

# WHITHER THE LEAD INDEPENDENT DIRECTOR?

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There are many different types of directors, among them shadow directors, alternate directors, and lately, the digital director. One of the least understood ones is the lead independent director (or lead ID).

The term was first introduced in Singapore in the 2005 Code of Corporate Governance. In the 2012 edition of the Code, it is stated that a Lead ID should be appointed essentially when the chairman of the board is not an ID (Guideline 3.3).

His role is then described as having to be “available to shareholders where they have concerns and for which contact through the chairman, the chief executive officer (CEO) or the chief financial officer has failed to resolve or is inappropriate”. It is also suggested

that all the IDs, led by the Lead ID, “should meet periodically without the presence of the other directors, and provide feedback to the chairman after such meetings”.

Beyond this, not much more is stated about what the Lead ID should do. The last mention in the Code is a statement that “the Lead ID, if any, should be a member of the Nominating Committee” (Guideline 4.1). However, it does not explain why and what his role there should be.

### THE UK EXPERIENCE

The UK has had a longer experience with the equivalent of the Lead ID, what the UK Corporate Governance Code calls the Senior ID. The UK Code prescribes the additional role of the Senior ID as leading the non-executive directors in annually appraising the chairman’s performance.

The Senior ID should also “attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders”.

So it seems that the Senior ID in the UK has a lot more on his plate than the Lead IDs in Singapore.

### THE SINGAPORE EXPERIENCE

Interestingly, the first Lead ID in Singapore was appointed by Keppel Corporation in 2002, even before the Code recognised the concept. At that time, Lim Chee Onn was Keppel’s executive chairman and CEO.

The Code recommends the separation of the roles of chairman and CEO. As a check and balance, Keppel's board appointed a Lead ID, Lim Hock San, CEO of United Industrial Corporation. Mr Lim held the position for four years until Tony Chew took over. When Lee Boon Yang succeeded Lim Chee Onn as an independent non-executive chairman in 2009, the board felt that there was no longer a need to have a Lead ID, given the clear separation of the roles of the chairman and CEO.

Lim Chee Onn found the position of Lead ID on Keppel's board to be "an effective and useful one". In his view, the Lead ID should "be diligent, experienced and command the respect of the other IDs. He should be a sounding board for the chairman to bounce off ideas so that blind spots are eliminated".

Some directors wear multiple Lead ID hats. One such director is Ong Kian Min who is Lead ID of BreadTalk Group and Penguin International. Mr Ong feels that the Lead ID's role is more of a moderator between the IDs on the one hand, and the chairman and management on the other. His experience is that when there are sensitive issues to be resolved, the Lead ID can help find common ground and broker an understanding. The Lead ID should not be too confrontational but possess sound judgement to find a balance in a neutral manner.

Both Mr Ong and Mr Lim believe that the Lead ID should be the more senior of the IDs so that he has sufficient standing when interacting with the chairman. Mr Lim believes that the role of the Lead ID should be rotated amongst the various IDs. Mr Ong takes a different approach, pointing out it is more important to ensure that the best person is appointed for the job.

## THE NEED FOR A LEAD ID

The SID-ISCA's *Singapore Directorship Report 2014* shows that there are 246 directors in Singapore holding 304 Lead ID positions.

However, among the 537 listed firms that should have appointed a Lead ID as recommended by the Code, only 54.4 per cent have done so. In contrast, 8.7 per cent of the listed firms actually have a Lead ID appointed even when it is not required by the Code.

So, is a Lead ID really necessary?

Mr Lim and Mr Ong noted that the Lead ID's responsibilities are heightened during periods of stress. This could be when the chairman or CEO vacates his position unexpectedly, or when there are disputes between different groups of directors.

Having been a Lead ID of three listed companies myself, I would agree with them. I have also found that the interactions and support built up during the more peaceful periods were useful in either avoiding the periods of stress or in reducing the tensions during such periods.

It is hoped that companies which are required to have a Lead ID should appoint one, and clarify the scope of his duties in his formal letter of appointment or in terms of reference that are approved by the board. ■