

A5 – Sample letter of appointment of a Non-Executive Director

Sample letter of Non Executive Director Appointment (Source: *The Higgs Report*)

On [date], upon the recommendation of the Nomination Committee, the Board of [company] has appointed you as Non Executive Director. I am writing to set out the terms of your appointment. It is agreed that this is a contract for services and is not a contract of employment.

Appointment

Your appointment will be for an initial term of three years commencing on [date], unless otherwise terminated earlier by and at the discretion of either party upon [one month's] written notice. Continuation of your contract of appointment is contingent on satisfactory performance and re-election at forthcoming AGMs. Non Executive Directors are typically expected to serve two three-year terms, although the Board may invite you to serve an additional period.

Time commitment

Overall we anticipate a time commitment of [number of days] per month after the induction phase. This will include attendance at [monthly] board meetings, the AGM, [one] annual Board Away Day, and [at least one] site visit per year. In addition, you will be expected to devote appropriate preparation time ahead of each meeting.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. The agreement of the Chairperson should be sought before accepting additional commitments that might impact on the time you are able to devote to your role as a Non Executive Director of the company.

Role

Non Executive Directors have the same general legal responsibilities to the company as any other Director. The Board as a whole is collectively responsible for the success of the company. The Board:

- provides entrepreneurial leadership of the company within a framework of prudent and effective controls which enable risk to be assessed and managed
- sets the company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives, and reviews management performance
- sets the company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

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All Directors must take decisions objectively in the interests of the company.

In addition to these requirements of all Directors, the role of the Non Executive Director has the following key elements:

- **Strategy** – Non Executive Directors should constructively challenge and help develop proposals on strategy
- **Performance** – Non Executive Directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance
- **Risk** – Non Executive Directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible
- **People** – Non Executive Directors are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing, and where necessary removing, Executive Directors and in succession planning

Fees

You will be paid a fee of €[amount] gross per annum which will be paid monthly in arrears, [plus [number] ordinary shares of the company per annum, both of] which will be subject to an annual review by the Board. The company will reimburse you for all reasonable and properly documented expenses you incur in performing the duties of your office.

Outside interests

It is accepted and acknowledged that you have business interests other than those of the company and have declared any conflicts that are apparent at present. In the event that you become aware of any potential conflicts of interest, these should be disclosed to the Chairperson and Company Secretary as soon as apparent.

[The Board of the Company have determined you to be independent according to provision A.3.1 of the Combined Code (2003).]

Confidentiality

All information acquired during your appointment is confidential to the company and should not be released, either during your appointment or following termination (by whatever means), to third parties without prior clearance from the Chairperson.

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Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of price-sensitive information. Consequently you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Chairperson or Company Secretary.

Induction

Immediately after appointment, the company will provide a comprehensive, formal and tailored induction. This will include the information pack recommended by the Institute of Chartered Secretaries and Administrators (ICSA), available at www.icsa.org.uk. We will arrange for site visits and meetings with senior and middle management and the company's auditors. We will also offer to major shareholders the opportunity to meet you.

Review process

The performance of individual Directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters that cause you concern about your role you should discuss them with the Chairperson as soon as is appropriate.

Insurance

The company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of your appointment. The current indemnity limit is €[amount]; a copy of the policy document is attached.

Independent professional advice

Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a Director. Circumstances may occur when it will be appropriate for you to seek advice from independent advisors at the company's expense. A copy of the Board's agreed procedure under which Directors may obtain such independent advice is attached. The company will reimburse the full cost of expenditure incurred in accordance with the attached policy.

Committees

This letter refers to your appointment as a Non Executive Director of the company. In the event that you are also asked to serve on one or more of the Board committees this will be covered in a separate communication setting out the committee(s)'s Terms of Reference, any specific responsibilities and any additional fees that may be involved.