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# Theory of the “Independent Director” with a View to Corporate Governance in Iran

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## ABSTRACT

The present article, focusing on the concept of the independent director within the framework of Iran’s corporate governance system, centers its discussion and analysis on this thematic domain. Moreover, this study examines the hypothesis that the genuine presence of such directors can enhance transparency, reduce conflicts of interest, and protect the rights of minority shareholders; however, evidence indicates that within Iran’s institutional context, director independence has largely remained nominal. Therefore, the central research question concerns the extent to which the actual level of independence of independent directors in Iran’s corporate governance structure can improve the effectiveness of board oversight, reduce conflicts of interest, and enhance the quality of firms’ strategic decision-making. The purpose of the study is to analyze the theoretical and comparative foundations of the independent director based on OECD principles and global experiences, to examine domestic regulations—including the Corporate Governance Code of Conduct—and to identify existing challenges and reform-oriented solutions. The methodology employed is a combination of theoretical analysis and applied examination of regulations and practical mechanisms in listed companies. The findings reveal that the main challenges in Iran include the absence of a precise definition of independence, the appointment of directors under the influence of major shareholders, weak enforcement mechanisms, limited specialized human capital, and cultural resistance to independent oversight. The proposed solutions emphasize redefining independence, strengthening selection processes with the participation of minority shareholders, mandating the presence of independent directors on key committees, developing training and awareness programs, and benchmarking international models. The final conclusion is that realizing the genuine role of independent directors in Iran is an institutional necessity and a fundamental condition for enhancing the efficiency of the capital market, increasing transparency, and fostering public trust.

**Keywords:** *Independent director, corporate governance, minority shareholders, transparency and oversight, Iran capital market*

## Introduction

In recent years, the concept of the *independent director* has emerged as one of the key pillars of corporate governance in Iran. However, in practice, this concept faces a number of challenges that prevent its full realization. According to the guidelines of the Securities and Exchange Organization, listed companies are required to have at least one independent member on the board of directors. Nevertheless, in many cases, these directors are not genuinely independent and are influenced by major shareholders or executive managers. This situation leads to reduced transparency, increased conflicts of interest, and weakened effective oversight of corporate performance. Moreover, the absence of an appropriate corporate governance culture, weaknesses in supervisory processes, and the lack of necessary training for directors constitute additional obstacles to achieving the true role of independent directors in Iran. Therefore, to effectively benefit from the potential of independent directors, structural and cultural reforms in Iran's corporate governance system are essential.

Corporate governance, as a framework for regulating relationships among shareholders, managers, and other stakeholders, plays a fundamental role in the health and sustainability of economic enterprises, and within this framework, the *independent director* is considered a key mechanism for ensuring transparency and preventing conflicts of interest. In a context where the structure of many Iranian companies is dominated by major shareholders, boards of directors often turn into instruments in the hands of controlling owners, resulting in the neglect of the rights of minority shareholders and other stakeholders. This situation weakens public trust, reduces the attractiveness of the capital market, and contributes to the inefficiency of corporate decision-making systems. The problem gains significance from the perspective that although the concept of the independent director has been incorporated into domestic regulations—particularly in listed companies—their independence is often formal rather than substantive, and their presence has not been able to establish a balance of power or ensure genuine oversight over executive management and major shareholders. Therefore, the central question is how the potential of independent directors can be leveraged as an effective mechanism for enhancing transparency, protecting the rights of minority shareholders, and improving the efficiency of Iran's corporate governance system, and what challenges and barriers have hindered the realization of this role in practice.

## Research Methodology

The research methodology of the present study, aimed at examining the actual role of independent directors in enhancing the effectiveness of corporate governance in Iran, is designed based on a combined theoretical and applied approach. In the theoretical section, a literature review and comparative analysis are conducted according to the corporate governance principles of the Organisation for Economic Co-operation and Development (OECD) and international experiences in the field of independent directors, in order to extract the conceptual framework and key indicators of independence, transparency, and board oversight. In the applied section, the research adopts a qualitative–descriptive–analytical design and, through case studies of companies listed on the Tehran Stock Exchange, evaluates the actual status of independent directors' independence and its impact on board decision-making and the protection of minority shareholders. Data are collected through semi-structured interviews with independent directors, executive managers, and capital market experts, as well as through the examination of corporate documents and financial and governance reports. Data analysis is conducted using content analysis and a comparative method to identify the gap between formal independence and actual independence of directors. In addition, the analysis of challenges and the development of solutions are carried out by integrating theoretical and empirical findings to propose practical and policy-oriented recommendations for enhancing the independence and effectiveness of independent directors in Iran. This approach allows both the precise examination of theoretical concepts and the analysis of their practical application within Iran's institutional and cultural context, thereby facilitating the development of effective corporate governance policies.

## Conceptual Framework and Theoretical Foundations of the Study

The conceptual framework and theoretical foundations of the present study are shaped around the central role of independent directors in enhancing the effectiveness of corporate governance. An independent director is defined as a member of the board of directors who lacks financial, familial, or managerial ties with major shareholders and executive managers and is capable of making impartial and balanced decisions (1). This independence consists of two dimensions: formal independence, which pertains to compliance with legal and regulatory requirements, and substantive independence, which refers to the capacity to influence decisions autonomously and protect the interests of minority shareholders (2). Corporate governance refers to the set of relationships and mechanisms that ensure accountability, transparency, responsibility, and balance of power within the board, and independent directors serve as intermediaries between major shareholders and the executive board, playing a key role in realizing these principles (3). The dimensions of independent director effectiveness include monitoring and control, improved transparency and financial reporting, participation in strategic decision-making, and strengthening investor trust (4). The conceptual framework of the research is structured around three main variables: the degree of independence of independent directors, the effectiveness of corporate governance, and corporate performance outcomes, particularly the protection of minority shareholders. This framework indicates that increasing the substantive independence of independent directors enhances board oversight, strengthens organizational integrity, and reinforces transparency and trust in the capital market. By integrating theoretical analysis with applied examination of Iranian firms, the study seeks to identify the gap between formal and substantive independence and to provide practical solutions for enhancing the role of independent directors.

The present study is designed based on the main theories of corporate governance and its structural attributes in Iran. In this regard, agency theory serves as the primary foundation for explaining conflicts of interest between managers and owners, highlighting the importance of board oversight to prevent managerial misconduct (5). By contrast, stakeholder theory adopts a broader perspective, viewing corporate governance as a network of relationships linking the firm to all its stakeholders, emphasizing transparency, accountability, and responsibility (6). In the context of Iran, empirical evidence shows that concentrated ownership structures and the dominance of major shareholders in many firms reduce board independence and increase the risk of conflicts of interest (7). Therefore, this study aims to analyze the role of independent directors in strengthening corporate governance and mitigating problems arising from ownership concentration by evaluating the current situation and proposing appropriate solutions.

In one study, corporate governance is defined as a set of relationships among shareholders, the board of directors, and executive managers that influences corporate performance. Financial characteristics of firms—including financial leverage, stock liquidity, return on equity, and firm size—are considered independent variables, while the level of information disclosure, representing transparency and reporting quality, is treated as the dependent variable (8). The findings indicate that the financial attributes of firms affect levels of disclosure and that these effects may be moderated by corporate governance mechanisms. These results align with the conceptual framework of the present study, as the independence of directors—as a governance mechanism—can increase transparency and accountability and safeguard the interests of minority shareholders. Therefore, combining corporate governance and corporate performance characteristics creates a foundation for analyzing the actual role of independent directors.

Another study finds that the presence of independent directors with strong professional connections has a significant positive effect on commercial creditworthiness in firms (9). This result aligns with the conceptual framework of the present study, as it demonstrates that substantive independence can function as an effective governance mechanism, contributing not only to oversight but also to improving access to credit and reducing financing costs.

Some scholars have comprehensively examined the concept of director independence within board structures, emphasizing that independence—an essential pillar of corporate governance—can preserve the interests of minority shareholders by providing effective oversight and reducing conflicts of interest (1). Through a comparative analysis of U.S. and Iranian corporate law, they assess the legal criteria for determining independence and offer policy recommendations for improving current conditions. These analyses provide a theoretical basis for the present study's conceptual framework regarding the role of independent directors in Iranian corporate governance.

Other authors argue that independent directors are now recognized not only as a theoretical construct but also as an institutional necessity in corporate law. While U.S. legal systems have institutionalized independent directors as a standard mechanism for protecting dispersed shareholders and strengthening internal oversight, Iranian law continues to face challenges in establishing substantive independence despite adopting regulations intended to support it (10). This highlights the practical relevance of examining structural independence and effective oversight as theoretical foundations of the present study.

In another analysis, the author emphasizes that the current Iranian Commercial Code lacks comprehensive mechanisms for ensuring fundamental principles of corporate governance; for example, board authority, managerial responsibility, and financial reporting transparency are inadequately addressed (11). Although the new Commercial Code refers to certain governance principles, it still suffers from major ambiguities regarding criteria for director independence, effective oversight of executives, and the protection of minority shareholders (11). These deficiencies indicate that theoretical concepts such as structural independence and effective oversight—central to this study—must be clearly defined conceptually to allow comparative evaluation of legal frameworks and actual board practices.

Another study finds that the proportion of independent directors on the board, together with ownership structure characteristics, significantly affects earnings forecast quality; in firms with lower ownership balance, board independence shows a stronger relationship with accuracy and reliability in earnings forecasts (12). These findings relate directly to the conceptual framework of the present study, suggesting that independence becomes more effective where ownership concentration is high. Thus, independent directors play a significant role in enhancing transparency, predictability, and protection of minority shareholders.

Further research demonstrates that strong corporate governance characteristics—including board independence—reduce earnings management and improve firms' financial performance significantly and positively (13). This underscores that director independence not only limits opportunistic behavior in financial reporting but also creates favorable conditions for effective oversight, ultimately improving financial indicators. Another important finding indicates that board independence is negatively associated with stock price crash risk (14). The greater the independence of non-executive directors, the lower the opportunities for managerial misuse of information opacity, leading to enhanced oversight and reduced risk—fully consistent with the conceptual framework of the present study.

One study reports that firms with high ownership concentration and dominant corporate shareholders face more severe financing constraints, whereas firms with more diverse board structures or active managerial ownership face fewer financing constraints (15). This finding strongly relates to the conceptual framework of the present work, as corporate governance structures can play a key role in reducing financial constraints. Independent directors, as an oversight mechanism, can strengthen financial institutions' and investors' trust, thereby facilitating access to financial resources. Thus, independence not only reduces conflicts of interest but also has direct economic implications in lowering the cost of capital and supporting minority shareholders.

Another study emphasizes that transparency—a fundamental pillar of corporate governance—not only enhances public trust and corporate credibility but also directly influences corporate social responsibility (6). This finding is closely related to the present research, as independent directors serve as a key mechanism for achieving transparency within board structures. By reducing conflicts of interest, strengthening accountability, and promoting disclosure, independent directors help firms move beyond purely financial objectives toward broader stakeholder interests and sustainable social performance.

The overall synthesis of the conceptual framework and theoretical foundations of the study reveals that independent directors, as a key pillar of corporate governance, play an influential role in enhancing transparency, accountability, executive oversight, and reducing conflicts of interest. Research demonstrates that director independence positively affects disclosure quality, commercial creditworthiness, earnings forecast accuracy, financial performance, and the reduction of stock price crash risk. Additionally, the interplay between ownership structure and independent director presence reduces financing constraints and strengthens market and financial institution trust. Moreover, director independence contributes to enhanced corporate social responsibility and commitment to objectives beyond profitability. Therefore, the conceptual framework of this research is built upon the relationship between independence, corporate governance effectiveness, and corporate performance—both financial and social—enabling a practical and policy-oriented analysis of independent directors' roles within Iran's institutional and economic environment.

## Research Findings

The findings of this study show that the presence and active role of independent directors in the board structure can significantly influence the improvement of corporate governance quality. The analyses revealed that the substantive independence of directors in financial, commercial, and familial terms is associated with increased transparency in reporting, reduced conflicts of interest, enhanced monitoring processes, and improved accountability. It was also found that the active presence of independent directors not only reduces the likelihood of earnings management and opportunistic behavior, but also improves firms' financial performance and sustainability. The results indicate that board independence, by building trust in the capital market, reduces firms' financing constraints and thereby lowers the cost of capital. In addition, independent directors play an effective role in directing companies toward compliance with social responsibility and attention to the interests of various stakeholder groups. Overall, the results of the research emphasize that achieving genuine independence of directors is a key factor in increasing the efficiency of the corporate governance system and attaining sustainable development in Iran's capital market.

Furthermore, the findings suggest that director independence is not merely a formal mechanism embedded in the board structure, but becomes effective only when accompanied by practical and measurable criteria. The analyses showed that the existence of independent directors without sufficient institutional support and enforcement mechanisms—especially in the context of ownership concentration and the influence of major shareholders—will not have the required effectiveness. Therefore, the role of independent directors is fully realized only when clarification of legal criteria, the formulation of precise supervisory guidelines, and the strengthening of an organizational culture based on accountability occur simultaneously. Under such conditions, independent directors, in addition to their oversight function, can play an active role in enhancing investor trust, improving strategic decision-making, and preventing potential financial crises.

The findings also indicate that the function of independent directors in corporate governance is not limited solely to financial and monitoring dimensions, but can have broader effects on the social, institutional, and even strategic dimensions of firms. Director independence, by creating a healthy competitive atmosphere within the board, enables the confrontation of differing viewpoints and prevents decision-making based on factional or familial interests. This leads to improved quality of high-level decisions, increased innovation in policy-making, and greater alignment between organizational goals and the interests of a wider range of stakeholders. Moreover, the presence of independent directors as neutral representatives who are not aligned with executive management plays an important role in strengthening social capital and enhancing the firm's credibility in the eyes of regulators, investors, and society. As a result, genuine director independence can be regarded as a key driver for achieving effective corporate governance and sustainable development within Iran's economic and legal environment.

In addition, the findings underscore that the effectiveness of independent directors ultimately depends on a balanced board composition, transparency in selection processes, and the existence of objective criteria for assessing their independence. The study showed that the mere presence of independent directors, without regard to their professional qualifications, work experience, and impartiality, cannot guarantee effective oversight and improved corporate governance. Likewise, their independence becomes meaningful only when adequate legal and institutional protections are in place to shield them from political, commercial, and controlling-shareholder pressures. Therefore, institutionalizing the position of independent directors within Iran's corporate governance framework requires legal reforms, the development of transparent selection procedures, and continuous training so that they can genuinely contribute to reducing organizational risks, enhancing public trust, and strengthening accountability.

In summary, the results of the research indicate that director independence is not only a key principle in improving the functioning of corporate governance, but also serves as a fundamental strategy for enhancing transparency, reducing conflicts of interest, increasing investor confidence, and improving firms' financial and social performance. The analyses showed that the active and substantive presence of independent directors on the board can optimize strategic decision-making, reduce agency costs, and strengthen the firm's social capital. However, the effectiveness of this mechanism depends on removing institutional barriers, establishing enforcement guarantees, and revising regulations related to the appointment and evaluation of director independence. Thus, director independence must be regarded as more than a formal requirement in corporate structures and should instead be viewed as a tool for achieving sustainable development, improving accountability, and strengthening the position of Iran's capital market at both national and international levels.

## Discussion

The discussion and analysis of the study's findings indicate that director independence, as one of the key pillars of corporate governance, plays a multidimensional and complex role in improving organizational performance. The analyses showed that the presence of independent directors is not merely a formal element within the board structure, but a determining factor in the quality of monitoring processes, in reducing risks arising from opportunistic decision-making, and in enhancing transparency in information disclosure. Within this framework, the findings suggest that substantive director independence can have positive effects at the micro level—through reducing earnings management and conflicts of interest—and at the macro level—through strengthening investor trust and reducing the cost of capital. It was also found that the effectiveness of this mechanism is directly related to board composition, organizational culture, and the institutional environment, and cannot be achieved solely through the enactment of formal rules or regulations. Therefore, the analysis of the results emphasizes that director independence in Iran must be strengthened simultaneously from legal, institutional, and operational perspectives in order to have a real impact on improving corporate governance and enhancing firms' economic and social performance.

Continuing the analysis of the findings, it can be argued that director independence reaches its highest level of effectiveness when integrated with other corporate governance mechanisms such as balanced shareholder structures, effective board committees, and high-quality auditing. The analyses show that independence alone cannot resolve all issues related to conflicts of interest and weak transparency; rather, it must be embedded within a dynamic institutional and managerial ecosystem to have real impact. On the other hand, director independence takes on particular importance in the specific context of Iran's economy, which faces challenges such as ownership concentration, the influence of controlling shareholders, and government intervention. In such an environment, independent directors can act as a balancing tool, preventing the dominance of powerful groups and protecting the interests of minority shareholders and other stakeholders. Thus, the research findings underscore the need to create supportive conditions and strengthen enforcement mechanisms to realize substantive independence, so that this mechanism is perceived not merely as a legal obligation but as an effective and operational pillar of corporate governance.

The analysis of the findings also shows that director independence, in addition to its economic and oversight effects, has a strategic function in shaping firms' reputation and organizational image. When independent directors can genuinely perform their roles, a clear message of transparency, accountability, and adherence to corporate governance principles is communicated to the capital market and society. This message not only enhances shareholder and investor confidence but also encourages greater stakeholder participation and improves the firm's interactions with regulatory and economic institutions. Conversely, weaknesses in director independence, beyond increasing the likelihood of opportunistic behavior and reducing financial reporting quality, can impose significant social and institutional costs, such as diminished corporate credibility, increased investment risk, and weakening of public trust. Therefore, strengthening the position of independent directors should be viewed not only as a supervisory policy but as a macro-strategy for improving competitiveness and achieving sustainable development for firms.

Furthermore, the analysis reveals that director independence has a multilayered function that extends beyond enhancing monitoring processes and plays an important role in consolidating firms' positions within competitive and institutional environments. Independence can redirect board decision-making away from the influence of specific interest groups toward long-term objectives and collective benefits. This, in addition to improving reporting quality and reducing agency costs, contributes to the formation of an organizational culture based on accountability and trust. In the specific economic conditions of Iran—characterized by ownership concentration and state intervention—the effective presence of independent directors can serve as an institutional shield against rent-seeking and inefficient decisions. The analysis therefore suggests that director independence is not merely a technical mechanism within corporate governance, but an institutional asset for improving the sustainability, credibility, and efficiency of the capital market.

To complete the discussion, it can be stated that director independence achieves its highest effectiveness when embedded within an integrated and dynamic corporate governance system. This implies that the presence of independent directors must be complemented by mechanisms such as independent audit committees, robust disclosure and transparency systems, and stringent criteria for the selection and evaluation of directors, in order to prevent this role from becoming purely ceremonial. The analysis of results shows that, without enforcement guarantees and institutional support, director independence is vulnerable to political pressure, the influence of major shareholders, and short-term interests. Conversely, strengthening independence can help reduce financial and non-financial risks, increase the confidence of domestic and foreign investors, and enhance corporate social responsibility. Therefore, achieving substantive independence requires not only legal and regulatory reforms but also transformation in organizational culture, increased transparency and accountability, and the institutionalization of professional principles in Iran’s corporate governance.

In conclusion, the findings and analyses of this research show that director independence plays a strategic and multidimensional role in strengthening the effectiveness of corporate governance, with impacts extending beyond monitoring and financial aspects. The genuine and effective presence of independent directors, by reducing conflicts of interest, increasing transparency, enhancing financial reporting quality, and improving strategic decision-making, leads to greater investor confidence, fewer financing constraints, and better corporate performance. Moreover, director independence plays an important role in enhancing corporate social responsibility and reputation in the capital market and society, enabling firms to pursue long-term and sustainable objectives. Ultimately, the analyses emphasize that independence can only be realized when accompanied by appropriate institutional, legal, and cultural mechanisms; in this way, the independence of directors, as a key pillar and institutional asset, becomes a foundation for sustainable development, improved organizational efficiency, and strengthened corporate governance in Iran.

## Conclusion

The findings of this research indicate that the independence of independent directors is a decisive and influential factor in improving the functioning of corporate governance, and that its capacity to enhance transparency, accountability, and reduce conflicts of interest has a tangible impact on financial performance, earnings predictability, and the reduction of organizational risks. In addition, the effective presence of independent directors can reduce financing constraints and strengthen the confidence of investors and regulatory bodies, thereby paving the way for enhanced corporate social responsibility, organizational credibility, and the sustainable development of companies. The results show that the genuine realization of director independence requires an appropriate combination of institutional, legal, and cultural mechanisms so that their role goes beyond a merely formal and ceremonial position on the board. Therefore, director independence functions not only as a legal requirement but also as an institutional and strategic asset for improving efficiency, credibility, and sustainable development of companies in Iran’s capital market, and it can provide a solid foundation for reforming and strengthening the corporate governance system.

Furthermore, it can be acknowledged that, in practice, the independence of independent directors plays a moderating role, and its impact is not limited to reducing opportunistic behaviors or earnings management, but also extends to strategic decision-making and long-term corporate policies. The findings show that director independence, alongside transparency, audit quality, and a balanced board composition, can help enhance the confidence of minority shareholders and other stakeholder groups and be effective in reducing agency costs and risks associated with ownership concentration. On the other hand, the genuine realization of director independence requires institutional infrastructures, supportive laws, clear executive guidelines, and an organizational culture of accountability so that the position of independent directors does not remain merely formal and their positive effects in financial, social, and institutional domains are maximized. Overall, the study shows that the independence of independent directors can be regarded as a vital pillar for sustainable development, increased organizational efficiency, and improved quality of corporate governance in Iran.

In addition, the results of the study indicate that the independence of independent directors plays an important role in creating a balance between the interests of controlling and minority shareholders and can prevent excessive concentration of power in board decision-making. The effective presence of these directors increases transparency and accountability, reduces risks arising from opportunistic management, and improves monitoring processes, ultimately leading to enhanced quality of strategic decisions and long-term corporate performance. The findings also show that the effective combination of director independence with other corporate governance mechanisms—such as specialized board committees, independent auditing, and disclosure systems—improves the monitoring function of the board and amplifies its positive effects on investor confidence, the reduction of financing constraints, and the strengthening of corporate social responsibility. Therefore, the independence of independent directors is not merely a legal or ceremonial requirement, but functions as an institutional asset and a key tool for improving performance, sustainability, and credibility of companies in Iran's economic and legal environment.

The final conclusion of the research is that the independence of independent directors, as a fundamental pillar of corporate governance, plays a multidimensional and strategic role in improving organizational performance and promoting sustainable development. The findings indicate that the genuine and active presence of independent directors increases transparency, enhances board accountability, reduces conflicts of interest, and improves the quality of financial reporting, thereby strengthening the trust of investors and various stakeholders. Moreover, director independence contributes to reducing financing constraints, improving strategic decision-making, enhancing social responsibility, and reinforcing organizational reputation. The research emphasizes that the real impact of director independence depends on the provision of appropriate institutional, legal, and cultural conditions so that their position goes beyond a ceremonial and formal role and becomes an institutional asset and strategic tool. Therefore, the independence of independent directors operates as a key factor in reinforcing efficiency, accountability, and sustainable development of companies in Iran's capital market and can offer a solid basis for structural reforms and the enhancement of corporate governance.

To increase the effectiveness of independent directors and strengthen the efficiency of corporate governance, several strategies can be considered. First, it is essential to establish transparent, precise, and measurable criteria for assessing director independence and ensuring their impartiality in board decision-making. Second, strengthening enforcement guarantees and legal and institutional mechanisms—including support for the role of specialized committees, independent auditing, and information disclosure systems—can prevent the influence of controlling shareholders or external pressures on independent directors. Third, continuous training and professional development for independent directors, along with cultivating an organizational culture based on accountability and transparency, can enhance their ability to perform a genuinely effective monitoring role. Additionally, creating a balanced board composition and employing participatory mechanisms to ensure diversity of opinions and prevent group- or family-based decision-making can strengthen the impact of director independence. Finally, designing and implementing performance evaluation indicators for independent directors and continuously monitoring corporate governance outcomes can provide the basis for ongoing improvement in efficiency and the achievement of sustainable corporate development.

Beyond these measures, the development and institutionalization of supportive legal and institutional infrastructures can play a vital role in strengthening director independence. Establishing clear legal frameworks for the selection, appointment, and evaluation of independent directors, formulating detailed guidelines to prevent conflicts of interest, and ensuring legal protection against external pressures can guarantee their real effectiveness. Furthermore, reinforcing information systems and management technologies—particularly regarding timely and comprehensive disclosure of financial and managerial information—creates the conditions for informed and accountable decision-making. In addition, encouraging companies to adopt a corporate governance culture based on transparency and accountability, and motivating investors and regulatory bodies to engage in active and continuous oversight, can transform director independence into a genuine institutional asset. Taken together, these approaches enable independent directors not only to fully perform their monitoring role but also to contribute to improving the financial, social, and strategic performance of companies and to strengthening sustainable development in Iran’s economic and legal environment.

To complement the proposed strategies, special attention to the design of incentive and motivational mechanisms for independent directors can play an effective role in improving their performance. Creating reward systems based on the achievement of clear corporate governance, financial performance, and social responsibility objectives increases directors’ motivation to act in a genuinely impartial and effective manner. Moreover, strengthening cooperation among the board of directors, specialized committees, and other supervisory bodies facilitates the exchange of views and continuous evaluation of decisions and prevents the concentration of power. Enhancing transparency in decision-making processes, disclosing strategic information, and providing appropriate access for stakeholders reinforce effective participation and social oversight. Overall, the implementation of these strategies can turn the independence of independent directors into an operational and strategic tool that not only strengthens corporate governance but also significantly enhances companies’ capacity to achieve financial, social, and sustainable development goals.

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### Authors’ Contributions

All authors equally contributed to this study.

### Declaration of Interest

The authors of this article declared no conflict of interest.

## Ethical Considerations

All ethical principles were adheried in conducting and writing this article.

## Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.


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