

PERSONAL

Name

Address line 1

Address line 2

Town

County

Postcode

Date

Dear *Name*

Non Executive Director Appointment

I am writing to confirm that, on the recommendation of the Nominations Committee, the Board has agreed to your appointment as a non-executive director to the full Board. I am writing to set out the terms of your proposed appointment. It is agreed that this would be a contract for services and is not a contract of employment.

At this stage, your appointment is subject to confirmation by the FSA that Approved Person status has been granted, and your acceptance of the terms set out in this letter.

Appointment

Your appointment will be for an initial term of three years unless otherwise terminated earlier by and at the discretion of either party upon three month's written notice. Following satisfactory completion of the matters set out above, you will take up your appointment at the Board meeting on *date*, after confirmation for this role by the FSA.

Continuation of your appointment is contingent on satisfactory performance and election/re-election at forthcoming AGMs. It is also contingent on your maintaining the fitness and propriety, and competence and capability standards required by the FSA to continue as an Approved Person. Non-executive directors are typically expected to serve three three-year terms, with a comprehensive review after each term.

Time Commitment

Overall, we anticipate a time commitment of between two and three days per month after the induction phase. This will include attendance at Board Meetings, relevant Committees, the Annual General Meeting, one or two annual Board away days and at least one branch visit per year. In addition, you will be expected to devote appropriate preparation time ahead of each meeting.

As you will appreciate, the nature of the role makes it impossible to be specific about the maximum time commitment, in respect of ad hoc matters which may arise from time to time, particularly where the Society is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board or Committee meetings. The average time commitment will also increase should you be appointed as a Committee Chairman, or Senior Independent Director.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. My agreement 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 Society or could involve a conflict of interest.

Role

Non-executive directors have the same general legal responsibilities to the Society as any other director. The Board as a whole is collectively responsible for the success of the Society. The Board:

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

All directors must take decisions objectively in the interests of the Society.

In addition to these requirements, the role of the non-executive director has the following key elements:

- **Strategy** constructively challenge and help develop proposals on strategy;
- **Performance** scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- **Risk** satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible; and
- **People** are responsible for determining appropriate levels of remuneration for executive directors and have a prime role in appointing and, where necessary, removing directors and in succession planning.
- **Expertise** devote time to refreshing your knowledge and skills.
- **Propriety** uphold high standards of integrity and probity, and support me and the other Directors in instilling the appropriate culture, values, and behaviours in the boardroom and beyond.
- **Stakeholders** take into account the views of the members, and other stakeholders where appropriate.

Fees

Whilst you hold the appointment, you will be paid a fee of £*amount* gross per annum, which will be paid monthly in arrears through PAYE, and subject to tax and other statutory deductions, and which will be subject to an annual review by the Executive Directors. Additional fees may be paid for Committee Chairman, and the Senior Independent Director, and you will be advised of any sums payable if you are appointed to such position(s). The Society will reimburse you for all reasonable and properly documented expenses you incur in performing the duties of your office, in accordance with its expenses policy.

Outside Interests

The Board has determined that you are independent, taking into account the guidance contained in B 1 1 of the UK Corporate Governance Code. It is accepted and acknowledged that you have business interests other than those of the Society 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 me and the Secretary as soon as apparent.

Disclosures

Under the Building Societies Act, the Society is required to maintain a register containing details of transactions made with directors and connected persons; it also has to record 'relevant income' of related outside businesses of directors. Directors will be asked to make a formal return confirming compliance with these sections at each year end.

Interests in 'relevant contracts' should be notified to the Board at its meeting following the time when the interest in the contract occurred.

Non-executive directors may have a loan from the Society on ordinary commercial terms (subject to approval by the full Board) and these, together with loans to any person 'connected' to a director, must be notified to the Society.

I attach a copy of the Society's Memorandum and Rules, and you need to be aware the Board is responsible for ensuring compliance with them. Under Rule 14(1), there is a requirement that a director should have a shareholding in the Society of not less than £1,000. Rules 24(1)(b) requires that the shareholding is maintained for as long as a director remains in office.

Confidentiality

All information acquired during your appointment is confidential to the Society and should not be released, either during your appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman. You acknowledge the need to hold and retain sensitive information under appropriately secure conditions, and to comply with the Society's Data Protection Policy, which is attached.

Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of sensitive information. Consequently, you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Chairman or the Secretary. In particular, the Society has permanent interest bearing shares that are listed on the Stock Exchange and observation of the 'closed period' between any half yearly report and year end and announcement of the Society's results is imperative.

Induction

Immediately after appointment, the Society will arrange a tailored induction, which will include an information pack. We will also arrange for site visits and meetings with senior management and the external auditors.

Review Process

The performance of individual directors and the whole Board and its Committees is evaluated annually. This process also identifies ongoing training and development requirements we both identify as being likely to enhance your ability to carry out your role. If, in the interim, there are any matters which cause you concern about your role, you should discuss them with me, or, if necessary, *name* the Senior Independent Director. as soon as is appropriate.

Insurance

The Society 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 £10m, and a copy of the policy schedule 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 Society's expense.

Committees

This letter refers to your appointment as a non-executive director of the Society. You will also be appointed to the *name(s) Committee(s)*, and I attach copies of their Terms of Reference, together with a copy of the *2012 and 2013 Board calendars*, to make you aware of the dates which have been arranged. (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.)

Due Diligence

As part of your external enquiries about the Society, you may wish to contact our supervisory contact at the FSA, *Name on Telephone no*. The Society's external auditors are Deloitte and the appointed partner, *Name*, will be pleased to provide you with his perspective on the Society's business. He can be reached on *Telephone no*. (I have indicated to him that you may call).

Next Steps

Please contact me on *telephone no* if there are any points you wish to raise in connection with this letter, or any other matter relating to the appointment, and I look forward to seeing you in due course. Please confirm you accept the terms of this letter by signing and returning the additional copy.

Yours sincerely,