

Sample letter of appointment, non-executive director

- This letter is for guidance only. In practice, such letters will need to be tailored to meet the individual circumstances and requirements of each company and should be subject to regular review.

[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 from [date], until the next annual meeting scheduled for [date]. You will be eligible for election at that meeting and, if elected at that meeting, will be subject to retirement by rotation in accordance with the [company]'s constitution or bylaw.

Non-executive directors may be invited to serve a second three-year term. Any term beyond six years would be subject to a more rigorous review of both independence and [performance/the needs and skillsets of the board at that time]. Continuation of your contract of appointment is contingent on on-going satisfactory performance and if [company]'s shareholders do not re-elect you as a director in accordance with the constitution, your appointment shall terminate with immediate effect.

Role of the board

The board's role is to effectively represent, and promote the interests of, the company and, thereby, all shareholders. Having regard to its role the board directs, and supervises the management of, the business and affairs of the [company] including:

- 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, regularly reviewing their performance 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 office in [city] with at least one site visit per year. The duration of each meeting typically runs to half a day. The first meeting which you will be required to attend is on [date]. You will receive the board papers for the meeting by [date].

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. In particular, all directors are expected to have carefully reviewed all board papers and related material sent to them for meetings.

By accepting this appointment, you confirm you are able to allocate sufficient time to meet these expectations, that you are aware of your responsibilities as a director of the company and that you will be able to discharge them to the expected level. Meeting absences must be approved by the chair.

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 phone and internet charges, accommodation and travelling expenses, reasonably and properly incurred and documented.

Director fees are reviewed annually.

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, nomination, and health and safety 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, and its committees and individual directors, are evaluated annually. You will be required to participate in any continuous quality improvement programmes determined by the board as being appropriate for directors and in internal and external review processes evaluating director, board and committee performance. 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 and material interests other than those of the [company]. Please contact the company as soon as possible to arrange for your interests as a shareholder, director, officer or trustee of other companies or entities to be disclosed to the board and entered in the [company]'s interests register. The interests register is tabled at each directors' meeting. Disclosure of interests is a continuing obligation. Please ensure that the board is kept informed of any changes to your interests so that the interests register can be maintained and kept up to date. This should be done in writing.

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 additional material commitments, including other directorships, which may conflict with, or impact on, your role with [company] must first be discussed with the chair before being accepted. [Any material interests are required to be disclosed in the Annual Report and the accounts.]

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 trading 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 the CEO and other 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, and of other developments likely to be relevant to the company.

Constitution, charters and policies

[Company] has a constitution, and board and committee charters and policies governing conduct of directors and employees. You will be required to comply with these.

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 and company indemnity

The [company] currently arranges, and pays the premiums for, directors' and officers' liability insurance cover for all its directors while acting as directors. The present amount of the cover is \$ [amount]. Details of the current cover will be included in your induction materials. You may also obtain a copy of the relevant policy from the company. You should satisfy yourself as to the suitability and extent of the cover.

The company also indemnifies each of its directors against certain costs and liabilities they incur, to the extent it is legally able to do so and on the terms of (and subject to them executing) a deed of indemnity. The deed will be provided to you with your induction pack.

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