

Letter of appointment

Role of the board

Before a person is appointed as a director, they must provide a formal, signed letter of consent to act as a director to the organisation he or she is joining. The organisation usually responds with a letter of appointment. However, this is not a legal requirement. The appointment letter affords an opportunity to provide the new director with more information such as details of the duties and responsibilities associated with the role and available resources. The letter is usually signed by the chair of the board.

It is important to ensure that the contents of the letter of appointment do not conflict with the Corporations Act 2001 or the organisation's constitution.

The contents should be tailored to the appointment and reflect the size, type and complexity of the organisation.

What should the letter of appointment contain?

Many non-executive directors in the not-for-profit sector are volunteers. Sometimes there is a misconception that volunteering as a director only involves attending board meetings. It is important any new directors understand what their responsibilities are and what are the expectations of the board in terms of time and workload commitment.

The letter of appointment is used to explain the role, the responsibilities and the board's expectations. Obviously there will also be some administration issues that will also need to be addressed.

The following information might be included in a letter of appointment.

Welcome and overview of the induction process:

- Welcome;
- Commencement date of appointment and the term of the appointment;
- Requirement to disclose director's interests and any matters which may affect the director's independence;
- Information about how to access copies of key documents to provide background and governance information: for example, company constitution, board policies, strategy documents and business plans, previous financial statements and organisational chart. These may be attached to the letter of appointment or might be accessible through a board portal;
- Information about an induction process (if one exists) or where to get additional information if required;
- Information about indemnity and insurance arrangements;
- Information about remuneration, including superannuation entitlements (if relevant).

Director Responsibilities:

- It is useful to outline the director's general duties under the *Corporations Act 2001*, especially for new directors:
- Directors must exercise their powers and discharge their duties:
 - with the degree of care and diligence of a reasonable person (s 180);
 - in good faith in the best interests of the corporation and for a proper purpose (s 181);
 - must not improperly use their position (s 182);
 - must not improperly use any information (ss 183-184).

Board Expectations:

- The time commitment envisaged, including any expectations regarding involvement with committee work and any other special duties attaching to the position;
- The requirement to comply with key corporate policies, including the entity's code of conduct;
- Expectations of director professional development;
- Participation in board and director performance reviews and appraisal.

Additional information:

- This information might be better covered in a board policy rather than the letter of appointment:
- The entity's policy on when directors may seek independent professional advice at the expense of the entity (which generally should be whenever directors, especially non-executive directors, judge such advice necessary for them to discharge their responsibilities as directors);
- The circumstances in which the director's office becomes vacant;
- Ongoing rights of access to corporate information;
- Ongoing confidentiality obligations.

Dear *[name of new director]*

Appointment to the Board of Directors of *[organisation's name]*

I am pleased to advise you of your appointment as a non-executive director of *[organisation's name]*. Your appointment commenced *[for example, from the end of the AGM held on 'date']* with a tenure of *[number of years]*.

Your background, qualifications and experience will add considerable value to our board and I look forward to working with you to achieve our outcomes.

To assist you in familiarising yourself with the organisation and our values, roles and expectations, please find attached the following documents:

- Constitution
- Board policies and committee charters
- Strategy documents, business plans, organisational chart
- Director indemnity and insurance arrangements

[Alternatively, advise where these documents can be accessed, if there is an induction process and what it will involve]

Please complete the directors conflict of interest declaration and return to *[name]* by *[date]*. I have also attached a copy of our board calendar, which sets out meeting dates for the board and all our committees. Additional meetings may be scheduled as required. All directors are members of *[number]* committee/s and we will discuss which committee/s will best utilise your skills at the next board meeting. We also schedule an annual planning day and directors are encouraged to participate in professional development *[explain if there is a budget for director professional development]*.

[Organisation's name] is a company limited by guarantee under the Corporations Act 2001. I take this opportunity to remind you that as directors we must exercise our powers and discharge our duties:

- with the degree of care and diligence of a reasonable person (s 180)
- in good faith in the best interests of the corporation and for a proper purpose (s 181)
- must not improperly use our position (s 182)
- must not improperly use any information (ss 183-184)

If you have any further questions, please do not hesitate to contact me or *[name]*.

Kind Regards

[signature etc.]

NOTE: If your organisation is registered with the ACNC, there is an 'appointment letter' template available on their website at www.acnc.gov.au

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