

To hold - meetings of the independent directors or act as a chairperson in the meetings of independent directors separately, as and when required

Liaising: To facilitate the role of intermediary among board's chair and the independent director

Independent chief:

To perform the role of independent lead between all members of the board, taking pivotal role in decisions of the board

Feedback to chair or board:

To pilot the exclusive independent directors' meeting and offer feedback to the chairperson or directors of the board

Appraising the performance of the chairperson:

To perform relationship oversight function among the chairperson and the CEO and ensure the equity of equations resulting in powerful position

Nomination and succession of the board chairperson:

To lead the search for a new chairperson

Nomination of the LID:

While internal or external appointment of LID, the nomination and succession committee plays a critical part

Consultation: To answer and consult shareholders on concerns which were unsatisfactorily responded to by the management and the chairperson

India perspective



Currently, there is no requirement of a LID in any of Indian regulations/laws. However, the Kotak Committee (Committee) in its report on Corporate Governance, acknowledged that role of IDs needs better coordination to improve effectiveness and recognised the significance of appointment of LID in order to

enable improved engagement of/by the independent directors. In the instances, where the chairperson is not independent, the LID is required to facilitate coordination of the activities and decisions of other non-executive or independent directors to preside over the meetings of the independent directors.

Accordingly, the Committee recommended appointment of LID for all listed entities in case the chairperson is not independent and should be a forming part of Nomination and Remuneration Committee (NRC), the implementation which was deferred by the Securities Exchange Board of India (SEBI).

Consider this



While there are no set of defined rules for appointment of lead directors, selection of the ideal contender for the position of LID is very critical on the part of the governance committee, especially, in the era of modern and evolving boardroom. In the absence of the consistent process, procedures and inadequate precedence, the board should have a collective and unified intelligence towards the expectations of selecting lead director. At the same time, the nomination and selection procedure

of the LID should be equally explicit and transparent. Furthermore, the core duty and responsibility of the LID must be laid down by the board in order to make headway in the right direction.

At the time of deciding to appoint a LID, the companies should be mindful of the fact that a constructive LID acts as an intermediary between the board of directors and executive chief. Consequently, the demanding opportunity warrants an individual

who is capable to connect the dots effectively and conveniently between the C-suite and the board. The dual responsibility together with management structure of the company can be challenging for a candidate with an exclusive and clearly crafted set of skills. While it is implicit that the concept of LID encourages to create a balance equation among directors and the chief executive, the LID should be capable of acquainting various skill sets to effectively achieve the desired goal.

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