



The non-executive director career guide

From aspirations to reality

Learn insider strategies to secure
your first non-executive director role

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The importance of non-executive directors

The non-executive director (NED) provides independent oversight and, when required, constructive challenge to the executive directors.

NEDs are vital to any organisation for a number of reasons, bringing specialist expertise and valuable insights. But of utmost importance is their independence from the management of the company, which makes them ideal for monitoring and evaluating a company's executive directors.

The importance of NEDs for listed companies is made clear by the recommendation in the 2018 UK Corporate Governance Code that at least half the board in FTSE350 companies should be independent, but the IoD's Corporate Governance Guidance and Principles for Unlisted Companies in the UK also outlines how NEDs can help unlisted companies by bringing valuable experience and independent thought to a board.

In practice you will be expected to focus on matters that are raised in board meetings providing an independent view of the company separate from its day-to-day running.

However, being a NED is not simply a matter of displaying the necessary qualities – business life now includes sophisticated compliance and risk issues (such as cybercrime) which will quickly expose any 'gifted amateur' NEDs.

It is important to note that UK law does not distinguish between executive and non-executive directors – all board members have the same duties and responsibilities. Becoming a NED is therefore a serious undertaking which requires self-examination and detailed research into companies which present a NED opportunity. There are several IoD services exclusive to members which will assist you on your journey to becoming a NED. These are detailed in the final section of this factsheet.



Being independent

The defining quality of a NED is their independence from the company's executive directors.

To be independent you should have no contractual relationship with the company other than your position as a contracted NED. The Cadbury report (para 2.2) states that 'the majority should be independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement'.

The Association of British Insurers and the National Association of Pension Funds have stated that the following could compromise your independence:

- Being a former executive of the company.
- Having any immediate or past contractual relationship with the company.
- Selection by an informal process.
- Having share options or a pension with the company.
- Representing a significant shareholder.
- Being judged not to be independent for any other reason.

However, there can be exceptions to the above which can be to the advantage of the company e.g. a solicitor or accountant that has worked for the company or if the NED is a minority shareholder. None of the above is mandatory in the legal sense.



How much do non-executive directors earn?

Obviously there is no fixed rate of pay for non-executive directors. Remuneration varies according to company size, the time commitment required from the NED, and their perceived value to the business in terms of ability and experience. NED pay may also be increased by additional fees for serving on board committees.

It is possible to offer some general guidance, drawing on surveys of NED pay. The IoD Business Information Service holds copies of the 'Life in The Boardroom' series of Chair and NED pay surveys. The 2016 edition reported that across all UK companies which responded to the survey,

NED pay ranged from £38,000-£105,000. The highest figure was for £3bn companies and above. We can reasonably say that £38,000-£40,000 will be more usual amongst UK SMEs. IoD members can ask the Business Information Service for more detail on specific turnover bands.

The 2022 Non-Executive Director Survey from the Quoted Companies Alliance found that the average salary was £40,500, a significant fall from the 2019 average of £48,840. Over two-fifths (41%) of companies paid an NED salary in the £30,000-£40,000 bracket.



Preparation for seeking a NED role

As with any other job search, your first task is to take stock of your career to date and ensure that your experience is clearly described by your CV. Do bear in mind that the role of NED places great emphasis on personality and ability, not just your career achievements. Your CV should demonstrate your independence of mind and readiness to take – and stand by – decisions.

The IoD Directors Advisory Service can provide a consultation session to discuss the transition to a NED role, and also review your CV.

Ensure that your LinkedIn profile spells out your value to NED recruiters. If you opt to focus on NED opportunities in a particular sector – join the relevant trade association, give speeches and write articles for publication. In short, cultivate a reputation for being a serious thinker about the sector and its future.

Reconsider your professional and social networks for the purpose of identifying – or even better, creating – a NED opportunity.

Make an effort to widen your professional network so that your personal qualities are known to more people. This is not trying to succeed by resting on ‘who you know’ – it’s about making a good impression on people ‘you have worked to know’.

To gain effective oversight of a business a NED should be able to demonstrate an understanding of company finance and legal matters. Usually this will be a product of your executive career, but consider a personal development programme to be sure of your ability to shine a light on a company’s accounting and legal practices.

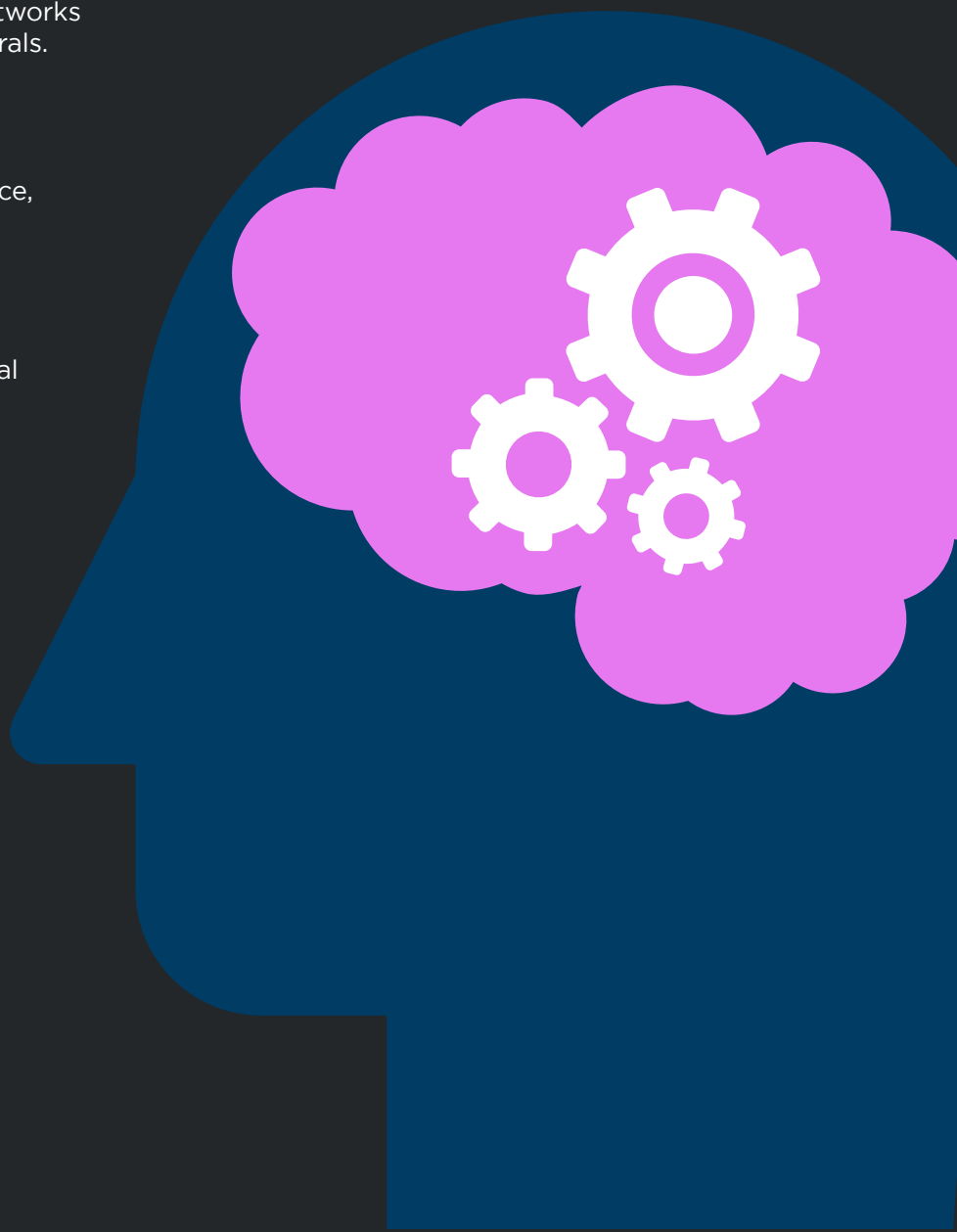
Be clear about the type of company you want to work for. Plc roles typically come nearest to a ‘pure’ non-executive position, as they are focused mainly on governance. At the other end of the spectrum, a non-executive director in a small business may have more involvement in operational matters and if you enjoy this it may be sensible to focus your efforts on this type of business.



Gaining experience

The market for NEDs is very competitive. Securing your first NED position can be especially difficult – but there are some intermediate steps which will improve your chances:

- Become a school governor – The school governor has exactly the same duties and responsibilities as a NED. Providing the independent viewpoint in managing a school, combined with your business experience, makes you a more rounded NED candidate.
- Take an unpaid role as a NED at a charity or not-for-profit. This will demonstrate your ability to commit, as well as provide valuable experience.
- Try and find a mentor who already holds a board role. Ask them to share insights into the working of a board, advise you on your campaign, and provide access to networks of directors as well as personal referrals.
- As an IoD member, make use of the extensive range of factsheets on the IoD's website to learn about how boards operate, corporate governance, and specific board roles.
- If you are prepared to invest in your future as a NED, then structured training is an option. See at the end of this factsheet how IoD Professional Development supports directors.



Finding NED roles

Public sector

The Centre for Public Appointments has NHS roles, regulatory bodies, national museums & galleries, advisory bodies. You can register for fortnightly email with relevant posts although you will need to specify what you are interested in. Sign up to their regular newsletter or receive email notifications when new appointments are published that match your requirements.

Private sector

Many companies use executive search firms to select NEDs. A key advantage of entering a business through a headhunter is that you will have been asked to join the business, rather than applied to do so – a small but important part of the dynamic between you and the executive directors.

Suitable executive search firms may be found using a simple online search, and almost all of the better known names operate NED recruitment services.

Recent years have seen the appearance of recruitment firms focused exclusively on the NED market. It is important to note that the IoD does not currently endorse any NED recruitment agency.

NED roles do appear in the press, where the recruitment sections of The Financial Times, The Times, and The Guardian are the ones to watch.



The appointment process

The interview

It is important to distinguish between selling yourself as an executive and promoting yourself as a non-executive director. An interview will review your successful career in executive management, but remember you are not being asked to repeat it. Give emphasis to lessons learned and wisdom gained, and how these can be used to benefit your new company.

An interview will certainly include the Chair – who counts as the most senior non-executive presence on a board. You can expect the Chair to exert the most influence on the final decision to hire you.

However, not all companies seeking to appoint a NED have a developed board, or even a Chair.

Sometimes the appointment of a NED will be the first significant step in creating a proper board. This is especially true in the SME sector, when a founder-managing director comes to accept that they can no longer make strategic decisions in isolation. The interview process to join such a company may not follow the conventional pattern – rather, meetings both formal and informal may be used by the business owner to decide if they can work with you.

Broadly speaking, interviewing for a NED role at a large company should place the emphasis on your ability to remain independent and constructively challenge. At a smaller company, the managing director will be looking for an experienced, empathic figure with whom to talk decisions through.



The appointment of a NED

The services of a NED are secured with a Letter of Appointment rather than a conventional employment contract. A template Letter of Appointment can be provided to IoD members by the **IoD Business Information Service**.

The main features of a Letter of Appointment are:

- The definition of the time you are to serve as a NED
- The time commitment required
- Details of any board committee posts you are to hold
- The fees you are to be paid

You can also expect the Letter to include a large quotation from, or paraphrasing of, the Companies Act 2006, which obliges you to act in the long-term interest of the business, all stakeholders, and the wider community affected by business operations.



IoD support for non-executive directors

Your value as a NED will be largely determined by the experience and abilities you already possess. But it is important to understand that being responsible for the governance of a business is increasingly a specialist occupation which requires knowledge of the UK corporate governance code and the unique position the role of director (both executive and non-executive) occupies in the law.

IoD Professional Development

IoD Professional Development offers a range of courses, including many open to non-members, which concentrate on the role of NED (see Role of the Non-Executive Director) or enhance a particular aspect of the NED's role.

IoD Professional Development courses can also round out your knowledge, for example: Finance for Non-Financial Directors.

For the most committed, there is IoD Chartered Director – a unique programme which provides experienced business people with the complete toolkit to add value to any board they join. The CDir qualification is awarded under the IoD's Royal Charter.

IoD Directors Advisory Service

The IoD Directors Advisory Service is exclusive to IoD members and provides access to lawyers, accountants, career advisers and more. The DAS is an ideal sounding board for members intent on becoming a NED.

IoD Business Information Service

The IoD Business Information Service is a team of researchers working exclusively for IoD members. Request due diligence checks on the accounts and media performance of companies you may be talking to. Obtain a template NED Letter of Appointment. Increase your knowledge of corporate governance matters through the IoD Factsheet Collection.

IoD Directors Law Express legal helpline

IoD Directors Law Express provides confidential legal advice – especially when you need a rapid response. Full IoD members are entitled to 25 calls to the Legal Helpline – 01275 378719.



Better directors for a better world

We're a growing community of directors and leaders with a commitment to professionalism, good governance and inclusion and diversity. Our professional development and insight make the IoD the authority on what today's and tomorrow's directors and leaders need to know. Representing their diverse voices and ambitions, we are also a movement, shaping the agenda and influencing government.

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Please get in touch if you would like to speak with one of our team.

Email: development@iod.com

Telephone: 020 7766 2601



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Jonathan Geldart
Director General, IoD