

## LETTER OF APPOINTMENT

Example 8: A Letter for the Appointment of a Non Executive Director<sup>2</sup>

Dear

On [date], upon the recommendation of the nomination committee, the board of [organisation] ('the Organisation') 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 for an Supplementary period.

### **Time commitment**

Overall we anticipate a time commitment of [number] 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 Supplementary commitments that might affect the time you are able to devote to your role as a nonexecutive director of the organisation.

### **Role**

Non-executive directors have the same general legal responsibilities to the organisation as any other director. The board as a whole is collectively responsible for promoting the success of the organisation by directing and supervising the organisation's affairs. The board:

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

In addition to these requirements of all directors, the role of the nonexecutive has the following key elements:

**Strategy:** Non-executive directors should constructively challenge and contribute to the development of strategy;

---

<sup>2</sup> Adapted from : *ICSA Guidance: A sample non-executive director's appointment letter (2011)*

**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 that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and

**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, senior management 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 organisation per annum, both of] which will be subject to an annual review by the board.

The organisation 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 organisation 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 organisation secretary as soon as apparent.

#### **Independence**

The board of the organisation have determined you to be independent.

#### **Confidentiality**

All information acquired during your appointment is confidential to the Organisation and should not be released, either during your appointment or following termination, to third parties without prior clearance from the chairperson.

#### **Induction**

Immediately after appointment, the Organisation will provide a comprehensive, formal and tailored induction. We will also arrange for site visits and meetings with senior and middle management and the Organisation's auditors. We will also arrange for you to meet major investors in the first twelve months of your appointment.

#### **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 which cause you concern about your role you should discuss them with the chairperson as soon as is appropriate.

#### **Insurance**

The Organisation 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 organisation's expense. A copy of the board's agreed procedure under which directors may obtain such independent advice is attached. The Organisation 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 Organisation. 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 supplementary fees that may be involved.