



UK Government
Investments

Principles of Corporate Governance A Practitioner's Guide

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Principles of Corporate Governance

1. Introduction

- 1.1. UK Government Investments (**UKGI**) provides the corporate governance role for a broad and diverse portfolio of organisations, acting as shareholder on behalf of Departments. The portfolio ranges from public bodies such as Executive Agencies, with strong links to Government Departments, through to private limited companies.
- 1.2. There is no single governance model, with the relationship with the sponsor department varies from asset to asset driven by the nature of the formal position of the asset within the relevant department. However, there are certain key principles and governance arrangements which we aim to apply across the portfolio and in our governance roles.
- 1.3. The purpose of this document is to set out clear and consistent governance principles and processes that we expect to apply to our existing assets and which we aim to put in place for new organisations when they join the UKGI portfolio. It is also important to note what the governance role involves and what it does not.
- 1.4. In general, a “comply or explain” approach is adopted by UKGI – we expect the key principles and the highlighted features of good governance set out in this guidance to be put in place unless there is good reason not to do so.
- 1.5. Many of these principles draw on practices used in the private sector. However, Government owned organisations are also subject to the requirements of Public Law and areas of HMG guidance. This carries implications for governance, decision-making and the financial management of the organisation, and accordingly, some principles of public law and accountability have also been reflected in these principles. In particular, there is a range of governance frameworks and guidance produced by HMT and Cabinet Office, the most central of which is Managing Public Money. The principal documents are listed in Annex [A] and while these principles reflect this guidance, UKGI shareholder teams should consult the underlying documents for any specific issues.
- 1.6. Where UKGI has a shareholding or governance role with an asset, there should also be an MoU with the relevant Department and, in many cases, a asset specific MoU/Framework Agreement setting out UKGI’s roles. It is important that these documents provide absolute clarity regarding the UKGI role - setting out both what we will cover and what we will not cover.
- 1.7. This document should be read in conjunction with the separate guidance produced for UKGI’s Non-Executive Directors sitting on portfolio company boards and the UKGI NED induction pack.
- 1.8. UKGI also provides a governance function for certain listed assets. In these instances UKGI also follows the FRC Stewardship Code.

2. Principles

2.1. Taking the themes highlighted in the Financial Reporting Council's UK Corporate Governance Code as a model, UKGI applies the following general approach to its governance and shareholder roles:

- **Leadership & governance**
 - We work with the organisation to facilitate appropriate governance frameworks being put in place for the organisation
 - We make sure the roles of the Chair and Board are clearly established and defined
 - We provide clarity on who in the organisation leads on the relationship with the shareholder (usually the Chair).
- **Effectiveness**
 - We advise upon Board appointments made by Ministers or public bodies, and help manage the appointment process where applicable
 - Where appropriate, a UKGI Director or ED will act as a Non-Executive Director on a Board (and, depending on circumstances, on Board sub-committees)
 - We advise Ministers and sponsors on various aspects of the Government's day-to-day relationship with the organisation – covering the Government's interests from a shareholder perspective.
- **Objectives, strategy & accountability**
 - We advise Ministers upon, and hold the Board to account with respect to, the overarching objectives and strategy which the Board proposes for the organisation
 - Where possible, we seek to align the organisation's strategy with its sponsor department's objectives
 - We advise the sponsor department/relevant Government Ministers on whether to approve business plans
 - Where appropriate, we advise on setting annual budgets for organisations and we monitor financial performance throughout the year.
- **Remuneration & accounting officer obligations**
 - We advise on remuneration, including, where relevant, whether this is compliant with Government objectives
 - We ensure the accounting officer (**AO**) for an organisation is aware of his/her AO obligations, where these apply
 - For assets funded by Government Departments other than HM Treasury (**HMT**), we liaise with the finance team of the relevant department and HMT to provide direct line of sight for the Principal Accounting Officer, who is often the Permanent Secretary of the relevant department.
- **Risk management**
 - We encourage all appropriate risk management processes and structures to be put in place, with clear lines of accountability and responsibility
 - We would expect these arrangements to flow up from individual operating risks through to the Audit and Risk Committee (ARC) and then on the main asset Board

- We would expect the ARC to review the main risk register in detail on a regular basis (typically quarterly) and at least annually to conduct a thorough review and challenge of this register. The Board should consider the summary risks on a regular basis – potentially as a standing item
 - As part of our shareholder function, we would expect to see regular updates of the organisation's principal risk register risk register and have the opportunity to discuss this with the organisation.
 - In our shareholder role, asset teams should have processes in place to escalate risks to the relevant Department and its Ministers.
- **Relationship management**
 - We develop and maintain clear lines of communication with the Chair, Board and Executive of each portfolio organisation
 - We would expect to have UKGI NED representation on the organisation's Board (at Director or Executive Director level)
 - We aim to maintain an effective regular meeting "rhythm" with Chair, Board and Executive, ensuring free flow of information through mutual trust
 - We promote and encourage a "no surprises" culture.
- 2.2.** The areas set out above outline the UKGI governance role. It is important to note the limitations which also apply and to be clear about these limitations with the departments and organisations with whom we work. Our role is governance, it is not the delivery of individual projects or ongoing operations. Examples of these limitations include the approach to risk, where the UKGI role is to recommend that the appropriate structures and processes are in place and we should not be held accountable for the delivery of the risk function itself. It is the responsibility of the organisation and ultimately its Board to ensure and assure that these processes are followed and drive strong risk management.
- 2.3.** We should ensure that these limitations to the UKGI role are clear in the framework documents and MoUs that define our roles with Departments and organisations.
- 2.4. The UKGI Portfolio** In addition to the principles set out above for individual organisations, the portfolio of UKGI assets will be monitored and managed as follows:
- **Regular portfolio meetings**
 - Under the responsibility of the COO, held quarterly or biannually, depending on the organisation
 - In conjunction with the UKGI Risk and Assurance process, facilitate escalation of significant risks/concerns both risks within the organisation and risks to UKGI to UKGI's Executive Committee (**ExCo**) and/or the UKGI's Risk and Assurance Committees
 - Issues identified can be escalated to UKGI's Board for review (if required).
 - **Regularly updated risk registers and Risk and Assurance Committee held at least annually for each organisation**
 - Reviewed by ExCo monthly and reported to the UKGI Board in summarised form.
 - **UKGI Board "deep dives" on individual assets**
 - Held as appropriate to address any significant issues or concerns.

3. Leadership & Governance

Key feature(s):

- *Work with the organisation and Department to facilitate appropriate governance frameworks being put in place, including a Chairman's Letter where appropriate*
 - *All Board roles and responsibilities to be clearly established and defined (and explicitly agreed with the organisation)*
- 3.1.** All UKGI organisations will have documented governance arrangements. Each will be unique and driven by the formal shareholder relationship to the organisation. Governance frameworks will also depend on the status and Government accounting classification of individual organisations. However, some common principles should be followed.
- 3.2.** The organisations within the UKGI portfolio broadly break down into Companies Act companies and Executive Agencies:
- Companies Act companies will operate through a fiduciary Board and will be governed through Articles of Association and, in many cases, a Framework Document. Both of these will establish the rights of HMG as shareholder and the role of UKGI will be to help the sponsor department exercise those rights; the relationship between UKGI and the relevant department will be set out in the MoU between UKGI and each department.
 - Executive Agencies are non-Companies Act organisations and will normally have their governance arrangements enshrined through a Framework Document. There may be ancillary agreements around specific issues such as remuneration. Types of Executive Agency vary and can range from separate departments in their own right through to Non-Departmental Public Bodies (**NDPBs**) and Trading Funds. Such organisations will also have defined roles for their Accounting Officer, with letters of delegation from the Principal Accounting Officer (normally the Permanent Secretary of the controlling department) covering issues such as financial delegations.
 - UKGI also manages minority shareholder stakes in several companies on behalf of Government. In these cases, the relationship between shareholders and the governance arrangements are typically set out in the articles of association (**Articles**) and shareholder agreement of the relevant organisation.
- 3.3.** In addition to the governance structures set out above, we would expect to issue an annual Chair's Letter. This letter provides the opportunity for UKGI to help the sponsor department set out the objectives and priorities for the organisation for the coming year and, if appropriate, the longer term, reflecting Government priorities. This should be discussed with any policy sponsor and then agreed with the Chair. He/she will then typically use the letter to set out Government's priorities with the Board and this process is often the best way to maximise alignment of the approach/decisions being taken at Board level with the wishes of HMG as a whole. The typical letter should include the following features:
- A brief summary of progress over the last year (and thanks, where appropriate).
 - A sense of the progress the Government, as shareholder, expect to see achieved during the period.
 - A summary of the key objectives for the business over the coming 12 months - in cases where objectives cover longer than 12 months, these should also be included but noted as such, and we should seek input from policy colleagues

where appropriate. They should reflect, but not be limited to, the objectives set out in the business plan agreed with Ministers.

- Specific targets we would expect the Board to achieve.
- Any issues around management/governance that would be appropriate to be shared.

- 3.4. The draft letter should be shared with the Chair in order to reach an agreed form, but a protracted negotiation on individual terms should be avoided. The letter should be written so it is suitable to be shared with the other Non-Executive Directors (**NEDs**) on the Board.
- 3.5. In the past, use of these letters has varied and their frequency can be anything from one to three years; in some cases they are not used at all. UKGI should aim to have in place an annual letter for all Chairs, as this also helps assess the Chair's performance during the year.
- 3.6. We would expect Boards to appoint a Senior Independent Director (**SID**) from amongst their number.
- 3.7. UKGI's CEO should have the opportunity each year, canvassing the views of other Board members where possible, to appraise the Chair's performance – in practice, this may be delegated to the relevant Director and would typically involve, or include the views of, the SID.
- 3.8. In addition, UKGI should ensure regular (preferably annual) Board effectiveness reviews are carried out. The review should be seen as an opportunity to assess Board capability, draw out any areas for development or improvement, and link back performance to the organisation's objectives, the Board's terms of reference and other governance documents. At a minimum, these should be conducted by a third party once every three years. In between, the Chair could conduct the review and report back to UKGI, with the SID, where appointed, reviewing the performance of the Chair.
- 3.9. Guidance on Board effectiveness reviews is contained in separate UKGI practice notes, set out in the Governance section of the intranet.
- 3.10. In addition to formal Board reviews, we should assess overall Board composition to make sure that the necessary skills are covered. While a Board should not necessarily seek to replicate the role of the Executive, we should, alongside the Chair, seek to include NEDs with sufficient understanding to challenge key areas of operations and risks. Depending on the organisation, these could include procurement, contract management, IT and legal as well as other areas specific to operations.
- 3.11. The role of UKGI in selection and appointment of a CEO will vary between organisations. There will be a clear and leading role if the CEO is a Ministerial appointment. For the executive below the CEO, this will normally be an issue for the CEO him/herself, in some cases in consultation with the Board. As part of the UKGI governance role, we would wish to be assured that the executive team was sufficiently strong but would not have a direct role in its composition.
- 3.12. As part of the role of the Board, we should encourage that sufficient visibility is given to key issues, such as legal issues which might require the presence of the organisation's general counsel or equivalent. How this is done will depend on the

relationship but will include the role of any UKGI member NED and review of Board papers and minutes. The Board should insist on the presence of legal advice or the General Counsel if key legal issues are being discussed.

3.13. Within UKGI, there is an established Governance Framework which flows as shown below, and has these features and characteristics:

- **UKGI - Shareholder relationship/role**
 - correct framework/MOU
 - appropriate governance 'levers'
 - clear policy/shareholder roles
- **Shareholder to organisation relationship/role**
 - established frameworks for relationship between shareholder (typically UKGI/the Department) and the organisation
 - clear structures for decision-making
 - clarity on appointments process and policy
- **Day-to-day shareholder relationship**
 - effective communication and clear interaction
 - strong working relationships built around trust
 - "no surprises" culture
- **Regular reporting from organisation to shareholder**
 - clarity on strategy
 - 5-year business plan
 - annual budget
 - reporting against budgets and business plan
 - monthly reviews
- **Internal UKGI structure**
 - Board
 - CEO
 - Director (overall responsibility)
 - Executive Director (**ED**) and Assistant Director (**AD**)/Manager team – responsible for day-to day management.

3.14. It is recognised that individual assets may have different processes as a result of their specific circumstances, with sponsor departments often playing a more involved role, but the Framework above may assist as a guide to best practice.

4. Board Appointments

Key feature(s):

- *Leading role for UKGI on Board appointments – particularly where these are Ministerial appointments*
- *Where appropriate, a UKGI representative on Board (and on Board sub-committees as relevant)*

- 4.1. One of the most important levers UKGI has in its governance role is its role in the appointment of an organisation's Board. In most cases this will be done by managing Ministerial approval of Board appointments, particularly NEDs. Even where appointments are made by a Board directly, we should where possible be fully involved on behalf of the sponsor department.
- 4.2. Our role in Board appointments allows us to consider how best the necessary skills are represented on the board to allow good understanding of issues and resulting challenge.
- 4.3. The role of UKGI/HMG in Board appointments will be set out in the Articles and/or Framework Agreement for each organisation. In most cases input in all NED appointments will be possible, but in others only appointment of the Chair and SID roles might be caught, with responsibility for appointment of other NEDs delegated to the Board.
- 4.4. In many cases the appointment of the CEO will be made by the Board with no formal role for Ministerial approval, but nevertheless UKGI should be involved from the outset on behalf of the shareholder/sponsor department, informing Ministers as appropriate.
- 4.5. The majority of Board appointments are Ministerial and will follow the public appointments guidance, updated following Sir Gerry Grimstone's review of the public appointments system, which can be found [here](#).
- 4.6. Where UKGI has appropriate levers, such as a Ministerial appointment, our involvement in Board appointments should generally include the following:
 - We (particularly the shareholder NED if appointed) should work with the Chair to ensure that role description and attributes sought take into account the overall needs of the Board and Government's priorities for the organisation.
 - We should ensure that the proposed remuneration for the post is proportionate and will allow the right calibre of candidate to be found, securing necessary agreement from HMT if required (see paras 4.6 below for more detail).
 - Where head hunters are to be used, we should help manage their selection and appointment in accordance with the relevant department's policies on head hunters and ensure they are aware of the Minister's views and the general requirements for public appointments.
 - We should aim for the UKGI shareholder NED, or another UKGI official (e.g. Director) to be on the selection panel (or advisory assessment panel for Ministerial appointments), and as such, be involved in longlisting, shortlisting and candidate interview stages.
 - Together with the sponsor department, ensure that Ministers' views are represented appropriately in the process at all stages and that Ministers are kept

informed throughout, to allow them to take informed decisions where they have a role in the process.

- 4.7. Board appointments (both executive and non-executive) which are the responsibility of Ministers may also require approval from the Chief Secretary to the Treasury (CST) for the remuneration offered, if it exceeds certain thresholds. Guidance on remuneration is set out in more detail at section 7 below.

5. Objectives, Strategy & Accountability

Key feature(s):

- *Depending on the MoU terms, could include:*
 - *a leading role in testing overarching objectives and strategy*
 - *Review of business plans, to be endorsed by the Board and approved by the shareholder and relevant Ministers*
 - *Advising on annual budgets*
 - *Ongoing performance monitoring through a regular cycle of meetings*
- 5.1. UKGI should provide guidance around the overarching objectives for each organisation, drawing on views of the sponsor department as shareholder and any relevant policy requirements. This should be communicated to the Board through the annual Chair's letter and reinforced where possible through UKGI's Board representation.
 - 5.2. We should encourage each organisation to have a clear strategy and 5-year business plan, endorsed by its Board.
 - 5.3. UKGI should scrutinise and review any business plan submitted for approval to the relevant Ministers.
 - 5.4. The 5-year business plan should be reflected in a more granular annual business plan. Flowing from the business plan, the organisation should produce an annual budget, against which performance will be measured on a month by month basis. UKGI should have a leading role in reviewing and agreeing these annual budgets on behalf of sponsor departments.
 - 5.5. Both the 5-year and annual business plan should reflect the agreed funding envelope and relevant Spending Review settlement(s).
 - 5.6. Both the business plans and annual budget will form a central plank of the standards against which any pay incentive plans will be assessed.
 - 5.7. The business plans and progress against the organisation's strategy should be monitored during the year on an ongoing basis. This is also covered under "Relationship Management" in section 8.

6. Risk Management

Key feature(s):

- *Work with the organisation to facilitate the appropriate risk management frameworks being put in place, incorporating best practice (as laid out in HMT Orange Book)*
- *The organisation's risk management should include risk assessment at operational level, flowing up to the ARC and then Board, combined with top down risk assessment*
- *Organisation risk management process and risk registers to be discussed with UKGI (and through UKGI with Department) as part of shareholder function*

6.1. We should encourage organisations to put strong risk management processes in place and implemented is an important part of our governance function. In this respect, we should differentiate between the responsibility of UKGI to encourage that strong structures and processes are put in place and the role of the Board and organisation to ensure that this happens and then execute those processes.

6.2. Good risk management should include the following principles:

- A "bottom-up" approach to risk. Within the organisation, each significant project or area of operation should maintain its own risk register
- These should then be collected through a central risk assessment and the risks then discussed on a regular basis at the Executive Board level. In addition to the "bottom-up" approach, this forum should also seek to capture any overarching corporate or strategic risks
- The resulting risk register (including corporate/strategic risks) should form a part of a regular discussion at the ARC and the Board should consider the top-level risks as part of its regular performance review of the business – for example a risk "heat map" could be included in monthly board reporting
- The Board should allow time for a more detailed review and challenge of risk at least once a year, linking in with the more detailed risk work carried out by the ARC
- Flowing from this, the ARC and Board should conduct their own top-down assessment of risk, ensuring that risks are prioritised and appropriate mitigations are in place.

6.3. A further level of risk management should be a link to the internal audit function of the organisation. This could naturally occur through the ARC but should be used by the organisation to ensure that risk is being managed thoroughly and that there is scope for all risks to be escalated as necessary.

6.4. As part of its regular meeting cycle with the organisation, UKGI should review the risk register with senior management of the organisation. This review should also include a challenge as to both the processes used to review and prioritise risks as well as the mitigants being put in place to manage those risks.

6.5. The shareholder team should establish processes to allow regular updating of risks to the owning Department and, where appropriate, its Ministers.

6.6. Ultimately, good risk management is best established when a culture of identifying, evaluating and managing risks is embedded in all levels of the organisation. This

includes the setting of risk appetite statements for key areas or characteristics of risk (such as financial, operational and reputational), which aid the escalation and cascade of risk from one level of the business to another. This in turn leads to encouraging a “no surprises” approach which should be key principle both within the organisation and in its reporting approach to UKGI in our shareholder and governance role.

- 6.7. The role of UKGI as shareholder should be to encourage best practice risk management structures and processes to be put in place. It is the responsibility of the organisation and ultimately its Board to ensure and assure that these processes are followed and drive strong risk management.

7. Remuneration & Accounting Officer Responsibilities

Key feature(s):

- Ensuring Board-level remuneration is compliant with Government objectives
- Working with accounting officers in carrying out their AO obligations

7.1. Remuneration The remuneration on offer for an appointment should be agreed before the role is advertised. Where the proposed remuneration is above the limits set by HMT (see paragraph 7.2) this will require approval by the CST and so the time taken to seek this approval should be factored into your planning. Sponsor departments may also have their own internal remuneration approval processes to be followed before decisions on remuneration can be taken by Ministers, and should be checked with sponsor department contacts.

7.2. The HMT [Guidance for the approval of senior pay](#) sets the following thresholds above which CST approval is required:

- Remuneration greater than £150,000 per annum, or the pro rated equivalent for part time roles (including Chair and NED fees)
- Any bonus payment (or potential bonus payment) greater than £17,500 – this threshold is pro-rated when assessing bonus arrangements for part-time roles
- There are de minimis thresholds for seeking CST approval: appointments which pay below £30,000 per annum or performance pay below £3,500 do not require CST approval, even where the individual is working less than one day per week. Approval from the relevant Departmental Minister may still be required.

7.3. UKGI should work with both the organisation and the sponsor department to ensure that clear arguments are developed to justify the pay proposed for Board roles, including use of relevant comparators and benchmarking. In many cases the most appropriate benchmarks will be public sector organisations of a similar size and scale, although it may in some specific circumstances be appropriate to consider relevant private sector comparators particularly for roles which do not exist in the public sector.

7.4. Where appropriate, most remuneration arrangements for executives should include an element of performance related pay or pay at risk, with clear and stretching targets aligned to the Government's long term priorities and risk appetite for the organisation. This can include both Short Term Incentive Plans (**STIP**) and/or Long Term Incentive Plans (**LTIP**) as appropriate. UKGI will have a leading role in ensuring these plans (and the incentives/behaviours that such plans drive) align with Government requirements, including all relevant policy areas.

7.5. The majority of non-executive roles will only need to seek CST approval once per term, as the remuneration will be fixed (e.g. an annual fee paid each year for a fixed three-year term). However, many executive roles will have an element of performance-related pay which may change each year, and these pay frameworks may need to be agreed by the CST annually.

- 7.6. Managing Public Money** The public, and Parliament acting on their behalf, have a right to expect that funds raised using powers agreed by Parliament will be used for the purposes intended. Public servants have a demanding fiduciary duty to use public money responsibly. The full Managing Public Money guidance is contained [here](#).
- 7.7.** Much of what managing public money, or MPM, requires is just good common sense, or sound financial management. There are also some specific rules and conventions about how certain things are handled, which ensure that policies, programmes and projects work smoothly and serve their intended purposes.
- 7.8. Accounting Officers** MPM guidance requires each Government body appoint an Accounting Officer to ensure that its use of resources meets specific standards of governance, decision-making and financial management. This is usually a senior decision-maker in the form of the Chair or CEO. UKGI should encourage an effective balance between the role of the AO and the fiduciary responsibility of the Board.
- 7.9.** A clear line of communication should be established with the finance team of the sponsor department, and their input sought on financial management. Early engagement prior to annual review and on matters likely to affect the organisation's financial performance is strongly encouraged.

8. Relationship Management

Key feature(s):

- *Clear lines of communication with the Chair, Board and Executive*
- *Effective regular meeting “rhythm”, ensuring free flow of information through mutual trust*
- *Enshrining a “no surprises” culture*

8.1. The UKGI team must establish a regular meeting cycle to cover a range of areas. This should include any succession issues and review the organisation’s progress against its:

- (i) strategy;
- (ii) budgets (monthly); and
- (iii) annual and 5-year business plans (quarterly).

8.2. The UKGI team should find the most effective structure for these meetings while ensuring that all areas are covered on a regular basis and in the appropriate level of detail.

8.3. In addition, the UKGI team (particularly the responsible Director/ED) should have regular dialogue (through one-to-one meetings) with the Chair and CEO, as well as contact with the SID and other NEDs.

8.4. The respective roles of UKGI, the sponsor department and the Board should be clearly defined (including the split between the relevant department’s shareholder and customer roles, where applicable), allowing all parties to operate in an atmosphere of mutual understanding, while allowing each group to play its particular role as effectively as possible. It is essential to keep the sponsor department engaged, sharing information and giving the relevant decision-makers the opportunity to input where appropriate.

8.5. The underlying philosophy should be based on a “no surprises” culture. Honest, open and transparent dialogue is essential to allow this to develop.

9. Portfolio Performance Management

Key feature(s):

- *Regular portfolio meetings*
- *Regularly updated risk register*
- *Use Risk Committee “deep dives” to explore complex issues*
- *Use UKGI Board to discuss high priority topics*

9.1. UKGI has an established structure for managing and monitoring its portfolio assets. This comprises the quarterly or bi-annual portfolio review meetings, the UKGI Risk and Assurance Committee, ExCo and the UKGI Board.

9.2. The portfolio management process is designed to monitor the shareholder/governance and board role being carried out by UKGI, to identify and discuss key issues and challenges and to support the shareholder teams. In doing this, we will look to embed best practice governance as set out in this document

9.3. The Portfolio reviews form the focal point for regular reviews of portfolio assets. These should occur quarterly for the larger or higher risk assets and bi-annually for others. Portfolio reviews are chaired by the COO and should include a panel of 2 Directors and 2 EDs.

9.4. The structure of a portfolio review is a document that should cover the following areas:

- (i) action points from the previous meeting;
- (ii) an asset summary, covering: strategic objectives, key risks and contextual factors, UKGI's levers, UKGI's objectives and resource requirements;
- (iii) a review of key developments since the last meeting, including progress against UKGI's quarterly priorities;
- (iv) overview of financial performance, against budget, annual and 5-year plans, including summary commentary;
- (v) review of the organisation's Board and management, remuneration issues and succession planning;
- (vi) review of risks, both within the organisation and to UKGI, by way of Traffic Light Analysis;
- (vii) the current entry in the UKGI dashboard; and
- (viii) any other areas the team would like to discuss.

9.5. The Risk and Assurance Committee and ExCo may also arrange meetings to cover specific aspects of risk or material decisions. Issues that come to the Risk and Assurance Committee and ExCo will then normally be reported to the Board if high probability / high impact risk for UKGI.

ANNEX A: Core Governance Documents

Name	Parties	Purpose	Key features
Chairman's Letter	UKGI/sponsor department	Setting out Government's aims and expectations for the company	<p>Articulates the Chairman's objectives, with a particular focus on the next 12 months but also setting out longer term goals.</p> <p>Includes:</p> <ul style="list-style-type: none"> The company's objectives; Decision-making processes; and Matters requiring shareholder consent. <p>The articles are registered at Companies House and are available to the public.</p>
Articles of Association	Agreed between (i) UKGI/sponsor department, and (ii) the company	Setting out the company's constitutional arrangements as a company	<p>Includes:</p> <ul style="list-style-type: none"> The company's objectives; Decision-making processes; and Matters requiring shareholder consent.
Framework Document	(i) Sponsor department, and (ii) the company	To ensure that the company complies with the necessary policies and procedures (particularly around Managing Public Money)	<p>Includes policies and procedures on:</p> <ul style="list-style-type: none"> Recruitment and pay; Reporting and responsibilities; Business planning; and Sponsor department SoS consent matters as shareholder.
Accounting Officer Letter	The Permanent Secretary of the sponsoring department (PAO)	To ensure that the taxpayer's money which is funding GovCo's activities is spent wisely.	<p>The PAO will set out to the company's Accounting Officer their respective responsibilities to ensure all financial decisions made by the company are in accordance with the Managing Public Money principles.</p>
Finance and Delegations Letter	(i) Sponsor department, and (ii) GovCo	To set out the financial arrangements between Government and company	<p>Includes:</p> <ul style="list-style-type: none"> GovCo's annual budget; Financial delegation thresholds; Matters requiring specific Government sign-off; and Reporting requirements.
Officer/Director Indemnity	(i) Sponsor department, and (ii) the company	To ensure robust legal protections against financial liabilities are in place for company office holders and directors	<ul style="list-style-type: none"> Any protections will be subject to the recipient not acting recklessly, but honestly and in good faith This does not and cannot include protection from criminal liability

ANNEX B: Governance Resources Relevant to Companies in Government

Corporate governance in central government departments: Code of good practice 2011 – Guidance Note (this also considers the relationship with ALBs)

<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

- The seven Principles of Public Life (known as the Nolan Principles)
- The Green Book <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government> (Treasury Guidance for public sector bodies on how to appraise proposals before committing funds to a policy, programme or project.)
- The Orange Book: <https://www.gov.uk/government/publications/orange-book> (basic introduction to concepts, development and implementation of risk management processes in government organisations)
- NAO report on managing risk in government: https://www.nao.org.uk/wpcontent/uploads/2011/06/managing_risks_in_government.pdf

[ADD LINKS]

Governance resources		Private company limited by shares or guarantee (Ltd)	Public company limited by shares (Plc)	NDPB which is incorporated
Applicable as a result of the legal structure	UK Code	No	Yes	No
	UK Code – smaller unlisted companies	Yes	No	Yes
	UK Stewardship Code	Yes (if exercising stewardship role)	Yes (if exercising stewardship role)	Yes (if exercising stewardship role)
	Disclosure and Transparency Rules	No	Yes	No
	Companies Act 2006	Yes	Yes	Yes

	Articles of Association	Yes	Yes	Yes
Applicable as a result of categorisation as a public body	Managing Public Money	Yes	Yes	Yes
	Partnerships with Arm's Length Bodies: Code of Good Practice	Yes	Yes	Yes
	Code of Conduct for Board Members of Public Bodies	No	No	Yes
	Public Appointments: Guidance to Departments	Yes	Yes	Yes
	Framework Document	Yes	Yes	Yes
	Classification of Public Bodies: Information and Guidance	Yes	Yes	Yes
	Non-departmental Public Bodies: Characteristics and Governance	No	No	Yes
	Executive Agencies: Characteristics and Governance	No	No	No
	The Approvals Process for the Creation of New Arm's Length Bodies	Yes	Yes	Yes
	New Sponsors of Arm's Length Bodies	Yes	Yes	Yes
	Sponsorship Specialism Competency Framework	Yes	Yes	Yes
	Tailored Reviews of Public Bodies: Guidance	Yes	Yes	Yes

ANNEX C: UKGI Governance Checklist

Overall Governance	[Name of ALB]
Is the organisation's governance structure clearly set out?	
Is there a framework of agreement?	
Is there a Chair's letter?	
Date of latest revision	
If applicable, does the UKGI Director have an indemnity from the Sponsor Department?	
Are the roles, responsibilities and expectations of the Board and Associated Committees set out in terms of reference?	
Are there regular meetings between UKGI and the Chair/CEO and policy lead?	
Is an Accounting Officer letter in place?	
Board Composition/Effectiveness	
Is there a Board succession plan?	
When was the most recent internal/external Board evaluation?	
Is the Chair's performance reviewed annually by UKGI and/or Department?	

Purpose and Strategy	
Does the organisation have a clear vision/purpose?	
Is there a long-term strategic plan in place which reflects that vision/purpose?	
Risk Management	
Is there is an executive/ team within the organisation specifically accountable for risk management?	
Does the organisation have effective risk management structures/processes in place to feed into ARC/Board?	
Is risk reported/discussed regularly at: - ARC - Board	
Is there a team member with responsibility for UKGI risk reporting?	

Organisational Performance	
Is there an annual budget in place before the start of next year?	
Is there a 5-year plan in place?	
Does the organisation have clear objectives?	
Does the organisation have measurable KPIs for each objective?	
Is performance against KPIs tracked overtime?	
Culture and Ethics	
Does the organisation have an agreed set of values?	
Finance/Budget	
Is budget agreed with Sponsor Department?	
Cyber Security	
Does the Board review its cyber risk program on an appropriate basis?	
Does the Board demonstrate due diligence, ownership and effective management of cyber risk?	

