

Company No. 9774296

UK Government Investments Limited  
(the "Company")

27-28 Eastcastle Street, London W1W 8DH

Minutes of a Board meeting held at

1 Victoria Street, London, SW1H 0ET

On 27<sup>th</sup> January 2016 at 15:00

---

Present: Robert Swannell (in the Chair)

James Leigh-Pemberton

Robin Lawther

Caroline Thompson

Jitesh Gadhia

Jane Guyett

John Kingman

Martin Donnelly

Mark Russell

In attendance: Nike Kojakovic

Rachel James

Jeremy Ankers

---

#### 1. Declarations of interest

Each Director of the Company who had an interest under sections 177 and/or 182 of the Companies Act 2006 declared such an interest and it was noted that, in accordance with article 7 of the Company's Articles of Association, each such Director was entitled to vote in respect of any proposed matter in which he was interested and that each such Director was entitled to be (and was) taken into account in ascertaining whether a quorum was present.

#### 2. Minutes from previous meetings

The minutes from the first UKGI board meeting were included as a reference for the board. The minutes documented the incorporation of the company, the first directors of the company

(James Leigh-Pemberton, Mark Russell and Robert Swannell) were named, it was resolved that the Solicitor for the affairs of Her Majesty's Treasury as nominee for Her Majesty's Treasury be registered as the holder of one Ordinary Share of £1 in the capital of the Company, MSP Secretaries Limited was appointed as the legal Company secretary and would provide the Company's registered address, the accounting reference date was changed to 31 March.

### **3. Items for approval**

#### **3.1 UKGI Directors designate**

At the time the board meeting was held, the UKGI board membership had not been formally approved by HM Treasury Ministers. The principle that the UKGI board would be formed of existing members of the ShEx Advisory Board and the UKFI Board was stated when the Chancellor announced the creation of UK Government Investments Ltd on 20<sup>th</sup> May 2015. On that basis, it was agreed by the individuals present (Jitesh Gadhia, Jane Guyett, Martin Donnelly, John Kingman, Caroline Thomson, Robin Lawther) be appointed directors designate for the meeting. Robert Swannell, Mark Russell and James Leigh-Pemberton had already been explicitly appointed in the announcement, and formally on incorporation of the company.

On the 12<sup>th</sup> February 2016, HM Treasury Ministers approved the appointments of these directors and a written resolution was passed by the board of directors.

#### **3.2 UKGI Board and Nominations Committee terms of reference**

The Board approved terms of reference for itself.

The directors discussed the Nominations Committee terms of reference and agreed that role of the committee should be clearer, more focussed on succession planning and include John Kingman and Martin Donnelly. The Chair was keen that the committee be involved in all stages of the recruitment process, regardless of whether the Company was OCPA regulated or not. Subject to these changes, the Board approved the Nominations Committee terms of reference.

#### **3.3 Board composition and Committee membership**

The Board approved the proposed Board composition and Committee membership. They noted that a further NED would be recruited in due course, ideally with experience in private equity and governance. The Board agreed that shareholder/ customer representation from HMT/ BIS would not be required for the Audit and Risk or Remuneration Committees.

#### **3.4 Company Bank Account**

The Board approved the delegation of authority to the CFO and their team to the company bank account, which had been set up with the Government Banking Service, to manage on behalf of the Company directors. The delegate limits were discussed under item 8. *Company signatories and internal delegations*.

#### **3.5 Appointment of Auditors: Internal and External**

The Board approved the appointment of the Government Internal Audit Agency (GIAA) as the internal auditor for UKGI, and the National Audit Office (NAO) as the external auditor for UKGI. Following the board meeting, the auditors were notified and engagement letters were signed.

#### **3.6 Company signatories and internal delegations**

The Board approved as authorised signatories for UKGI, for company matters that were required to be ready for the operational go-live of UKGI on 1<sup>st</sup> April 2016.

- UKGI Directors
- UKGI Chief Operating Officer
- UKGI Chief Financial Officer

The Board requested the delegations be specified for the authorised signatories. The CFO explained that any internal delegations will flow from the Accounting Officer delegation for the Company which will be received by Mark Russell as the CEO from HM Treasury.

**Action:** to revert to the board on detailed delegations.

### 3.7 UKGI Values

The Chief Operating Officer (COO) summarised the process that was undertaken to coin the UKGI values. It involved staff across UKFI and UKGI working together through organised interactive sessions to come up with ideas for values; the values were then put to a vote at the UKGI away day which took place in December 2015. The values for Board approval are listed below:

- Professional and act with integrity
- Collegiate and committed to improvement
- Open and honest in our communications
- Focused on outcomes

The directors discussed the link between the values and the organisational KPIs and suggested that the values should form part of the employee objective setting process to ensure they are embedded at all levels of the organisation.

The Board approved the values.

**Action:** to propose a mechanism for embedding the values through the appraisal process as part of the UKGI people strategy.

## 4. Items for discussion

### 4.1 Shareholder Executive – Chief Executive Officer's Report

The Chief Executive introduced his report which gave a high-level overview of current key workstreams within ShEx and explained that the report had not specifically been prepared for the UKGI board, but had been prepared for the ShEx Advisory board which took place earlier that day. The board discussed the structure of the report and commented that the following components would be useful to add for the UKGI CEO's report:

- A people strategy section – specifically focusing on attracting the best in class over time
- The top issues for the Company
- A summary of progress against Company objectives

The COO explained that the progress against KPIs and the Company's risk register would be presented to the Board on a quarterly basis as part of the Quarterly Shareholder Meeting pack which would come to the board for sign off before being presented to HM Treasury. The non-executive directors emphasised the importance of ensuring that the Company maximises the resources available to achieve its objectives, and as people are its main resource, the board

needed to ensure it had visibility over the people strategy and the progress against it, in particular knowledge of key business-critical individuals.

Action: the board to approve the UKGI people strategy at the March board.

The Chief Executive highlighted the key projects for ShEx that will continue post 1<sup>st</sup> April 2016.

1)

**IRRELEVANT**

2) Network Rail

**IRRELEVANT**

**IRRELEVANT**

3) Green Investment Bank (GIB)

**IRRELEVANT**

IRRELEVANT

4) Channel 4

**IRRELEVANT**

# IRRELEVANT

## 4.2 Update on the UKGI transition project

# IRRELEVANT

## 4.3 UKGI Annual Report and Accounts – Planned Approach

The board approved the approach to the annual report and accounts, noting that the financial statements would only include company set up costs funded by HM Treasury and that the onus would be on the qualitative section of the report which will need to explain the purpose and objectives of the company.

## 4.4 Board meeting structure and shareholder/ shareholding reporting

The CFO took the board through the proposition that of the eight currently scheduled board meetings, four would be primarily focused on formal company business and its performance against objectives, the remaining meetings would be heavily focused on projects. The Chairman commented that this format would be implemented through the agenda setting process. From 1<sup>st</sup> April, the UKFI shareholding will formally transfer to UKGI (see item 6) and the subsidiary will formally report on a quarterly basis to the UKGI board as its shareholder on its progress against its objectives, risks and business forward look. In the same vain, UKGI will need to on a quarterly basis report to HM Treasury as stipulated in the UKGI- HMT framework document.

The board approved the approach and noted that any shareholder reporting should be approved by the board in advance.

## 4.5 UKGI (legacy ShEx) key performance indicators

The COO provided an overview of the proposed KPIs and how performance would be monitored and reported up to the Board. She explained that the current ShEx dashboard, adapted for UKGI objectives, would continue to be used as a management information tool which would feed into a reporting pack designed for the board and shareholder, similar to the UKFI QSM pack, which was included as an item of information for the board.

The Chairman asked the board whether they felt the process the COO had described was a suitable way of escalating any issues in performance. The directors felt that in order to be able to assess the risks of the company's delivery against its objectives the board needed to have sight of the Company's risk register alongside the board KPI reporting pack. The non-executive directors discussed the objectives in detail and concluded that the objectives should be more

high-level with a greater focus on where UKGI will add value and the Government's no.1 national priority, to reduce PSND. A summary of the specific changes required is included below:

- 1) Objective 2. To advise on all major UK Government financial interventions into corporate structures; points c. and d. where most relevant. (c. the effectiveness of ShEx / UKGI management of the intervention timeline and process and d. Whether VfM is delivered on each intervention).
- 2) Objective 3. To act as shareholder for those arm's-length bodies of the UK Government that are structured to allow a meaningful shareholder function and for other UK Government assets facing complex transformations (especially if governance is at the heart of the model change); points e. and f. were most relevant. (e. Whether the annual strategy has been delivered and f. whether the portfolio business has an effective board and management team in place, and appropriate succession planning).

The non-executive directors were clear that the objective of the KPIs should be to measure the value added to the shareholder and in the corporate governance role to focus on value realisation regardless of whether the asset is being prepared for a divestment.

The board agreed that the most useful KPIs for directors are ones which allow them to track the progress against the biggest UKGI projects and have a clear line of sight into the current or prospective issues which may impact the delivery of the project.

**Action:** to summarise the KPIs based on the board's feedback (described above) and to revert to the board for final sign off.

#### 4.6 UKGI Business Strategy

The COO took the board through the draft strategic business plan which included the following sections:

- UKGI's purpose and objectives
- Our strategy; corporate, operational and people
- Working with other departments
- Measuring and reporting performance

She explained that the financial plan would be included once the Company had received budget agreement from HM Treasury.

The non-executive directors discussed the corporate strategy and concluded that the focus of the business plan should be on outcomes and making a difference in the areas highest of the Government's agenda.

**Action:** to map major areas in the near to medium term in Government and to propose to the board the areas where UKGI should be involved in.

The board focused on the people strategy, highlighting this as the most important area for UKGI executives and the board to focus on. The non-executive directors asked the deputy chairman what the UKFI people strategy was. He explained that for such a small organisation (c.15 people) a formal people strategy had not been implemented, however there was an understanding and sentiment in the both public and private sector markets that the time individuals spent at UKFI better placed them for their next career move than if they had remained with their previous employers. The senior management team at UKFI meet regularly

to discuss the team both in terms of resourcing and succession planning. The Chief Executive commented that a large proportion of ShEx staff use the organisation as a platform for their next move and that he was keen for this to remain the case in UKGI. The board agreed and echoed the importance of developing UKGI's most scarce resource; its people.

**Action:** to include a corporate objective on people.

#### **4.7 ShEx breakdown of projects and FTE resource**

The Chief Executive pointed out that there are quite a number of activities where ShEx is currently spending small proportions of FTE resource which added value and that a reduction in a few specific areas would not release a material resource. The board commented that the chart was extremely useful and asked ShEx/ UKGI management to consider areas which could be dropped and come up with an exit strategy which would achieve a lighter touch model in these smaller but still value-add areas.

**Action:** to keep the breakdown of projects and FTE resource paper as a standing item for the board and to split the activities into peak business as usual/ non- peak to show where there was flexibility within the resource available.

#### **4.8 Draft Framework Document**

The COO explained that this draft of the Framework Document was a near final draft, but that there were likely to be minor iterations from HM Treasury prior to formal sign off which is timetabled to happen ahead of go live date on 1<sup>st</sup> April. The non-executive directors found the draft useful and had the following specific comments:

- Paragraph 5.6 – HM Treasury's right to give the Company a direction, was extremely useful;
- Paragraphs 6.1 - concerning the appointment of UKGI chair and board members, although OCPA regulated, should be ratified by the Nominations Committee;
- Paragraph 6.9 – the board felt that they should have group oversight of the budget and executive remuneration;
- Paragraph 6.13 – the board noted that this paragraph may change subject to a remuneration framework being agreed with HM Treasury.

#### **5. Oral Update**

The Chairman gave the board an oral update on the process to recruit another independent non-executive director which would take place over the coming months.

#### **6. The proposed UKFI Acquisition**

A final draft of an agreement ("UKFI Agreement") to be entered into between the Company and HMT for the purchase of the Sale Share, for a consideration of £1 to be payable on demand by the Company at the request of HMT at any time, was produced to the meeting.

The directors carefully considered the terms of the UKFI Agreement and RESOLVED to:

- approve the UKFI Agreement in the form produced to the meeting and authorise any director to sign the UKFI Agreement on behalf of the Company with such amendments, modifications, variations and alterations as they consider necessary or desirable in connection with the UKFI Acquisition, and to exchange the same with HMT;

- authorise any director to do all such other acts and things which may in their opinion be necessary or desirable in connection with the UKFI Acquisition, and authorise any director (or, in the case of a document requiring execution as a deed, any two directors or any director in the presence of a witness who attests his signature) to sign (or execute as a deed) any documents on behalf of the Company which in their opinion are necessary or desirable in connection with the UKFI Acquisition.

**7. Items for information**

The board noted the items for information.

**GRO**

Chair of the meeting