



# UKGI Board - February 2018

MEETING  
20 February 2018 10:00

PUBLISHED  
15 February 2018

# Agenda

*Location*

BEIS, 1 Victoria Street, London, SW1H 20/02/18  
OET. Room 3K

*Date*

*Owner*

*Time*

10:00

1. Declarations of interest

2. Minutes from previous meeting - 24 January 2018

Approval

3. Board action log

Information

4. Chief Executives Report (UKGI-BP-197, 197a)

Discussion

10:00

5. UKGI Board review - follow up (UKGI-BP-198)

Approval

11:30

6. Portfolio governance (UKGI-BP-199, 199a)

Discussion

11:50

7. Portfolio performance management (UKGI-BP-200, 200a, 200b, 200c)

Discussion

12:00

8. Overview of Outsourcing project (UKGI-BP-201)

Discussion

12:10

9. Board forward look - proposed additions/changes (UKGI-BP-202)

Update

12:20

10. UKGI Budget (UKGI-BP-203)

Approval

12:25

11. NED only discussion

Oral

12:30

12. UKGI Risk summary (UKGI-BP-204)

Information

13. Letter to BEIS Perm Sec re Holliday Inquiry (UKGI-BP-205, 205a)

Information

14. Transaction Committee minutes (UKGI-BP-206)

Information

15. NED project assignments (UKGI-BP-207)

Information

16. Board and Committee meetings 2018/2019 (UKGI-BP-208)

Information

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**UK Government Investments Limited  
(the "Company")**

**27-28 Eastcastle Street, London W1W 8DH**

Minutes of a meeting of the Board of Directors held in

Room 3K, 1 Victoria Street, London, SW1H 0ET

On 24 January 2018 at 11.00am

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Present: Robert Swannell (in the Chair)  
Alex Chisholm (until item 3.4)  
Jitesh Gadhia  
Jane Guyett  
James Leigh-Pemberton  
Simon Palley  
Charles Roxburgh  
Mark Russell  
Caroline Thomson

Apologies: Robin Lawther

In attendance: Richard Clarke  
Tom Cooper  
Hannah Gray (Item 3.6)  
Daniela Guzzardo (Item 3.1)  
Michael Harrison  
David Long (Item 3.3)  
Roger Lowe  
Madelaine McTernan (Item 3.5)  
Tim McInnes (Item 3.5)  
Rachel Mortimer  
Anthony Odgers  
Elizabeth O'Neill (Item 3.3)  
Robert Razzell  
Ceri Smith  
Louise Tilbury  
Ed Westhead (Item 3.10)  
Chad Woodward (Item 3.1)

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# IRRELEVANT

## 3.11 Post Office

It was noted that the RemCo's remuneration recommendations had only partially been approved by the CST, and this was causing issues for Post Office. It was also noted that as the business becomes more commercial and self-sustaining, the constraints of public ownership may become more of an issue, and that at some stage a wider strategic discussion may be required.

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14. | 15. | 16.

.....  
Chair of the meeting

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**IRRELEVANT**



**UK Government Investments**

**Company No. 9774296**

**UK Government Investments Limited**

**(the “Company”)**

**27-28 Eastcastle Street, London W1W 8DH**

**Paper for the Board of Directors**

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**Topic:** Chief Executive's Report (Project summaries), Corporate Services report

**Date:** 12 January 2018

**Author:** Mark Russell

**Ref:** UKGI-BP-197, 197a

**Category:** Paper circulated, for discussion

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OFFICIAL-SENSITIVE

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**UKGI Objectives:**

- 1 Asset sales:** To prepare and execute all significant corporate asset sales by the UK Government
- 2 Corporate finance:** To advise on other major corporate finance matters
- 3 Governance/shareholder value:** To act as shareholder for, and lead establishment of, UK Government mid-length bodies, as required and in line with HMT priorities.

**Key**

- Risk, Dashboard and Project List
- Dashboard and Project List
- Risk and Project List
- Project List Only

13. 14. 15. 16.

# IRRELEVANT

3 Governance/shareholder value: To act as shareholder for, and lead establishment of, UK Government arm-length bodies, as required and in line with HMT priorities

| Included in dashboard? | Relevant UKGI objective | Portfolio Review | Risk Register | FTE | Notes |
|------------------------|-------------------------|------------------|---------------|-----|-------|
|------------------------|-------------------------|------------------|---------------|-----|-------|

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|                           |      |   |   |           |   |     |
|---------------------------|------|---|---|-----------|---|-----|
| Post Office Limited       | BEIS | Y | 3 | Quarterly | Y | 2.5 |
| Royal Mail Pension Assets | BEIS | Y | 3 | None      | Y | 0.6 |

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# UK Government Investments

UKGI-BP-198

Company No. 9774296

**UK Government Investments Limited**

(the "Company")

**27-28 Eastcastle Street, London W1W 8DH**

Paper for the Board of Directors

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**Topic:** UKGI Board review – follow up

**Date:** 6 February 2018

**Author:** Robert Swannell

**Ref:** UKGI-BP-198

**Category:** Paper circulated, for approval

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## Executive Summary

Following the discussion at our last meeting on the role of the Board, I am inviting the Board to agree a new structure for agendas to apply from April 2018 onwards, and to agree a new format for reporting certain key items on this agenda.

## Background

At the 24 January board meeting, the Board agreed that the most important areas for board focus were:

1. To agree the overall strategy and objectives of UKGI and monitor their delivery;
2. To ensure that UKGI has a people plan in place to ensure that it has a motivated team with appropriate skills and experience to execute its objectives and succession plans for key roles;
3. To agree taking on of any material new mandates; and
4. To monitor and challenge specific aspects of the most high-risk projects undertaken by UKGI outside set piece transactions. This is likely to be best achieved through effective evaluation of the risk register and then ensuring that the projects identified by the Risk register as most high risk are brought to the Board for deep dives with carefully delineated issues for discussion

|    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
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Therefore, I am proposing a new structure for our agendas that reflects these priorities. This is an attempt to synthesise the comments and suggestions made in our January discussion, at which a range of views were expressed. I have consulted with Jane, as well as Mark, James, Rachel and Robert.

Annex 1 sets out the proposed agenda.

Annex 2 sets out the template for project reviews.

Annex 3 sets out a proposed timeline for departmental relationship updates.

|    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
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Annex 1 - Proposed agenda structure

1. **CEO report** – to include highlights since the previous board and referencing key issues arising out of attached board papers. Attendees for this item and items 2 (People) & 3 (CFO Report) will be NEDs with Mark, Rachel and the Company Secretarial team.
2. **People report** – Routinely first item on agenda after CEO Report. The content will depend on whether it is routine (leavers, joiners, overall complement vs optimal, skills gaps) or a more detailed discussion. Each year a detailed discussion will include (i) a more comprehensive review of people plan with policies and strategy to achieve plan; and (ii) review of performance against plan including annual people survey/engagement.
3. **CFO update**. This will likely be very brief and taken as read, except where decisions are required e.g. on budget. There has been a tendency for this to be skipped over where it is subsumed elsewhere. The other members of the executive will join the meeting after this item.
4. **Risk register** – standing item for each board. Each board will consider a short paper setting out any material changes to the ‘risk heat map’ and reasons/mitigants. Once or twice in each year a detailed discussion of risk register and mitigants and agreement by board will be scheduled. The Risk Register is “owned” by the Board. This will ensure we are consciously covering the most important matters at our boards. The Audit and Risk Committee will continue to ensure processes for assessing Risk Register are robust and test these processes.
5. **Project reviews** – at each board meeting there will be (a) a review of projects where the ‘UKGI delivery risk’ is red and the reputational risk is ‘high’, and (b) a review of any items requested by the Board, ExCo or teams – with agreed template (see Annex 2) - teams to be present at board. The dashboard will be included in board packs for information as a standing item.
6. **New mandates** – discussion, and where applicable, endorsement, of any material new mandates, including warm up discussions for input ahead of final endorsement. Material new assignments should have clear objectives and success metrics or explanation for absence and should explain relationship with key decision political and civil service makers.
7. **Department relationship review** – each meeting to take one or two Departments (depending on scale of relationship) for detailed discussion, allowing review of all during year (see Annex 3 for example timeline). Each month the EDRM summaries will be included as a standing item for all departments. These updates will cover the current assignments, possible future assignments, resource allocation, mapping of key contacts in department, comment on development of relationship, and any requirements for board support.
8. **Summary of Transaction Committee** – key activity and decisions.
9. **Horizon scanning** - for key issues or potential opportunities. May be verbal only.
10. **Strategy** – annually, at the last meeting of each year, a paper from the CEO setting the overall strategy and objectives for the forthcoming year, and agreement of budget and an annual assessment of performance for year against strategy and objectives. At other monthly boards, the People report will cover performance against budget and any other non-people operational issues (see item 2).

Staff presenting papers will be reminded that papers should be taken as read and that there should be no ‘story telling’ except where absolutely necessary to update on a rapidly moving situation.

Annex 2 – Template for project reviews (agenda item 4)

|                                    |  |   |                     |    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
|------------------------------------|--|---|---------------------|----|----|----|----|----|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|
| <b>Assignment</b>                  |  | <b>Mandate Start Date</b>                                     | <i>Month / year</i> | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. |
| <b>Department</b>                  |  | <b>Resource (UKGI FTE by level)</b>                           |                     |    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
| <b>Department Lead / Sponsor</b>   |  | <b>UKGI Risk Register delivery risk and reputational risk</b> |                     |    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
| <b>UKGI lead director, lead ED</b> |  | <b>Expected end date</b>                                      | <i>Month / year</i> |    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |

**1. Mandate Objective:**

**2. Success is defined as / key deliverables and milestones:**

**3. Progress update:**

**4. Key risks and mitigants** (including high / medium / low rating for probability and impact):

**5. How can the UKGI Board support this assignment?**

**Status report (traffic lights)**

|                    |                 |                  |                                    |    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
|--------------------|-----------------|------------------|------------------------------------|----|----|----|----|----|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|
| Dept. Relationship | Dept. Resources | Dept. Commitment | Expected external / media interest | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. |
|                    |                 |                  |                                    |    |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |

Annex 3 – suggested timeline of departmental relationship reviews

| Meeting   | Department 1 | Department 2   |
|-----------|--------------|----------------|
| May 2018  | HMT          | DCMS           |
| June 2018 | BEIS         | Cabinet Office |
| Sept 2018 | MOD          | DfE            |
| Nov 2018  | MHCLG        | DfT            |
| Jan 2019  | HMT          | DHSC           |
| Mar 2019  | BEIS         | DEFRA          |

This is indicative and could be changed with board agreement.



**UK Government Investments Limited**

(the "Company")

**27-28 Eastcastle Street, London W1W 8DH**

Paper for the Board of Directors

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**Topic:** Portfolio Governance

**Date:** 7 February 2018

**Author:** Rachel Mortimer / Zoe Gillis

**Email:**

**Ref:** UKGI-BP-199, 199a

**Category:** Paper circulated, for discussion

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The Board requested an update on the governance of our existing portfolio organisations, specifically on how they measure against the checklist set out in our Principles of Portfolio Governance. Please find the updated paper at UKGI-BP-199a.

The Board last discussed the checklist at the May 2017 meeting; since then two additional questions have been added on cyber risk. This is to ensure the UKGI Board is satisfied that the Boards of our portfolio Companies are effectively reviewing their cyber security on an appropriate basis.

As a general note, we have seen progress on a number of fronts as we continue to work across the portfolio in moving all of the organisations closer to our views of best practice.

The corporate governance checklist will now form part of our Portfolio Performance Reviews, where we will follow up on any outstanding issues highlighted below. This will help us to monitor our own success at holding our Companies to account for best practice, as well as ensure we are using all tools at our disposal to carry out our shareholder role. Further, it will enable us to share information across teams to ensure we are spotting, sharing, and implementing learning in relation to common governance themes.

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The significant changes / updates since the Board last discussed the paper are listed below.

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Post Office Limited

- A board review is due, and the UKGI team are liaising with POL to discuss their preparations on this.

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|--|-------------|--|------------------------------|-------------|------------------------------|--|------------------------------|-------------|----|----|----|----|----|----|----|----|----------------------------------|-----|-----|-----|-----|-----|-----|
| <b>UKGI Director role on Board</b>   |             |  |                              |             |                              |  |                              |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Is the organisation's governance structure set out?  | ✓           | Legislation provides only available guidance on governance structure | ✓                            | ✓           | ✓                            | ✓  | In final stages of a refresh |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Is there a Chair's letter?   | In progress | Chair appointed by OFCOM   | ✓                            | In Progress | ✓                            | In Progress (timing related to status review)        | ✓                            |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| If applicable, does the UKGI director have an indemnity from the Sponsor Department?                                   | ✓           | N/A  | Advisory not Fiduciary Board | ✓           | Advisory not Fiduciary Board | Advisory not Fiduciary Board                         | ✓                            |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Are the roles, responsibilities and expectations of the Board and associated committees set out in terms of reference? | ✓           | Not known only annual report shows                                   | ✓                            | ✓           | ✓                            | Yes, but being reviewed as part of governance review | ✓                            |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Are there regular meetings between UKGI and the Chair/CEO and policy lead?   | ✓           | ✓  | ✓                            | ✓           | ✓                            | ✓  | ✓                            |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Is an Accounting Officer letter in place?  | ✓           | No Accounting Officer designated                                     | ✓                            | ✓           | ✓                            | ✓  | ✓                            |             |    |    |    |    |    |    |    |    | CEO is not an Accounting Officer |     |     |     |     |     |     |
| <b>Board Composition/Effectiveness</b>   |             |  |                              |             |                              |  |                              |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Is there a Board succession plan?  | ✓           | Not known as Appts handled by OFCOM                                  | ✓                            | ✓           | ✓                            | New Chair and three NED appointed in 2017            | In Progress                  | In Progress |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Has a Board evaluation been undertaken?  | ✓           | Annual Internal Review for Annual Report only                        | ✓                            | ✓           | ✓                            | In Progress  | ✓                            |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| <b>Purpose and Strategy</b>  |             |  |                              |             |                              |  |                              |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Does the organisation have a clear vision/purpose?   | ✓           | ✓  | ✓                            | ✓           | ✓                            | ✓  | ✓                            | ✓           | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓                                | ✓   | ✓   | ✓   | ✓   | ✓   |     |
| Is there a long-term strategic plan in place which reflects that vision/purpose?                                       | ✓           | ✓  | ✓                            | ✓           | ✓                            | ✓  | ✓                            | ✓           | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓                                | ✓   | ✓   | ✓   | ✓   | ✓   |     |
| <b>Risk Management</b>   |             |  |                              |             |                              |  |                              |             |    |    |    |    |    |    |    |    |                                  |     |     |     |     |     |     |
| Is there a team member with responsibility for UKGI risk reporting?  | ✓           | ✓  | ✓                            | ✓           | ✓                            | ✓  | ✓                            | ✓           | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓  | ✓                                | ✓   | ✓   | ✓   | ✓   | ✓   |     |

| UKGI Director role on Board  |  |             |   |  |             |             |   |   |   |   |   |  |     |  |  |  |
|--|--|-------------|---|--|-------------|-------------|---|---|---|---|---|--|-----|--|--|--|
| Organisational Performance   |  |             |   |  |             |             |   |   |   |   |   |  |     |  |  |  |
| Is there an annual budget in place before the start of the next year?                        |  | In Progress | ✓ | ✓  | ✓           | In progress | ✓ | ✓ |   |   |   |  |     |  |  |  |
| Does the organisation have clear objectives?   |  | ✓           | ✓ | ✓  | ✓           | ✓           |   |   |   |   |   | Objectives are stated but no metrics                       | ✓   |  |  |  |
| Does the organisation have measurable KPIs for each objective?                               |  | ✓           |   | Media content published each year by C4 and OFCOM comments on delivery of remit only | ✓           | ✓           | ✓ |   |   |   |   | In Progress  | ✓   |  |  |  |
| Is performance against KPIs tracked over time?   |  | ✓           |   | Financial info facilitates some tracking of financial performance over time          | ✓           | ✓           | ✓ |   |   |   |   | Yes in year, but in many cases not tracked between years   | ✓   |  |  |  |
| Culture and Ethics   |  |             |   |  |             |             |   |   |   |   |   |  |     |  |  |  |
| Does the organisation have an agreed set of values?  |  | ✓           | ✓ | ✓  | ✓           | ✓           | ✓ | ✓ | ✓ | ✓ | ✓ |  |     |  |  |  |
| Finance/Budget   |  |             |   |  |             |             |   |   |   |   |   |  |     |  |  |  |
| Is budget agreed with Sponsor Department?  |  | ✓           |   | C4C does not seek approval for budgets   | In progress | ✓           | ✓ | ✓ |   |   |   | N/A (HMLR is a trading fund)                               | N/A |  |  |  |
| Cyber Security   |  |             |   |  |             |             |   |   |   |   |   |  |     |  |  |  |
| Does the Board review its cyber risk program on an appropriate basis?                        |  | ✓           |   | Approach to cyber security clearly set out in annual report risk register            | ✓           | ✓           | ✓ |   |   |   |   | ARC has considered cyber security but no regular reporting | ✓   |  |  |  |
| Does the Board demonstrate due diligence, ownership, and effective management of cyber risk? |  | ✓           |   | Approach to cyber security clearly set out in annual report risk register            | ✓           | ✓           | ✓ |   |   |   |   | ARC has considered cyber security but no regular reporting | ✓   |  |  |  |

| UKGI Director role on Board  | IRRELEVANT  |     |   | Post Office Limited                      | Richard Callard | IRRELEVANT                            |  |               |
|--|---|-----|---|--|-----------------|---------------------------------------|--|---------------|
| Is the organisation's governance structure set out?  | A refresh is in progress  | ✓   | ✓   | ✓  |                 | ✓                                     | ✓  | ✓             |
| Is there a Chair's letter?   | ✓   | ✓   | ✓   | ✓  | ✓               | ✓                                     | Chair is BEIS Director   | ✓             |
| If applicable, does the UKGI director have an indemnity from the Sponsor Department?                                   | ✓   | N/A | ✓   | ✓  | ✓               | Advisory not Fiduciary Board          | ✓  | ✓             |
| Are the roles, responsibilities and expectations of the Board and associated committees set out in terms of reference? | ✓   | ✓   | ✓   | ✓  | ✓               | ✓                                     | In Framework Document  | ✓             |
| Are there regular meetings between UKGI and the Chair/CEO  | ✓   | ✓   | ✓   | ✓  | ✓               | ✓                                     | ✓  | ✓             |
| Is an Accounting Officer letter in place?  | ✓   | N/A | ✓   | BEIS Perm Sec AO                         | N/A             | ✓                                     | ✓  | N/A           |
| Board Composition/Effectiveness  |   |     |   |  |                 |                                       |  |               |
| Is there a Board succession plan?  | In Progress with NEDs, with Execs a plan has been outlined                                  | ✓   | ✓   | ✓  | ✓               | ✓                                     | N/A - Shareholder appointed Board. Sole independent term until August 2020             | N/A           |
| Has a Board evaluation been undertaken?  | Last evaluation took place in 15/16. Board evaluation to be completed after Magnox Inquiry. | ✓   | ✓   | Review due - UKGI team liaising with POL | ✓               | External review currently in progress | No - Board has only been operating since August 2017 and is appointed by Shareholders. | In discussion |
| Purpose and Strategy   |   |     |   |  |                 |                                       |  |               |
| Does the organisation have a clear vision/purpose?   | ✓   | ✓   | Geospatial Commission has created uncertainty | ✓  | ✓               | ✓                                     | ✓  | ✓             |
| Is there a long-term strategic plan in place which reflects that   | ✓   | ✓   | In progress                                   | ✓  | ✓               | In Progress                           | ✓  | ✓             |
| Risk Management  |   |     |   |  |                 |                                       |  |               |
| Is there a team member with responsibility for UKGI risk   | ✓   | ✓   | ✓   | ✓  | ✓               | ✓                                     | ✓  | ✓             |

| UKGI Director role on Board  | IRRELEVANT | Post Office Limited                              | Richard Callard |   |   |     |                          |     |  |   |   |   |   |   |
|--|------------|--|-----------------|---|---|-----|--------------------------|-----|--|---|---|---|---|---|
| Organisational Performance   |            |  |                 |   |   |     |                          |     |  |   |   |   |   |   |
| Is there an annual budget in place before the start of the next year?                        | ✓          | ✓  | ✓               | ✓ | ✓ | ✓   | ✓                        | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ |
| Does the organisation have clear objectives?   | ✓          | ✓  | ✓               | ✓ | ✓ | ✓   | ✓                        | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ |
| Does the organisation have measurable KPIs for each objective?                               | ✓          | ✓  | In Progress     | ✓ | ✓ | ✓   | ✓                        | ✓   | Achieving vfm from the sale of assets  | ✓ |   |   |   |   |
| Is performance against KPIs tracked over time?   | ✓          | ✓  | In Progress     | ✓ | ✓ | ✓   | ✓                        | ✓   | Company only operating since August 2017 - Achieving vfm from the sale of assets | ✓ |   |   |   |   |
| Culture and Ethics   |            |  |                 |   |   |     |                          |     |  |   |   |   |   |   |
| Does the organisation have an agreed set of values?  | ✓          | ✓  | ✓               | ✓ | ✓ | ✓   | ✓                        | N/A | N/A  | ✓ |   |   |   |   |
| Finance/Budget   |            |  |                 |   |   |     |                          |     |  |   |   |   |   |   |
| Is budget agreed with Sponsor Department?  | ✓          | ✓  | ✓               | ✓ | ✓ | N/A | N/A Budget agreed by HMT | ✓   | N/A  | ✓ |   |   |   |   |
| Cyber Security   |            |  |                 |   |   |     |                          |     |  |   |   |   |   |   |
| Does the Board review its cyber risk program on an appropriate basis?                        | ✓          | Area for improvement, development plan in place. | ✓               | ✓ | ✓ | ✓   | ✓                        | N/A | N/A  | ✓ |   |   |   |   |
| Does the Board demonstrate due diligence, ownership, and effective management of cyber risk? | ✓          | Area for improvement, development plan in place. | ✓               | ✓ | ✓ | ✓   | ✓                        | ✓   | ✓  | ✓ |   |   |   |   |

**UK Government Investments Limited**

(the "Company")

**27-28 Eastcastle Street, London W1W 8DH**

Paper for the Board of Directors

**Topic:** Portfolio Performance

Date: 9 February 2018

Author: Rachel Mortimer

Email: GRO

Ref: UKGI-BP-200, 200a, 200b

Category: Paper circulated, for discussion

**Executive Summary**

The attached draft papers comprise:

- i) guidance for the reviews UKGI performance review process; and
- ii) a template for teams to use when attending a portfolio performance review.

These papers are designed to be self-explanatory, and they follow the comprehensive review of our risk and performance processes last year [paper ref: UKGI-ARC-28a/b/c], which led to various recommendations to improve the process. In light of Candida's background, we postponed the roll out of these recommendations, and carried out an additional stock take with the benefit of her portfolio experience. The key changes and benefits are set out in the guidance document (UKGI-BP-200a).

We also hope to be able to align our internal reporting with the current updating of board reporting, to ensure consistency and avoid/reduce duplication.

We will implement this revised process over the next month, and we have convened an all staff event on 27 March, to ensure everyone understands how UKGI's risk and performance processes work together, and to give people the chance to ask questions and provide feedback.

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# UKGI Portfolio Management

Process, governance and documentation

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# Introduction



## What is the purpose?

To add value and mitigate risk by improving our framework for managing the UKGI asset portfolio.

## What are the benefits?

Improved portfolio management leads to better asset performance and risk management. It also facilitates feedback by surfacing common themes and encouraging the sharing of best practice. This in turn informs our L&D strategy, which increases individual skill levels and leads to better performing teams.

## What does this cover?

Any UKGI asset where UKGI or UKFI has a governance role. Transactions and projects remain in the scope of the Transaction Committee

## How does this interplay with the existing UKGI risk and performance processes?

Asset teams will produce a quarterly portfolio summary. This will feed directly into the Dashboard, which in turn will be reviewed by ExCo, and shared with the Board every alternate month. The Dashboard will also form the basis of our quarterly reporting to HMT. The UKGI internal risk process retains its current format.

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# What has changed?

## The proposed changes to the UKGI portfolio management process:

- build on and refine our existing good practice
- implement many of the recommendations provided by the internal review of UKGI's process ( see Annex A)

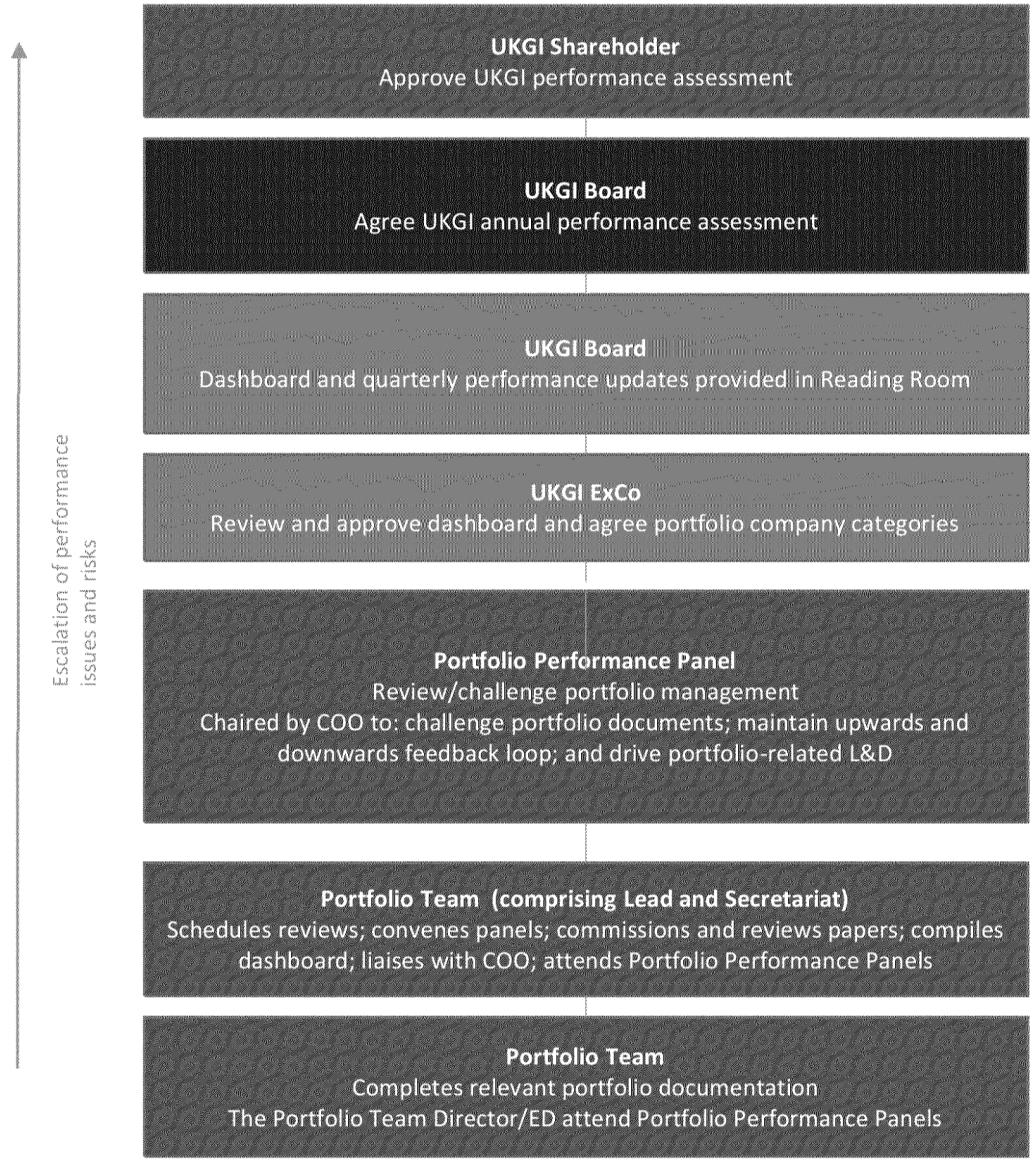
## The key changes are:

- Portfolio and risk management come together under the UKGI COO
- Portfolio review panels will be smaller and have consistent membership across assets
- Portfolio review documents are aligned with the Dashboard and also with the recently-revised UKGI board paper format
- The Dashboard will be produced every other month, rather than monthly
- There is a clearer emphasis on how we ensure there is a feedback loop across our risk and performance processes feedback
- A more proactive use of feedback from these processes to inform our L&D programme

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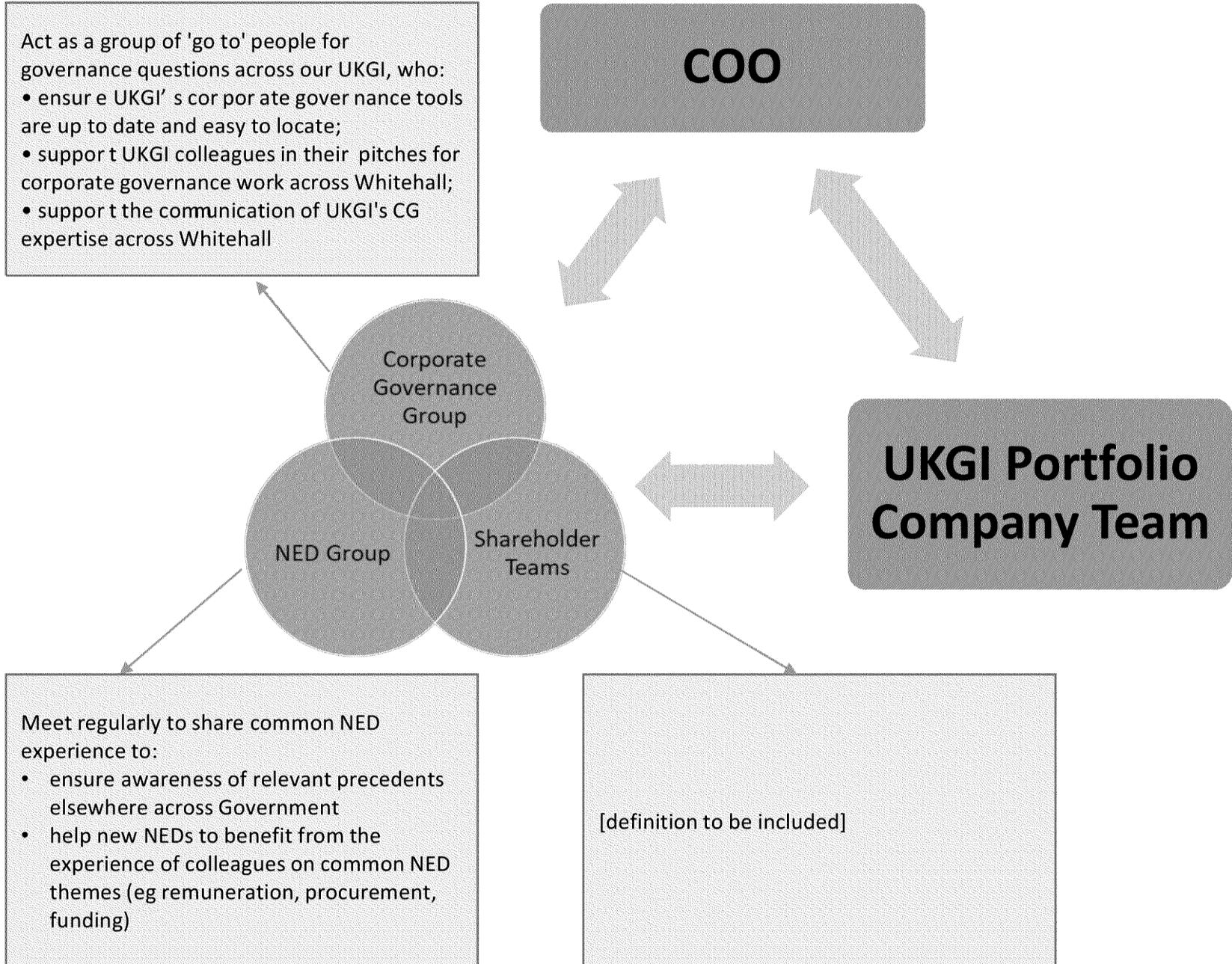
# Reporting process and governance



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# Feedback Framework



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# Governance Framework



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| Governance body (frequency)                       | Chair                             | Participants  | Purpose (performance focus)  |
|---|-----------------------------------|---|--|
| HMT QSMs (quarterly)                              | Phil Duffy (HMT shareholder lead) | HMT shareholder lead<br>UKGI CEO, COO and CFO<br>HMT shareholder team   | <ul style="list-style-type: none"> <li>Quarterly review of overall UKGI performance against objectives</li> <li>Annual approval of UKGI performance</li> </ul>   |
| UKGI Board (alternate months)                     | Robert Swannell (UKGI Chairman)   | UKGI Board members  | <ul style="list-style-type: none"> <li>Quarterly – have sight of UKGI dashboard</li> <li>Can request 'Deep Dives' on individual companies</li> <li>Quarterly-sign-off of UKGI performance assessment</li> </ul> <p><b>If Escalation Required:</b> HMT attends UKGI Board as shareholder representative</p>   |
| UKGI Executive Committee (monthly)                | Mark Russell (UKGI CEO)           | ExCo members<br>Nigel Smith (secretariat)   | <ul style="list-style-type: none"> <li>Review dashboard informed by portfolio performance panel meetings</li> <li>Discuss key themes across UKGI portfolio companies</li> <li>Feedback to teams</li> <li>Review portfolio reporting cycle and update when needed</li> </ul> <p><b>If Escalation Required:</b> ExCo will highlight to UKGI Board immediately via correspondence if urgent<br/>If non-urgent, Board secretariat will highlight via correspondence</p>  |
| Portfolio Performance Panel (PPP)                 | Rachel Mortimer (UKGI COO)        | <p><b>Must be a consistent panel</b></p> <p>Responsible portfolio co.<br/>Director and/or ED<br/>Two additional Directors<br/>Two EDs</p> | <p>Confirm for each portfolio company:</p> <ul style="list-style-type: none"> <li>The right objectives have been set and are on track</li> <li>If off track, accept explanation or agree mitigation</li> <li>Threshold requirements</li> <li>Risks have been appropriately identified/escalated/mitigated/assured</li> <li>There is a functioning feedback loop</li> <li>L&amp;D and resourcing support</li> </ul> <p><b>If Escalation Required:</b> COO will highlight at ExCo Meeting (within a week of Portfolio Performance Panel)</p> |
| NB – UKGI Risk governance framework remains as is |                                   |   |  |

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# Documents/Reporting



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| Document                 | Frequency                | Responsibility     | Purpose   | Audience   |
|--------------------------|--------------------------|--------------------|---|--|
| <b>Dashboard</b>         | Every alternate month    | Portfolio co. lead | Update against strategic objectives<br>Provide traffic light analysis of:<br>Corporate governance; quality of relationship with asset; quality of management team; relationship with Departmental team; financial performance; balance sheet and risk | COO (review, identify L&D needs, identifying common themes, feedback)<br>ExCo (high level summary of all portfolio/projects within UKGI)<br>Board (for review)<br>Shareholder (quarterly for info and under pinning QSM "highlights" report) |
| <b>Portfolio Summary</b> | Quarterly or Bi-annually | Portfolio co. lead | High level summary of portfolio performance, including traffic light review of main areas - feeds directly into Dashboard<br><br>Financial information to be included on request.<br><br>Annual summary to be included at year end                    | Portfolio Performance Panel<br>UKGI ExCo quarterly (via the dashboard)   |
| <b>Annual Review</b>     | Annual                   | Portfolio co. lead | As for above but with additional annual performance summary   | Portfolio Performance Panel<br>UKGI ExCo (via the dashboard)   |

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NB – UKGI Risk documents remains as are

# Portfolio management - Annual reporting cycle



| Frequency of asset review | Q1  | Q2  | Q3  | Q4  |
|---------------------------|---|---|---|---|
| Quarterly                 | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> <li><b>Present to PPP</b></li> </ul> | <ul style="list-style-type: none"> <li>Submit Portfolio Summary (+ financials if requested) to Head ops/performance</li> <li><b>Present to PPP</b></li> </ul> | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> <li><b>Present to PPP</b></li> </ul> | <ul style="list-style-type: none"> <li>Submit Annual Review to Head ops/performance</li> <li><b>Present to PPP</b></li> </ul> |
| Bi-annual                 | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> </ul>                                | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> <li><b>Present to PPP</b></li> </ul>                             | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> </ul>                                | <ul style="list-style-type: none"> <li>Submit Annual Review to Head ops/performance</li> <li><b>Present to PPP</b></li> </ul> |
| Annual                    | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> </ul>                                | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> </ul>  | <ul style="list-style-type: none"> <li>Submit Portfolio Summary to Head ops/performance</li> </ul>                                | <ul style="list-style-type: none"> <li>Submit Annual Review to PM lead by request</li> <li><b>Present to PPP</b></li> </ul>   |

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## What other information is available?

Templates and further guidance can be found here [insert link]

## Annex A – Summary of recommendations from UKGI Internal Process Review



|   | Observation   | Comment   | Recommendation   |
|---|---|---|--|
| 1 | <b>Certain EDs welcome the opportunity to periodically step back and consider the progress being made with their project</b>                | <ul style="list-style-type: none"> <li>Frequent evaluation is a very important part of project management</li> <li>A formally convened 'panel process' may not represent the most efficient approach to reviewing progress</li> </ul> | Consider a slimmed down and more dynamic approach such that the team meets less formally on a periodic basis to review progress  |
| 2 | <b>Little high frequency reviewing of performance against KPIs is undertaken on a central basis</b>   | <ul style="list-style-type: none"> <li>Although the UKGI collection of assets is not a conventional portfolio, it is likely that there are some recurring themes and issues arising across the organisations</li> </ul>               | <ul style="list-style-type: none"> <li>A central performance team to review the dashboard for movements (and status quo)</li> <li>To also consider other reporting that may identify common trends</li> <li>Such reports to be followed up dynamically when trends identified</li> </ul> |
| 3 | <b>Portfolio review meetings are frequently rescheduled and papers are often late</b>   | <ul style="list-style-type: none"> <li>The current panel review process does not appear to be given the prioritisation required to make it an effective part of the suite of processes</li> </ul>                                     | <ul style="list-style-type: none"> <li>Move towards a less formal, more dynamic process to support ongoing monitoring, without formal papers and large panel</li> </ul>  |
| 4 | <b>In some cases, the issues facing companies are too complex to robustly review, support the team and opine upon in a one hour session</b> | <ul style="list-style-type: none"> <li>As a result, portfolio review meetings are less likely to really tackle the significant issues in a meaningful and effective manner</li> </ul>   | <ul style="list-style-type: none"> <li>Ensure clear delineation between purpose of performance team review and RAC</li> <li>Performance team to focus more on governance / BAU</li> </ul>  |
| 5 | <b>Portfolio review meetings are most effective when there is a balanced panel, sometimes including NEDs</b>                                | <ul style="list-style-type: none"> <li>Panels combining members with knowledge of the organisation and others with a totally fresh perspective appear to conduct the best debates</li> </ul>  | <ul style="list-style-type: none"> <li>Panel process to be removed from performance reviews</li> <li>Continue careful panel selection for RAC as critical to effectiveness</li> </ul>  |

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UK Government  
Investments

# [Portfolio Company]

## Portfolio Summary

*[Date]* 2018

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## Portfolio Summary

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| <b>Company's strategic Objectives</b>                                       |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
| <b>Key risks / contextual factors which may impact strategic objectives</b> |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
| <b>What levers does UKGI have</b>   |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
| <b>What is UKGI's overarching objective</b>                                 |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
| <b>Timeframe</b>  |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |
| <b>UKGI resource and skills needed</b>                                      |    |    |    |    |    |    |    |    |     |     |     |     |     |     |     |



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## Portfolio Summary

|  | Q1   | Q2 | Q3 | Q4 | Next Year |
|--|--|----|----|----|-----------|
| <b>UKGI's quarterly priorities</b>   | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• Text</li> </ul> |    |    |    |           |
| <b>How will these be achieved/monitored</b>  | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• Text</li> </ul> |    |    |    |           |
| <b>Threshold reqs.</b><br><br>(What MUST be in place to achieve our strategic objs.) | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• Text</li> </ul> |    |    |    |           |
| <b>Company Culture/People</b>  | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• Text</li> </ul> |    |    |    |           |



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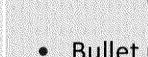
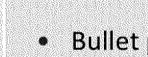
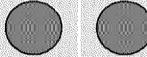
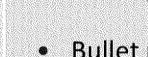
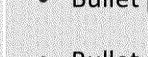
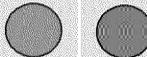
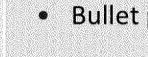
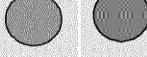
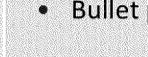
## KPIs (to be amended according to asset)

|                    | Q1   | Q2 | Q3 | Q4 | Next Year |
|--------------------|--|----|----|----|-----------|
| <b>Financial</b>   | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• text</li> </ul> |    |    |    |           |
| <b>Operational</b> | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• text</li> </ul> |    |    |    |           |
| <b>People</b>      | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• text</li> </ul> |    |    |    |           |
| <b>Governance</b>  | <ul style="list-style-type: none"> <li>• Text</li> <li>• Text</li> <li>• text</li> </ul> |    |    |    |           |

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# Traffic Light Analysis

## ■ [Summary of key changes/issues]

|  | 07/15   | Curr.   | Comments   |
|--|---|---|--|
| Corporate Governance checklist                 |    |    | <ul style="list-style-type: none"> <li>• Bullet point 1</li> <li>• Bullet point 2</li> </ul> |
| Quality of relationship with company           |    |    | <ul style="list-style-type: none"> <li>• Bullet point 1</li> <li>• Bullet point 2</li> </ul> |
| Quality of Management Team & Board             |    |    | <ul style="list-style-type: none"> <li>• Bullet point 1</li> <li>• Bullet point 2</li> </ul> |
| Quality of relationship with Departmental team |    |    | <ul style="list-style-type: none"> <li>• Bullet point 1</li> <li>• Bullet point 2</li> </ul> |
| Financial Performance                          |  |  | <ul style="list-style-type: none"> <li>• Bullet point 1</li> <li>• Bullet point 2</li> </ul> |
| Balance Sheet & Risk                           |  |  | <ul style="list-style-type: none"> <li>• Bullet point 1</li> <li>• Bullet point 2</li> </ul> |



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## Current dashboard entry

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## UKGI-BP-200c

### UKGI risk and performance An overview of governance, process and documents

**Key / Definitions:**  
Red border = risk process  
Blue border = transactions/performance  
Black border = risk or performance

#### Audit and Risk Committee (UKGI Board sub-committee)

**Governance:** Responsible for monitoring, oversight and advice to the Board for audit, risk, and compliance of UKGI.  
**Process:** Review of risk management processes and outputs, engage auditors, and approve compliance policy  
**Documents:** Op/Strat risk register and project risk register, compliance policies, scope of the external and internal audit, and receive any audit reports.

**HMT (shareholder)**  
**Governance:** Ultimate accountability for UKGI's performance and for risks to UKGI's objectives and activities  
**Process:** Sign off UKGI's performance via QSMs  
**Documents:** UKGI performance summary; UKGI Dashboard; UKGI risk heatmap

**UKGI Board**  
**Governance:** Under Framework Agreement Board has responsibility for managing/reviewing risk and performance  
**Process:** Review risk heatmap at each Board and discuss high-risk projects; to agree the format of QSM performance summaries and review summaries ahead of QSM, as per Framework Agreement.  
Instigates deep dives to address critical risk matters  
**Documents:** Board report template to include: Objective for mandate, Deliverables for success, Timeframe estimate, Resource estimate, Key risks to success and mitigations.  
UKGI performance summary; UKGI Dashboard; UKGI risk heatmap

#### NomCo (UKGI Board sub-committee)

**Governance:** Considers board appointments and senior executive succession planning  
**Process:** Review of succession plans  
**Documents:** Specific papers according to the subject

#### Remco (UKGI Board sub-committee)

**Governance:** Approve UKGI rem framework, PRP policy, and pay and PRP for CEO and CEO direct reports  
**Process:** Approve policies before year end, and approve application of policies after year end, then ad hoc as required (eg: senior team appointments)  
**Documents:** Specific papers according to the subject

#### Transaction Committee (UKGI Board sub-committee)

**Governance:** responsibility for determining advice to ministers for Financial Investments Assets (RBS/UKAR) is delegated to this committee by the Board  
**Process:** **Convened by Board.** Review and approve advice as and when required. For assets/projects other than RBS/UKAR, will provide endorsement if requested  
**Documents:** specific committee papers and draft submissions according to the subject

**ExCo**  
**Governance (Risk):** Establish and manage a framework for managing risk, and actively manage UKGI's risk exposure  
**Governance (Performance):** Monitoring operational and financial performance/ensure staff are equipped to carry out their role  
**Process:** Review and challenge dashboard (quarterly) and risk heatmap (monthly)  
**Documents:** Dashboard (every other month); risk heat map (monthly)

## Risk Management

## Portfolio Management

#### Risk and Assurance Committee

**Governance:** Assess/assure risk on an individual asset/project basis quarterly, bi-annual or annual basis  
**Process:** Chaired by COO with panel including ExCo members. Annual cycle, (addn. by exception) instigated by Board, ExCo or Project  
**Documents:** Template RAC documents

#### Portfolio Performance Panel

**Governance:** Review/challenge portfolio management on a quarterly, bi-annual or annual basis  
**Process:** Chaired by COO with fixed panel to: challenge portfolio management; maintain upwards/downwards feedback loop; and drive portfolio-related L&D  
**Documents:** Templates: Portfolio summary; Annual review

#### Risk Reviews

**Governance:** review individual risk registers by project, challenge teams and create Risk Summary for ExCo  
• create RRO and RRP for ARC  
• attend ExCo on monthly basis  
• propose composition of RAC and Challenge Panels  
• produce monthly risk heat map  
**Documents:** individual project risk registers; risk heatmap

#### Ad hoc Challenge Panels

**Governance:** no governance role  
**Process:** instigated by teams or individuals to provide peer review and knowledge sharing on specific risk or performance matters. Impetus on teams to take follow up actions as needed  
**Documents:** ad hoc according to the subject

#### Technical Challenge Panel

**Governance:** no governance role  
**Process:** instigated by teams or individuals to provide peer review and knowledge sharing on specific technical aspects of corporate finance, including valuations.  
**Documents:** ad hoc, usually a submission and any accompanying financial model.

#### Directors and Senior Responsible Owners (SRO)

All UKGI asset teams/projects are overseen by a director, who has ultimate responsibility for delivery. In some cases, UKGI projects/transactions designated as a "Major Project" \* by the IPA, also require an SRO to be appointed. SROs are expected to account for and explain the decisions they have taken to deliver the projects for which they have personal responsibility. SROs are appointed by the relevant Department's Accounting Officer, and their specific lines of accountability are set out in their published appointment letters. SROs may also be called to give evidence before a Parliamentary Committee to account for project implementation and delivery, and for their own actions. The Government publishes a list of the SROs for the Government's Major Project Portfolio on an annual basis.

\*The IPA defines "Major Projects" as those that (i) require spending over and above departmental expenditure limits; (ii) require primary legislation; (iii) are innovative or contentious



UK Government  
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UKGI-BP-201

Company No. 9774296

UK Government Investments Limited

(the "Company")

27-28 Eastcastle Street, London W1W 8DH

Paper for the Board of Directors

**Topic:** Overview of Outsourcing project

**Date:** 7 February 2018

**Author:** Conrad Smewing

**Email:** GRO

**Ref:** UKGI-BP-201

**Category:** Paper circulated, for discussion

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UK Government  
Investments

UKGI-BP-203

Company No. 9774296

UK Government Investments Limited

(the "Company")

27-28 Eastcastle Street, London W1W 8DH

Paper for the Board of Directors

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**Topic:** UKGI Budget

**Date:** 7 February 2018

**Author:** Robert Razzell / Sarah Finigan

**Email:**  GRO  /  GRO

**Ref:** UKGI-BP-203

**Category:** Paper circulated for approval

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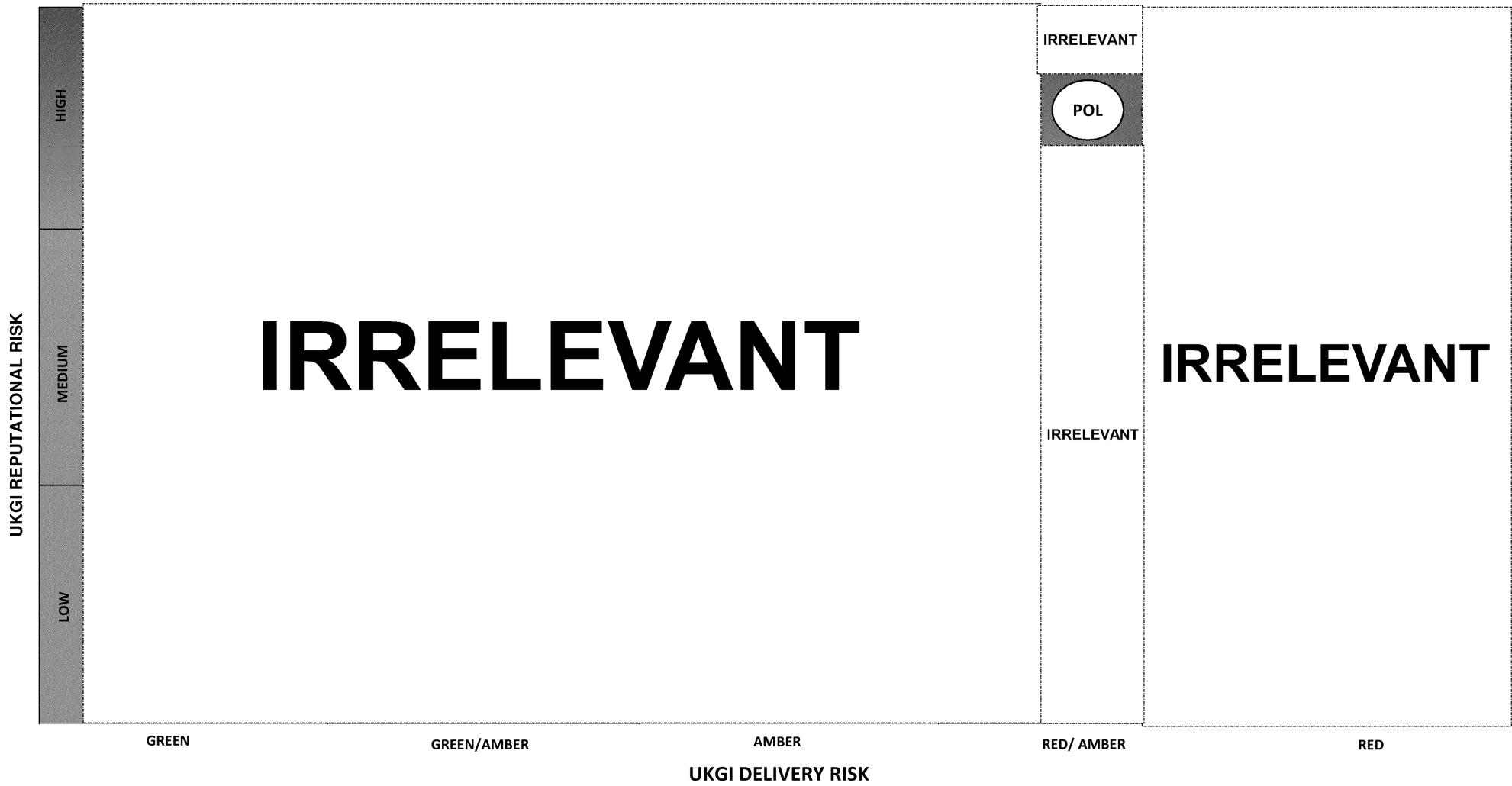
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\*RISK SUMMARY TEMPLATE\*

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| Post Office   | [POL] | RA   |
|---|-------|------|
| Overall Risk Profile  |       |      |
| If not managed successfully the risks - including commercial, strategic and stakeholder risks and those linked to management appointments and remuneration - have the potential to significantly impact the financial sustainability of POL and its ability to achieve policy objectives (e.g. transformed network, reduced HMG funding).                     |       |      |
| Reputational Risk Profile   |       | High |
| There is significant political interest in the Post Office network and there are a number of clear policy objectives. Risk is mainly centred on these areas, but it can also be linked to management and remuneration issues. The UKGI POL team are aware of the pressures and are working collaboratively with Post Office Limited to manage the risks away. |       |      |

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UK Government  
Investments

UKGI-BP-205

Company No. 9774296

UK Government Investments Limited

(the "Company")

27-28 Eastcastle Street, London W1W 8DH

Paper for the Board of Directors

**Topic:** Letter to BEIS Perm Sec re Holliday Inquiry

**Date:** 7 February 2018

**Author:** Elizabeth O'Neill

**Email:** GRO

**Ref:** UKGI-BP-205 , UKGI-BP-205a

**Category:** Paper circulated, for information

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**UK Government  
Investments**

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1 Victoria Street  
London  
SW1H 0ET

T  GRO  
E  Mark.Russell  GRO  
[www.ukgi.org.uk](http://www.ukgi.org.uk)

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**UKGI-BP-205a**

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**UK Government Investments Limited  
(the "Company")**

**27-28 Eastcastle Street, London W1W 8DH**

Minutes of a meeting of the Transaction Sub-Committee held in

Room UG-G, 1 Victoria Street, London, SW1H 0ET

On 15 January 2018 at 15:30

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Present: James Leigh-Pemberton (in the Chair)  
Jitesh Gadhia (via telephone)  
Robin Lawther  
Robert Swannell

Apologies: Jane Guyett

Attending: Zoe Gillis  
Henry Lloyd  
Robert Razzell  
Mark Russell

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## UK Government Investments Limited

(the "Company")

27-28 Eastcastle Street, London W1W 8DH

Paper for the Board of Directors

Topic: NED project assignments

Date: 7 February 2018

Author: Zoe Gillis

Email: GRO

Ref: UKGI-BP-207

Category: Paper circulated, for information

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This paper provides a summary of the projects and their NED sponsors.

| Project           | Non-Executive Director assigned |
|-------------------|---------------------------------|
|                   | IRRELEVANT                      |
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| RM Pension Assets | Robin Lawther                   |
|                   | IRRELEVANT                      |
| IRRELEVANT        | Jane Guyett                     |
| Post Office       | IRRELEVANT                      |

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