Appendix 5

Sample letter of appointment, non-executive director

[Company letterhead]

[Date]

To [name]

Appointment as non-executive director
I am pleased to confirm that the board of the [company], on the recommendation of its nomination committee, has appointed you as a non-executive director. I am writing to set out the terms of the appointment. Please note that this is a contract for services and is not a contract of employment.

Duration of appointment
The appointment is for an initial term of three years commencing on [date], contingent on your re-election at forthcoming annual meetings and on the appointment not otherwise terminating in accordance with the [company]'s constitution or bylaw.

Non-executive directors are typically expected to serve two three-year terms, although the board may invite you to continue on as a director for an additional period thereafter.

Role of the board
The board’s role is to effectively represent, and promote the interests of, shareholders with a view to adding long-term value to the [company]'s shares. Having regard to its role the board directs, and supervises the management of, the business and affairs of the [company] including, in particular:

• ensuring the [company]'s goals are clearly established, and strategies are in place for achieving them
• establishing policies for strengthening the performance of the [company] including ensuring management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital
• monitoring the performance of management
• appointing the CEO, setting the terms of their employment agreement and, where necessary, terminating their employment
• deciding on whatever steps are necessary to protect the [company]'s financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken
• ensuring the [company]'s financial statements are true and fair and otherwise conform with law
• ensuring the [company] adheres to high standards of ethics and corporate behaviour
• ensuring the [company] has appropriate risk management/regulatory compliance policies in place.

In the normal course of events, day-to-day management of the [company] is left to management. All directors are expected to take decisions objectively in the interests of the [company]. The board as a whole is collectively responsible for the success of the [company]. All directors, whether non-executive or executive, have the same general legal responsibilities.

Timing and location of board meetings, and time commitment
The board normally meets on the first [day] of each month except January and holds additional meetings as the occasion requires. Meetings usually take place at the [company]'s head office in [city] with at least one site visit per year. The duration of each meeting typically runs to half a day.

In addition to routine board meetings you should allow time for committee meetings, preparatory work and travel, and ensure that you are in a position to make the necessary overall time commitment.

Remuneration
The board determines the level of remuneration paid to its non-executive members within any limitations imposed by shareholders.

Membership and the chair of board committees, and (subject to board approval on a case by case basis) particular company situations or events clearly outside the scope of directors’ usual responsibilities, attract supplemental fees.
The [company] will reimburse you for all direct and indirect expenses such as toll calls, accommodation and travelling expenses, reasonably and properly incurred and documented.

Base and supplemental fees are reviewed once every year.

**Committee involvement**
Board committees are formed when it is efficient or necessary to facilitate effective decision-making. The board's present standing committees are the audit, remuneration and nomination committees.

This letter refers to your appointment as a director of the [company]. In the event that you are also asked to serve on one or more board committees this will be addressed by a separate process setting out any supplemental fees payable, and ensuring that you are aware of the committee's terms of reference and the responsibilities involved.

**Board and individual director evaluation processes**
The performances of the board as a whole, its committees and individual directors are evaluated annually. If, in the meantime, there are any matters which cause you concern about your role you should discuss them with the chair of the board as soon as appropriate.

**Outside interests including directorships**
It is accepted and acknowledged that you may have business interests other than those of the [company]. Please contact the company secretary as soon as possible to arrange for your interests as a shareholder, director, officer or trustee of other companies or entities to be entered in the [company]'s interests register. The interests register is tabled at each directors' meeting. Please ensure that the [company] is kept informed of any changes to your interests so that the interests register can be maintained and kept up to date.

Any director is, while holding office, at liberty to accept other board appointments so long as the appointment is not in conflict with the [company]'s business and does not materially interfere with their performance as a director of the [company]. All other appointments must first be discussed with the chair before being accepted.

**Shareholdings by directors in the [company]**
Directors may hold shares in the [company]. When buying or selling shares directors are expected to strictly observe the provisions of the [company]'s constitution, the [company]'s own internal rules and all relevant legislative and regulatory procedures including, in particular, NZX listing requirements and insider trader laws.

**Induction and development processes**
As soon as practicable the [company] will provide a comprehensive induction programme aimed at broadening your understanding of the [company], its business, and the environment and markets in which it operates. As part of the programme you will meet key management and receive a folder of essential board and [company] information.

All directors are expected to remain current on how to best discharge their responsibilities as directors of the [company] including keeping abreast of changes and trends in economic, political, social, financial and legal climates and governance practices.

**Access to independent professional advice**
All directors are entitled to obtain independent professional advice relating to the affairs of the [company] or to their responsibilities as directors. If, in your own case, you consider such advice is necessary, you should first discuss it with the chair. Subject to the prior approval of the chair, the cost of the advice will be reimbursed by the [company] but you should ensure, so far as is practicable, that it is reasonable.

**Availability of liability insurance**
The [company] provides all its directors with, and pays the premiums for, indemnity and insurance cover while acting in their capacities as directors. The present amount of the cover is $ [amount]. You are strongly urged to obtain a copy of the relevant policy from the company secretary and satisfy yourself as to the suitability and extent of the cover.

**Confidentiality**
All information acquired during your appointment is confidential to the [company] and should not be disclosed either during your appointment or following termination (by whatever means) to third parties except as permitted by law and with prior clearance from the chair.

We look forward to your association with us.

Yours sincerely

Chair