

NON-EXECUTIVE BOARD MEMBER APPOINTMENT LETTER (Co-option by the Board)

Dear [Name],

On [date], upon the recommendation of the Nomination and Remuneration Committee, and in accordance with the provisions of Rule 24. Filling of Casual Vacancies, the Board of Management ('the Board') of Schoolteachers Friendly Society ('the Society') has appointed you as non-executive Board Member. I am writing now 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 and if not already obtained is subject to formal approval of you by the Financial Services Authority as an 'Approved Person'.

APPOINTMENT

Your appointment will be for an initial term commencing on [date], and terminating at the conclusion of the AGM next following your appointment, 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 election/re-election at forthcoming AGMs. Non-executive directors will be expected to serve two three-year terms, although the Board may invite you to serve for additional periods.

TIME COMMITMENT

Overall we anticipate a time commitment of 2 days per month after the induction phase. This will include attendance at Committee meetings, Board meetings, the AGM, possibly one annual Board away day per year and 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 Chairman should be sought before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive Board member of the Society.

ROLE

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

- provides entrepreneurial leadership of the Society within a framework of prudent and effective controls which enable 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 company to meet its objectives, and reviews management performance;
- sets the Society's values and standards and ensures that its obligations to its stakeholders and others are understood and met; and
- ensures that the Society's customers are treated fairly at all times.

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

- **Strategy:** Non-executive Board members should constructively challenge and contribute to the development of strategy;
- **Performance:** Non-executive Board members should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- **Risk:** Non-executive Board members 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 Board members are responsible for determining appropriate levels of remuneration of executive Board members 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 annually in arrears in December, which will be subject to an annual review by the Board.

The company 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 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 the Chairman and the Society's Secretary/Chief Executive as soon as apparent.

The Board of the Society has determined you to be independent according to the provision of the Combined Code on Corporate Governance (Annotated Version for Mutual Insurers).

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.

Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of price 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 Society's Secretary.

INDUCTION

Immediately after appointment, the Society will provide an informative and a tailored induction programme. This will include an information pack. We will also arrange for site visits and meetings with senior management and the Society's auditors. We will also arrange for you to meet members of the Society in the first twelve months of your appointment.

REVIEW PROCESS

The performance of individual Board members 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 Chairman as soon as is appropriate.

INSURANCE

The Company 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 available on request.

INDEPENDENT PROFESSIONAL ADVICE

Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a Board member. Circumstances may occur when it will be appropriate for you to seek advice from independent advisors at the company's expense. This should be done in consultation with the Chairman. The Society will reimburse the full cost of expenditure incurred in this regard.

Andrew Spencer
Chairman
[date]