



This document should assist Independent Directors in fulfilling their role on a company Supervisory Board and it can be used by someone who is asked to become an Independent Director, to help him or her in evaluating whether or not to accept the position.

WHAT SHOULD AN INDEPENDENT DIRECTOR EXPECT FROM A COMPANY?

Working with a company associates that person with the company and the Supervisory Board, bringing the same liability as the executive Directors and so carries risks for the individual to his or her reputation and, potentially, legal and financial risks. There will be rewards in terms of experience and remuneration but these need to be evaluated in relation to any potential risks.

Why consider accepting an appointment?

An individual may consider accepting an appointment as an Independent Director because it will broaden his or her experience and the Independent Director can often make a significant difference to the success and growth of a company. However, the potential Independent Director needs to be diligent in deciding whether to be associated with a particular company.

When deciding whether to accept an invitation to join a Supervisory Board the following points may be relevant.

Clarity regarding responsibilities

The Independent Director should have a clear understanding of what is expected from him or her and what powers and responsibilities he or she has under company and other legislation, the skills and expertise that the company wishes to utilize, and also the time commitment. This should include:

- a clear description of the role in the letter of appointment
- an appropriate fee
- Director's liability insurance.

To be in a position to understand the business of the company

In order to understand the business of the company and to be able to participate effectively the Independent Director should:

- adequately understand the business and the company background
- obtain an induction programme about the company and, if necessary, training on powers and responsibilities
- ensure there is an annual programme of Supervisory Board meetings, with meetings held at regular, appropriate intervals, and with adequate time given to each agenda item



- receive Supervisory Board papers of an appropriate length and quality in order to prepare for meetings
- receive timely minutes that adequately reflect the discussions and decisions taken at the meetings.

To be able to participate and contribute

The Independent Director should expect to be treated as a full member of the Supervisory Board and be in a position to participate fully. For example, the Independent Director should not be treated simply as an appointee if he or she represents external financial interests.

To have confidence in the identification of risk and the internal controls

The Supervisory Board has collective responsibility for the success of the company; however, the Independent Director is not involved in the company on a daily basis nor in the internal running of the company. It is essential, therefore, that the Independent Director has confidence that the key risks in running the company have been adequately identified and recorded, and are properly controlled. It is also necessary that reliable management information is presented to the Supervisory Board to allow the Directors to make an assessment of the identification and management of the key risks.

Letter of appointment

The following aspects may be addressed in the Independent Director's letter of appointment:

- the date from which the appointment is effective
- the period of appointment (e.g. three years)
- state that it is a contract for services (Independent Directors) and not a contract of employment (executive Directors)
- termination procedures, for example, at the discretion of either party with one/three months' notice or immediate, and indicative circumstances where immediate removal would occur
- the expected time commitment, of x number of days per annum, including attendance at all Supervisory Board meetings
- the legal responsibilities of a Director
- the specific responsibilities expected in this appointment
- fees and expenses, the basis of payment
- whether and to what extent external professional advice may be sought at the company's expense
- outside interests, and management of any potential conflicts of interest
- confidentiality of information known during and after the period of the contract
- an anti-competitive clause for the duration, and a period after, the contract
- induction procedures
- Directors' liability indemnity