



UK Government Investments

Annex A: Governance Expectations of the Chair

NB: DELETE PARAGRAPH BEFORE ANNEXING

This document is intended to be annexed to an annual Chair's letter for UKGI assets. It sets out the basic governance expectations that UKGI has for its Asset Chairs. This is intended to allow Chairs' letters to be tailored to focus upon the specific priorities for each Asset, rather than generic governance requirements. It draws upon corporate governance best practice, as well as specifics of working in Government. It is intended to apply to the UKGI Target Operating Model, therefore UKGI shareholder teams may wish to remove certain sections should these not apply to the Chair as per their governance framework. If uncertain, please speak to a member of the Corporate Governance team and/or UKGI Legal for assistance.

This letter, issued by UK Government Investments ("UKGI"), sets out the standard governance expectations of Chairs within its portfolio. This is not an exhaustive list of the duties of a Chair, and should be accompanied by a letter, tailored to the needs of the [Asset], outlining the specific priorities and expectations of both [the Department] and UKGI, acting as shareholder. This document does not supersede or alter any responsibilities as set out in the [Asset's] Framework Document or other constitutional documentation [update as appropriate for the Asset].

UKGI, acting as shareholder on behalf of Departments, expects the Chairs of its Assets to lead the Board in an effective and collegiate manner, and adhere to best practice corporate governance standards where possible in undertaking their roles. It is your responsibility, as Chair of the [Asset] to lead the Board, and ensure that it undertakes all of its responsibilities as set out in the [Asset's] [governance framework – insert reference to any key documents, such as legislation, Articles of Association, Terms of Reference, or the Framework Document]. The Chair should set the tone from the top of the [Asset] and promote an effective and appropriate culture in both the Boardroom and the wider organisation.

Your responsibilities are to act in accordance with the highest standards of corporate governance, and are complemented by requirements and expectations of you by HM Government. Below is a list of some of the core governance expectations of UKGI regarding your duties as Chair encompassing both of these elements. This list is not intended to be exhaustive, and does not supplant any responsibilities set out in the [Asset's] governing documentation:

Set the Board's agenda

You should set the [Asset's] Board's agenda in good time ahead of a Board meeting. There should be sufficient visibility of items for forthcoming meetings to allow Board members [or Directors], Executives, and stakeholders as necessary to prepare and engage with the Board. The agenda should focus upon the [Asset's] strategy and any policies as set by [the Department]. In addition, the Board's agenda should interrogate the [Asset's] ongoing performance, culture, and value for money, all while being cognisant of its overall accountability to [the Department/Ministers/Secretary of State], and ultimately, the taxpayer.

Encourage engagement from Board members [or Directors]

You should encourage Board members to engage with the [Asset] both within Board meetings, through active participation in discussions and decisions, and more widely. You should encourage Board members to join Board committees where they can add value. You should support Board members [or Directors] to contribute their expertise where relevant to the [Asset] on an ongoing basis. You should foster effective relationships based on trust, mutual respect, and open communication between Board members [or Directors] and the Executive team, both inside and outside of the

Boardroom. You should monitor and manage conflicts of interest among Board members [or Directors] in order that the Board may function appropriately, in accordance with the conflicts of interest policies of [the Department] and [the Asset].

Foster relationships between the Board and stakeholders, including Government

You should be the principal point of contact between stakeholders and the Board. You should foster constructive relationships with all relevant stakeholders to [the Asset] [you may wish to insert any key stakeholders such as the regulator, unions, local interest groups as necessary]. You should also maintain a constructive relationship with [the Department] and UKGI in the course of your work.

Develop a strong working relationship with the Chief Executive [or other most senior executive]

The relationship with the Chief Executive [or other most senior executive] is key to the long-term success of the [Asset]. You should provide support and advice to the Chief Executive [or other], while respecting their executive responsibility. You should work with the Chief Executive [or other] to consider the strength of the broader executive team. Under your leadership, the Board should consider executive succession planning on a regular basis.

Work with HM Government on the composition of the Board, and the appointment of new Board members

You should consider the composition of the Board in line with the requirements of the [Asset] on a continual basis, providing regular feedback to [the Department] and UKGI as appropriate. You should work with [the Department] and UKGI to consider appointments to the [Asset] Board. You should engage in the appointment process as appropriate as per the agreed framework, and in compliance with rules or regulations governing appointments to the [Asset] Board.

Provide mentoring and an induction to new Board members [or Directors]

You should lead the induction to new Board members [or Directors] on behalf of the [Asset]. You should make sure new Board members [or Directors] are introduced to all relevant people both within the [Asset] and among stakeholders. This should be done in cooperation with [the Department] and UKGI. The induction process should familiarise new Board members [or Directors] with the [Asset] and its overall governance framework.

You should encourage Board members [or Directors] to develop their knowledge and skills

You should continually consider the knowledge and skills that the Board requires to discharge its duties to the [Asset], this should be considered in conjunction with UKGI. Where the Board would benefit from additional knowledge and skills, which can be met without the need to recruit new or additional Board members [or Directors], you should encourage Board members [or Directors] to undertake relevant training and education where possible.

Lead the annual evaluation of the Board, which should be externally facilitated at least every three years

You should ensure that a review of the Board's effectiveness is undertaken on an annual basis. This should be facilitated by an external provider at least every three years. Where the evaluation is not externally facilitated, you should lead the process, gathering feedback from Board members regarding the Board's functioning. You should also consider how stakeholders, such as [the Department] and UKGI, can input into the review, to provide comment upon the Board's effectiveness in engaging with Government and stakeholders. Reviews should produce a written report. You should be responsible for overseeing the implementation of any recommendations arising from a review as necessary.

Evaluate the performance of non-executive Board members [or Directors] at least annually

You should undertake a review, at least annually, of the performance of non-executive Board members [or Directors]. This review should consider their contributions to the Board, and the value they add to the [Asset]. You should write these reviews and be prepared to share them with [the Department] and UKGI in an appropriate manner. A written review of performance may be necessary to support any reappointment decisions for Board members [or Directors].

Be subject to an annual performance evaluation

You should engage with an evaluation of your performance on an annual basis. You should allow the Senior Independent Director [or where no SID, the Board] to gather feedback on your performance from the perspective of Board members [or Directors]. [The Department] and UKGI shall gather feedback from Government and other stakeholders. This will be collated by UKGI and provided to the Principal Accounting Officer in an appropriate manner. A written review of your performance may be necessary to support any reappointment decision.

Establish an effective Company Secretarial function

You should ensure the Board is appropriately served by an effective company secretarial function supporting the Board to operate efficiently. The company secretary is responsible for ensuring that Board procedures are complied with, Board materials are of an appropriate quality, and advising the Board on all governance matters. You should ensure that the company secretary maintains good information flows within the Board as well as between Board members [or Directors] and senior management. You should ensure the Company Secretary makes available to Board members [or Directors] independent professional advice necessary to discharge their responsibilities. You should be supported by the company secretary to establish policies and procedures necessary to the effective functioning of the Board.

For additional best practice guidance regarding the role of the Chair, see the "Guidance on Board Effectiveness" published by the Financial Reporting Council. This can be found [here](#).