A director’s service agreement

factsheet
An executive director has certain rights and obligations arising as an employee as well as a director of a company. A Director’s Service Agreement should include the following information:

- appointment commencement date, employment commencement date (which may be different), notice required by either party to terminate the agreement and the normal retirement age which cannot be under 65 unless objectively justified for the role in question (which in practice is difficult)
- duties of the director including any provisions under which a director may be required to serve on the boards of companies within a group of companies
- limitations on the director in engaging in business or professional activities outside the employment, and method of obtaining prior approval if such activity might be acceptable to the company
- remuneration details: salary, bonus schemes, share options, medical insurance, life and disability insurance, pensions, company car and / or other benefits including sufficient flexibility for the company to review, amend or withdraw the benefit in appropriate circumstances
- details of reimbursement and authorisation for expenses
- location of the director’s main place of work, arrangements relating to any future change of location on a permanent or temporary basis and details relating to the requirement to travel for business
- holiday entitlements
- entitlements relating to pay during periods of absence due to sickness or accidents
- the right for the company to require the director to undergo a reasonable medical examination and for the reports from such examinations to be disclosed to and discussed with the company
- provisions concerning disclosure of company information which is considered confidential
- provisions relating to intellectual property issues
- circumstances under which the service agreement may be terminated by the company without notice
- where the grievance, disciplinary and appeals procedures may be found (the procedures themselves normally being non-contractual)
- details of any constraints that may apply to the director on leaving the company including working for a competing organisation, setting up in competition to the company, soliciting or dealing with company clients and poaching senior members of staff
- other provisions relating to the termination of the employment including the right for the company to give pay in lieu of notice and/or to place the director on gardening leave and the return of company property
- specification of which law governs the agreement (e.g. the law of England)
- evidence that the agreement has been approved by the board

The IoD Directors’ Advisory Service’s Factsheet “Directors’ Service Agreement – items to include” gives a more in-depth guide of the matters to be included in a Director’s Service Agreement. As an IoD member, you may also consult the Directors’ Advisory Service for advice on specific agreements.

Further information:

The IoD can help you refresh your skills and improve performance. Please visit the following recommended pages located within iod.com:

BOOKS
The Director’s Handbook
Directors’ Rewards Survey
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SERVICES
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Directors’ Advisory Service
T: +44 (0)20 7451 3188

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