

OFFICIAL – SENSITIVE



UKGI Board Meeting - 29 January 2020

MEETING
29 January 2020 13:00

PUBLISHED
22 January 2020

OFFICIAL – SENSITIVE

M_046631

Agenda

<i>Location</i>	<i>Date</i>	<i>Owner</i>	<i>Time</i>
1 Victoria Street, London, SW1H 0ET - Room UG-H/K	29/01/20		13:00
1. Agenda			
2. Declaration of interest			
3. Minutes from previous meeting (28 November 2019)		Approval	
4. Board action log		Update	
5. Chief Executive's report (UKGI-BP-399)		Discussion	13:00
6. People report (UKGI-BP-400)		Discussion	13:15
7. Chief Financial Officer's update (UKGI-BP-401)		Approval	13:35
8. UKGI Risk Register review (UKGI-BP-402, 402a, 402b)		Discussion	13:45
9. Special Situations update (UKGI-BP-403a, 403a)		Discussion	13:55
10. Internal Board review plan (UKGI-BP-404)		Approval	14:10
11. Best practice in Public Appointments (UKGI-BP-405)		Discussion	14:25
12. Disputes and Litigation Protocol (UKGI-BP-406, 406a)		Information	14:50
13. Transaction Committee update (UKGI-BP-407)		Discussion	15:00
14. Board forward look - proposed additions/changes (UKGI-BP-408)		Approval	
15. NED only discussion			

Agenda

Location

1 Victoria Street, London, SW1H 0ET - 29/01/20
Room UG-H/K

Date

Owner

Time

13:00

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| 16. Dashboard - January 2020 (UKGI-409, 409a) | Information |
| 17. NED Project Assignments (UKGI-BP-410) | Information |
| 18. Board and Committee dates (UKGI-BP-411) | Information |
| 19. EDRM summaries (UKGI-BP-412) | Information |

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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

Topic: Chief Executive's Report

Date: 21 January 2020

Author: Justin Manson

Ref: UKGI-BP-399

Category: Paper circulated, for discussion

The election result has provided clarity for UKGI on a number of fronts. On Brexit no-deal planning, we have handed back our no-deal funding to HM Treasury and are standing down advisers and advisory firms. We will be looking to feed into the government's manifesto commitments, particularly around zero carbon, and business and export finance. On the review of the opposition parties' manifesto commitments, whilst there will obviously now be no need to implement the various plans, it was a good demonstration of our capacity and skills to a wider audience within HMT. The approval by the Secretary of State of the purchase of Cobham by Advent shortly after the election closes out this workstream, and this may provide a steer on how similar scenarios might be handled by this administration, although we will be cautious in reading too much from this into future situations.

There remains one significant ongoing area of uncertainty for UKGI – the student loans programme, and whether, in the light of the ONS reclassification, the government will wish to proceed with future sales. We now know that there will be no sale before the autumn window, the question remains as to whether there will be an indefinite postponement of the programme. This uncertainty presents an obvious challenge for our team, which currently comprises 18 FTE. The team remains in position to deliver any further sales at short notice. We can conversely respond relatively quickly to any decision to terminate the programme. That said, team members, including those on secondment from other parts of government, will need new assignments in UKGI or host departments. We will also have to consider carefully how to deliver the ongoing loan servicing obligations for the two tranches sold in prior years; in isolation, this essentially administrative role will not be an appealing career prospect for our highly skilled actuaries and corporate financiers, so it may be difficult to adequately staff this from within UKGI. We continue to be as transparent as possible with the team, and given the circumstances, morale remains good.

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On other asset realisations, we hope and expect that RBS and UKAR activity will be more active in 2020. The UKAR project, Jupiter, is progressing well and we expect market conditions to be more favourable for RBS than last year.

In our corporate finance sphere, British Steel continues to place significant demands on the team. This partly arises from the fact that we are still planning for two fundamentally different outcomes. Accordingly, we have further augmented the team, with Emily joining the team, meaning that with Tim Martin we will have two of our most experienced EDs working alongside Alex Reeves on this project. We have further expanded the team at AD level. We will continue to monitor the capacity of this team and have scheduled a project risk review; without doubt this remains a major risk for UKGI. Elsewhere, you will have read about the deal agreed with Flybe to enable it to continue trading. The special situations team were front and centre of these discussions. Once again, they assembled an imaginative and multi-pronged package of state-aid compliant measures, including a cash injection from shareholders, whilst having due regard to political sensitivities, for example, around regional connectivity in support of the 'levelling-up' agenda. All of this was done from a standing start in a very short space of time, much of it over a weekend. Overall, the special situations team's workload has been in line with expectations, but we are mindful that the risk of an increase in volume will grow as the clock ticks towards 31 December and the end of the Brexit transition period.

Good momentum is being maintained in our governance work. Three key priorities for our portfolio governance work in 2020 have been agreed: performance benchmarking; organisational culture and sustainability/net zero. The first of these will build on the discussion at the previous board meeting on various measures of performance for non-profit making entities. The second will develop the lessons learnt from failings in organisational culture at NDA and POL. The third priority will look to ensure that our entities have appropriate strategies and management information to deliver the UK's legal commitment to net zero.

UKGI and BEIS have now signed a new MOU, after some months of discussion. Whilst on the face of it this might appear to be entirely administrative in nature, this document now not only sets out the respective responsibilities for policy making and advice, it also documents some key principles of the relationship, including a 'one-team' approach of openness and collaboration, and commitment by the respective leadership teams to the relationship. This will be manifested through a new forum which includes the UKGI CEO and all of the BEIS DGs, and which will put the management of what is a very complex relationship on a sound footing. Formalising our relationship will also put us in good stead should there be machinery of government changes involving BEIS. Thanks are due to Emily Ashwell for driving this process through to completion.

The Board will have noted the updated circulated in December regarding the very positive news of the settlement between POL and the postmasters; UKGI was closely involved, particularly in obtaining approval for the settlement figure of £58m from BEIS and HMT ministers. Outstanding issues include the claimants' request that BEIS pays the postmasters legal costs, which they say amount to £47m, and their call for a public inquiry. There is also the risk that postmasters who were not part of the group litigation pursue their own claims. Finally, POL ay be at risk of claims of malicious prosecution from postmasters who have their convictions overturned.

We have agreed in principle with MOD to refresh the terms of the Joint Unit's engagement by way of a submission to the Permanent Secretary. We will need to be cognisant of senior level moves at MOD, including the recently announced COO

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UKGI-BP-399

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departure. The demand for work remains very high, and the team stretched. Henry has taken up his board position at Defence Equipment and Support.

The governance group held a very successful event for RemCo members and chairs on 13 January; we had excellent speakers, a good panel, active discussions and the subsequent networking event was very well attended; my thanks to Robert and Robin for their contribution to this success and to Alex Reeves for his initiative and commitment. There is clearly an appetite for development of a programme of events in this vein, including a Chair and CEO event being planned for the summer; Susie's report includes a full calendar of events.

As mentioned in my previous report, as we navigate an uncertain period for UKGI, a priority for me has been staff engagement. Therefore, I am pleased that our staff awayday in December was such a success. As well as a fascinating, if somewhat disquieting, talk on AI and data security in an era of realpolitik by Pippa Malmgren, a former adviser to a US President, we had an open and wide-ranging 'ask ExCo session', using an online app that allowed staff members to submit their questions anonymously. My thanks to Susie for pulling the whole day together.

Given our focus on staff engagement, I'm very glad that Clare Hollingsworth has, subject to Board approval, agreed to act as the designated non-executive director for employee liaison. Robert and I agreed that the alternative mechanisms for workforce engagement suggested in the Code (a director appointed from the workforce or a workforce advisory panel) were not appropriate given the size of UKGI and its limited discretion over matters such as pay and conditions. This will, nonetheless, be an important role, and given the establishment of forums for ADs, managers, and other grades, there is a ready-made structure for Clare to engage with. I'm sure that, like me, you'll be very interested to hear the results of this engagement at future meetings.

I was pleased to note that two outgoing CEOs of UKGI portfolio entities, Ross McEwan of RBS and Keith Morgan at BBB, were recognised in the New Year's honours list. This was a well-deserved reward for their efforts in, respectively, turning around and establishing two major institutions.

**UK Government Investments Limited**

(the "Company")

1 Victoria Street – SW1H 0ET

Paper for the Board of Directors

Topic: UKGI Risk Register Review

Date: 29 January 2020

Author: Alex Cole

Email: GRO

Endorsed by: Jon Ingram

Ref: UKGI-BP-402, 402a, 402b

Category: Paper circulated, for discussion

Executive Summary

Context: The risk summary covers the highest rated projects, and projects where the reputational and/or delivery risk ratings have changed. The summary also covers any new risk registers, or registers that have been closed. This update covers the risk process between 25 October 2019 and 31 December 2019. An overview of the current risk status of all UKGI projects is provided as an annex, along with the UKGI risk heatmap.

1. Highest Rated Projects**Nuclear Decommissioning Authority: Director – Alex Reeves***Delivery Risk: Red (No change)**Reputational Risk: High (No change)*

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IRRELEVANT

Post Office Limited: Director – Tom Cooper

Delivery Risk: Red (No change)

Reputational Risk: High (No change)

- *Current status:* POL successfully reached an agreement to settle the Horizon litigation case with postmasters in December. This is a significant achievement, although there are still outstanding issues relating to the convicted claimants and those outside of the class action. The new CEO has completed an Organisational Health Index to help improve the culture at POL and is digesting these results. POL are developing a 5-year plan to help inform its potential subsidy request in the upcoming Spending Review, including the State Aid application and officials are working closely on this.
- *Progress & mitigation:* Key to an improved risk profile will be:
 - Improvements in the culture at the company, aided by the introduction of a new CEO who is prioritising this. POL is developing an Organisational Health Index to track its progress.
 - Successful implementation of the improved agent remuneration identified in the agent pay review.

- More certainty on the likely outcomes, including the reputational and financial impact of the litigation cases – both Horizon and the worker status case.
- Successful landing of the new CEO's 5-year plan in early 2020 alongside the BEIS-led work on the long-term vision of the Post Office. This is likely to include further funding requests which will need to be negotiated during a Spending Review.
- Improved controls and processes around investment spend to ensure better use of taxpayer funding.
- Signed Framework Document and Articles of Association, expected in early 2020.
- Development of a plan to secure the sustainability of the network.
- *Reputational status:* There is significant political interest in the Post Office network and there are a number of clear policy objectives. The highest risk relates to the ongoing POL litigation case that could potentially generate a high level of negative coverage and may lead to questions about Government's oversight of POL, including UKGI.

2. Closed Risk Registers

Single Electricity Market: Director – Michael Harrison

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UKGI REPUTATIONAL RISK

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***OFFICIAL SENSITIVE: RISK SUMMARY ***

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DATA UP TO 31 DECEMBER 2019

Annington Homes
Overall Risk Profile

[AH]
RA

AWE
Overall Risk Profile

[AWE]
RA

IRRELEVANT

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Business Bank Overall Risk Profile	[BBB] A	Channel 4 Overall Risk Profile	[C4] A
<h1>IRRELEVANT</h1>			

Carbon Net Zero
Overall Risk Profile

[CNZ]
GA

Defence
Overall Risk Profile

[DEF]
A

IRRELEVANT

M
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Highways England
Overall Risk Profile

[HE]
RA

Homes England
Overall Risk Profile

[HCA]
R

IRRELEVANT

W
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NATS
Overall Risk Profile

[NAT]

A

NDA

Overall Risk Profile

[NDA]

R

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| NLF
Overall Risk Profile | [NLF]
A | NNL
Overall Risk Profile | [NNL]
A |
|-----------------------------|------------|-----------------------------|------------|
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| Project Oscar | | [OSC] | RA | Post Office | | [POL] | RA |
|----------------------|--|-------|----|----------------------|--|-------|----|
| Overall Risk Profile | | | | Overall Risk Profile | | | |
| <h1>IRRELEVANT</h1> | | | | | | | |

| Special Situations
Overall Risk Profile | [SSG]
RA | Student Loans
Overall Risk Profile | [SL]
RA |
|--|-------------|---------------------------------------|------------|
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| UKEF
Overall Risk Profile | [UKF]
GA | UKGIP
Overall Risk Profile | [GIP]
RA |
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UK Government Investments Limited**(the “Company”)****27-28 Eastcastle Street, London W1W 8DH****Paper for the Board of Directors****Topic:** Disputes and Litigation Protocol**Date:** 21 January 2020**Author:** Richard Watson**Email:** GRO**Ref:** UKGI-BP-406, 406a**Category:** Paper circulated for information

In the light of recent experience with the Post Office Group Litigation UKGI has been giving further thought to what protocols we should put in place with an asset when it is faced with substantial litigation.

We have sought input from Robert Webb QC and Christopher Saul (former Slaughter & May senior partner), as well as a number of UKGI Directors, to inform our thinking.

The UKGI Board is asked to note and agree the attached (UKGI-BP-406a) “UKGI - Disputes and Litigation Protocol guidance”.

The precise provisions of any protocol will depend on the nature of the claim or dispute and the issues it raises. It will also be subject to negotiation and agreement with the asset. UKGI Legal will develop some template protocol wording so that is ready to be deployed quickly for the future.

Key to the successful handling of substantial claims or disputes involving our assets is the ability of the assets board to make timely and informed assessments of risk and to have early input into the proposed handling strategy. The UKGI Director and wider shareholder team, supported by UKGI legal, will have an important role to play. Furthermore, a potentially helpful tool for boards when faced with such disputes is the involvement of a “critical friend” to input into board and management discussions and decision-making related to the claim.

UKGI – Disputes and litigation protocol guidance**Background**

As part of the Magnox lesson learnt exercise, UKGI Legal developed template wording for framework documents setting out in broad terms how our assets would report on litigation risk and an acknowledgment that a litigation protocol to facilitate reporting for substantial litigation would be required. UKGI's current template wording for framework documents sets out:

1. a requirement that the asset shall provide a quarterly update to the Shareholder on the existence of any active litigation and any threatened or reasonably anticipated litigation
2. an acknowledgement by the parties of the importance of ensuring that legal risks are communicated appropriately to the Shareholder in a timely manner; and
3. an agreement that in respect of **each substantial piece** of litigation the asset and UKGI will agree a litigation protocol which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to the Shareholder to facilitate this.

Litigation protocol

Further consideration is now being given to the mechanics of agreeing litigation protocols and their specific contents.

1. **When is a protocol required:** As part of the follow up to the active requirement of the quarterly litigation reporting envisaged above, the relevant UKGI asset team must, in conjunction with UKGI legal, determine in consultation with the asset which matters where litigation is active, threatened or reasonably anticipated ("claims and disputes") are to be considered **substantial**. This will require active monitoring by the UKGI asset team and regular dialogue with the asset. What will be considered "substantial" will vary for each asset. This could be primarily by reference to the amount of money potentially at stake – maybe expressed as a percentage of revenue or profit – but should also cover other matters of high sensitivity (e.g. harassment, discrimination or whistleblowing claims) or circumstances where the claim or dispute could have wider implications for the asset's business model or reputation.
2. **Timing of implementation:** When agreeing a litigation protocol with an asset in relation to a substantial claim or dispute it is essential that UKGI Legal are involved and the protocol is put in place quickly. UKGI should require that within 14 days of a claim or dispute being determined to be substantial, the asset must agree with UKGI a protocol which details the manner in which UKGI will be consulted on/involved in:
 - (a) strategy
 - (b) key decisions; and
 - (c) public statements in relation to the matter.
3. **Parties to the protocol:** In relation to each substantial claim or dispute and the associated protocol, UKGI will need to ensure that its approach is agreed with the relevant Government Department and that the level of input provided by the Department is made clear.

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4. **Contents of the protocol:** The asset will have conduct of the matter, and be accountable for such conduct, but with the structured involvement of UKGI. Specific consideration in each protocol should be given to the following:

- appropriate and timely reporting on the status of the claim or dispute;
- protection of Legal Professional Privilege
- provision that UKGI is consulted on the choice of external legal advisers, counsel, expert witnesses and other advisers and that its reasonable recommendations are taken into account
- provision that the asset will permit UKGI to put specific questions and request briefings with the internal and advisory team any external advisers or expert witnesses
- provision that the asset will commission second opinion advice on matters deemed by UKGI to be of particular significance for example, the merits of settlement
- provision that the board of the asset will, at important moments in the conduct of the matter (as agreed with UKGI), appoint a *critical friend* (in consultation with UKGI) to input into board and management discussions and decision-making related to the litigation
- Provision for a consultation right for the shareholder over the most significant decisions in the dispute. Asset teams will want to remind the asset that HMT approval is required for settlement and that the asset will be required to work closely with UKGI to determine the appropriateness, timing and quantum of any settlement package
- Media communications strategy

UKGI teams are reminded of the general and other lessons learnt from the Magnox contract/litigation detailed in Annex A.

UKGI Legal
January 2020

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ANNEX A

Extract from UKGI Internal report into the Magnox contract/Litigation

Lessons during the litigation

Issue: The NDA's handling of the legal challenge was not sufficiently scrutinised or challenged.

Steps UKGI can take to mitigate / address the underlying failings which caused this issue going forward:

- **Government should be made aware of and approve key steps in substantial litigation.** To ensure the appropriate level of challenge and oversight of any future large-scale litigation the NDA and other assets face in the future, UKGI should recommend that framework documents with assets require immediate notification of, and Government approval for, litigation above an identified threshold of "substantial" liability, set by reference to each asset's risk profile.
- **Establish what oversight will be provided by UKGI and the relevant Government department.** At the outset of any substantial litigation involving an asset, UKGI should agree with the relevant Government department, and its lawyers, how oversight of the litigation will be provided.
- **When, prior to contract award, there is a strong likelihood of a serious challenge, or a challenge to a procurement has already been mounted, the decision to award the contract should be fully tested.** The asset's board should consider obtaining a second, external, legal opinion as a means of fully gauging risks ahead of a recommendation to the Secretary of State to award the contract.
- **Where a substantial legal challenge is mounted against an asset, UKGI should assure itself of the asset's internal legal capability.** NDA's in-house legal team was not sufficiently experienced or staffed for the ES litigation. UKGI insisted on additional internal resource after the judgment was rendered, but this should have been done earlier.
- **In substantial cases, challenging the board on an asset's choice of legal advisers is key.** In this instance, Burges Salmon was in place for two competitions and was also instructed to defend the ES litigation. There are clear risks and potential conflicts of interest in permitting the law firm that designed and assured the evaluation process to advise on how to respond to a legal challenge on the competition. UKGI should also encourage – consistent with best practice for FTSE 100 companies – all assets to regularly change external lawyers, to reduce the risk of "group think".
- **Where the stakes are high, source more than one external legal opinion.** UKGI should insist that the asset consider more than one external legal opinion to ensure that legal advice and identified risks are thoroughly tested. Further, it should ensure that any opinions and their authors appear put before the asset's board so that the board is able to take strategic decisions with proper calibration of legal risk.
- **Legal strategy and mitigation of risk must be challenged.** Throughout, the NDA Executive Team portrayed the litigation as a "try-on" and entirely without merit. However, litigation is universally recognised to be uncertain, and even a small risk of a very significant set-back requires mitigation. UKGI should ensure a full discussion of the legal strategy to ensure risk mitigation has been fully considered.

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- **Attending the hearing.** Going forward, where hearings of important cases take place, UKGI should attend the hearing to gauge risk for itself. If a hearing goes badly, there is an opportunity, ahead of judgment, to settle.

General lessons learnt

1. UKGI frequently interacted with the NDA on the competition, consolidation and litigation at working and senior levels, both formally and informally, and in several different contexts, for example on the CPB and the NDA ARAC. This provided the opportunity for broad discussion and multi-layered challenge.
2. Despite these safeguards, risks in the competition process were not comprehensively identified (or potentially mitigated) in a timely manner. With hindsight, the NDA Executive and NDA Board underestimated problems, most clearly with respect to litigation and consolidation. As UKGI does not have embedded procurement/litigation/consolidation expertise, it was inevitable that, as regards project design, delivery and governance, UKGI would need to rely on the appropriate project assurances provided by specialist bodies such as the MPA and IUK and relevant external advisers. This did not prevent scrutiny and challenge from a general corporate governance perspective.
3. A central part of UKGI's governance role is to hold boards to account. UKGI needs to ensure that this is done comprehensively, but also needs to balance against excessive intrusiveness and, in doing so, should not seek to substitute itself for, or duplicate the role of, the board itself. One of the Public Accounts Committee's recent conclusions on governance of ALBs is relevant in this regard: "*Departments' existing oversight arrangements can introduce costs and bureaucracy, or duplicate existing governance arrangements in arm's-length bodies. We heard examples of approaches that focus unduly on compliance and control, rather than improving the value contributed by arm's-length bodies.*" UKGI should therefore provide appropriate checks and challenges, without undermining the accountability of the organisation.
4. The general recommendations below are made with this balance in mind:
 - Several of the failings identified indicate that the NDA Board was not sufficiently robust in challenging the NDA Executive or that it was not fully informed of the relevant facts at the appropriate time. This is particularly so, given the importance of the role of the NDA Board in providing governance of large-scale, complex projects. **UKGI should ensure regular board reviews consider whether an asset's board has the complete set of skills and expertise required (e.g. legal and/or procurement or nuclear knowledge).** Where specific NED skills cannot be obtained, additional measures should be considered, including retained specialist advice to the board. **The board review process should also regularly consider the quality and completeness of the executive's communications with an asset's board, including the board papers.**
 - Where large legal risks are involved, UKGI should **ensure that an asset's board has direct access to legal advice and to the in-house legal team. Legal advice should not be relayed to the board by the executive team, as it was in this case.** Misunderstanding/misconstruing legal advice was a material factor which explained why the NDA Board was slow to respond in both the litigation and the consolidation. Ensuring that an asset's board is provided with the opportunity to discuss and challenge legal risk directly with a General Counsel would mitigate this risk, as would ensuring that the General Counsel reports directly to the CEO.

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- **Ensure UKGI's role is clearly defined and that Government stakeholders are not looking for assurance from UKGI on specialist areas beyond UKGI's competence.** When project governance structures (such as the CPB) which involve UKGI are established, UKGI must ensure its own role within that structure is clearly established and is consistent with its role of managing the shareholder function. This should not be at the expense of UKGI being flexible and dynamic in providing assistance, but there should be a proportionate approach to ensure UKGI's role and the expertise it brings (and does not bring) is understood by all.
- **Where internal or external reviews of an asset's governance processes or projects are undertaken,** UKGI must hold the asset to account so that any resulting recommendations are promptly followed up.
- **In holding the NDA Board to account, UKGI should utilise its own board and its in-house legal function on consideration of risks.** To assist and develop its role in holding an asset's boards to account, UKGI could make more use of the UKGI internal risk management process to encourage discussion and debate of the major identified and horizon risks being faced by the assets it manages, especially by drawing on the expertise of the UKGI board and UKGI in-house legal colleagues.
- **Use the Non-Executive Director appointed by Government as a means of obtaining better quality information.** The forthcoming appointment of a UKGI Director as an NDA NED is an opportunity for fuller feedback on board discussions (and the performance of the NDA Board members). To optimise this, specific guidance should be provided to NEDs to enable them to fully inform the shareholder in a way that remains consistent with their obligations to the NDA.

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OFFICIAL - SENSITIVE

UKGI-BP-409a

UKGI Dashboard

January 2020

| UKGI Objectives | | Workstreams |
|-----------------|---|---|
| 1. | To prepare and execute all significant corporate asset sales by the UK Government | Asset Sales (pages 3-4) FTE – 28.8 |
| 2. | Act as shareholder for, and lead establishment of, UK Government arm's-length bodies, as required and in line with HMT priorities | Governance – Shareholder (pages 5-12) FTE – 23.5
Governance – NED role (pages 13-14) FTE – 0.3
Governance – Advisory (pages 15-17) FTE – 2.0 |
| 3. | To advise on other major corporate finance matters, including all major UK Government financial interventions into corporate structures and on major UK government corporate finance negotiations. | Corporate Finance Advice – Projects (pages 18-20) FTE – 7.8
Corporate Finance Advice – Functions (pages 21-22) FTE – 22.5
Corporate Finance Advice – Appointments (pages 23) FTE – 0.1 |

OFFICIAL - SENSITIVE

UKGI-BP-409a

Asset Sales (1/2)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

Government
Investments

CF Project key:
U UKGI role agreed

R Resources
Secured: team,
budget, etc.

A Stakeholder Alignment:
on key objectives and
project plan

T On Track: assessment
of progress against
plan

C Completed: Project
concluded, including
close-out review

OFFICIAL - SENSITIVE

UKGI-BP-409a

Asset Sales (2/2)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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| IRRELEVANT | | | |

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M_046631

UK Government
Investments

CF Project key:

U UKGI role agreed

R Resources Secured: team, budget, etc.

A Stakeholder Alignment: on key objectives and project plan

T On Track: assessment of progress against plan

C Completed: Project concluded, including close-out review

OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance - Shareholder (1/7)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

UK Government
Investments



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OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance - Shareholder (2/8)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

UK Government
Investments

C Company
Relationship

G Governance

T Quality of
Management
Team & Board

D Departmental
Relationship

F Financial
Performance

B Balance
Sheet & Risk

OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance - Shareholder (3/8)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
|---|--|---|------------|
| 
POST
OFFICE | <p>UKGI's overarching objective: Shareholder oversight to ensure it delivers on its strategic objectives of (i) maintaining a network of post offices above the 11,500 branches (ii) compliance with the minimum network access requirements and delivery of Services of General Economic Interest, while (iii) operating as an increasingly profitable commercial business aspiring to zero subsidy post 2021.</p> <p>Outlook – key issues/upcoming risks, including reputational:</p> <ul style="list-style-type: none"> Nick Read started as CEO on 16 September and is undertaking a review of POL's vision and strategy, which we expect to complete in March. This will feed directly into POL's 5 year plan. The review is also directly addressing some of the criticisms levelled at POL's business culture, with a heavy emphasis on refocusing the business on postmasters and customers and obtaining real data on their views to inform decisions UKGI are working with BEIS policy on a long term vision for the post office, which will need to sync with POL's SYP and will inform a bid at the Spending Review. POL's leadership continues to be in significant transition, with 2019 seeing the departure of the CEO, CIO, General Counsel and HR Director. Nick Read has also asked the Head of Comms and the CEO of Retail to leave the business. He may further restructure the leadership team and make a number of senior hires, most likely external. CFO may also leave the business, given he also applied for the CEO role and the vesting period of his 6 month retention bonus is due in March. Two new NEDs have been appointed, increasing the Board's diversity. Litigation: POL agreed a settlement of £57.75m to settle the GLO proceedings on 11 Dec. The settlement includes other elements aimed at strengthening POL's relationship with its postmasters. POL is still potentially exposed to further claims from i) the cohort of convicted claimants, and ii) other postmasters who were not part of the GLO. A separate litigation case will be heard by the employment tribunal in October 2020, relating to 123 postmasters claiming "worker" status. If successful there are variety of rights that "worker" status would bring, including holiday pay, pensions and an entitlement to the national minimum wage POL and BOI have now signed a new agreement that will run until 2026, and POL is separately seeking to reduce the costs of operating FRES, the travel money business run as a joint venture with BOI. Negotiations with Royal Mail are progressing positively with both sides targeting an agreement on a new, non-exclusive 10 year deal in March 2020. The new Banking Framework began 1 Jan 2020 and includes Barclays, following stakeholder pressure. POL continues to consider strategic options for its Telecoms business. POL have paused a corporate restructure programme pending the outcome of the new CEO's strategic review. As part of the project, we have now agreed a Framework Document and revision of the Articles of Association. Team investigating the increased use of outreaches and its effects on the post office network. BEIS policy and UKGI are working on a response to the BEIS Select Committee report issued in late October POL's announcement of further increases in postmaster pay has been received positively by stakeholders. | 

R/High | Tom Cooper |

BEIS

M_046631

UK Government
Investments

C Company
Relationship

G Governance

T Quality of
Management
Team & Board

D Departmental
Relationship

F Financial
Performance

B Balance
Sheet & Risk

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OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance - Shareholder (4/8)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

UK Government
Investments

C Company
Relationship

G Governance

T Quality of
Management
Team & Board

D Departmental
Relationship

F Financial
Performance

B Balance
Sheet & Risk

OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance - Shareholder (5/8)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

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OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance - Shareholder (6/8)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

Investments

C Company
Relationship

G Governance

Quality of
Management
Team & Board

D Departmental
Relationship

F Financial
Performance

B Balance
Sheet & Risk

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Governance - Shareholder (7/8) OFFICIAL - SENSITIVE

UKGI-BP-409a

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. | 17. | 18. | 19. |
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IRRELEVANT

M_046631

UK Government
Investments



Governance - Shareholder (8/8) OFFICIAL - SENSITIVE

UKGI-BP-409a

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

UK Government
Investments

C Company
Relationship

G Governance

T Quality of
Management
Team & Board

D Departmental
Relationship

F Financial
Performance

B Balance
Sheet & Risk

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OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance – NED role (1/2)

The overview below should address the following questions:

- What is UKGI's agreed role/purpose on the board?
- What are the key corporate governance/corporate finance skills required, if any, to fulfil the directorship role?
- What is the time commitment required?
- What is the development opportunity for the Director?
- What are the risks to UKGI of the directorship, if any?
- What are the priority contributions UKGI should deliver? Is this something UKGI should re-consider its involvement in?

| Name | Department | Overview | Appointed on date | Lead | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. | 17. | 18. | 19. |
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IRRELEVANT

M_046631

OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance – NED role (2/2)

The overview below should address the following questions:

- What is UKGI's agreed role/purpose on the board?
- What are the key corporate governance/corporate finance skills required, if any, to fulfil the directorship role?
- What is the time commitment required?
- What is the development opportunity for the Director?
- What are the risks to UKGI of the directorship, if any?
- What are the priority contributions UKGI should deliver? Is this something UKGI should re-consider its involvement in?

| Name | Department | Overview | Appointed on date | Lead | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. | 17. | 18. | 19. |
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IRRELEVANT

OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance – advisory (1/3)

The overview below should address the following questions:

- What is UKGI's agreed role/purpose?
- What are the key corporate governance/corporate finance skills required, if any, to fulfil the role?
- What is the opportunity for UKGI?
- What are the risks to UKGI, if any?
- What are the priority contributions UKGI should deliver? Is this something UKGI should re-consider its involvement in?

| Name | Department | Overview | Lead |
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OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance – advisory (2/3)

The overview below should address the following questions:

- What is UKGI's agreed role/purpose?
- What are the key corporate governance/corporate finance skills required, if any, to fulfil the role?
- What is the opportunity for UKGI?
- What are the risks to UKGI, if any?
- What are the priority contributions UKGI should deliver? Is this something UKGI should re-consider its involvement in?

| Name | Department | Overview | Lead |
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OFFICIAL - SENSITIVE

UKGI-BP-409a

Governance – advisory (3/3)

The overview below should address the following questions:

- What is UKGI's agreed role/purpose?
- What are the key corporate governance/corporate finance skills required, if any, to fulfil the role?
- What is the opportunity for UKGI?
- What are the risks to UKGI, if any?
- What are the priority contributions UKGI should deliver? Is this something UKGI should re-consider its involvement in?

| Name | Department | Overview | Lead |
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OFFICIAL - SENSITIVE

UKGI-BP-409a

Corporate Finance Advice – Projects (1/3)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

UK Government
Investments

CF Project key:

U UKGI role agreed

R Resources Secured: team, budget, etc.

A Stakeholder Alignment: on key objectives and project plan

T On Track: assessment of progress against plan

C Completed: Project concluded, including close-out review

OFFICIAL - SENSITIVE

UKGI-BP-409a

Corporate Finance Advice – Projects (2/3)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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IRRELEVANT

M_046631

UK Government
Investments

CF Project key:

U UKGI role agreed

R Resources
Secured: team,
budget, etc.

A Stakeholder Alignment:
on key objectives and
project plan

T On Track: assessment
of progress against
plan

C Completed: Project
concluded, including
close-out review

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OFFICIAL - SENSITIVE

UKGI-BP-409a

Corporate Finance Advice – Projects (3/3)

| Asset | Department | Priorities, quarterly objectives, risks and contextual factors | Lead |
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IRRELEVANT



OFFICIAL - SENSITIVE

UKGI-BP-409a

Corporate Finance Advice – Functions (1/2)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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| IRRELEVANT | | | |



OFFICIAL - SENSITIVE

UKGI-BP-409a

Corporate Finance Advice – Functions (2/2)

| Asset | Priorities, quarterly objectives, risks and contextual factors | Assessment | Lead |
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OFFICIAL - SENSITIVE

UKGI-BP-409a

Corporate Finance Advice – Appointments (1/1)

The overview below should address the following questions:

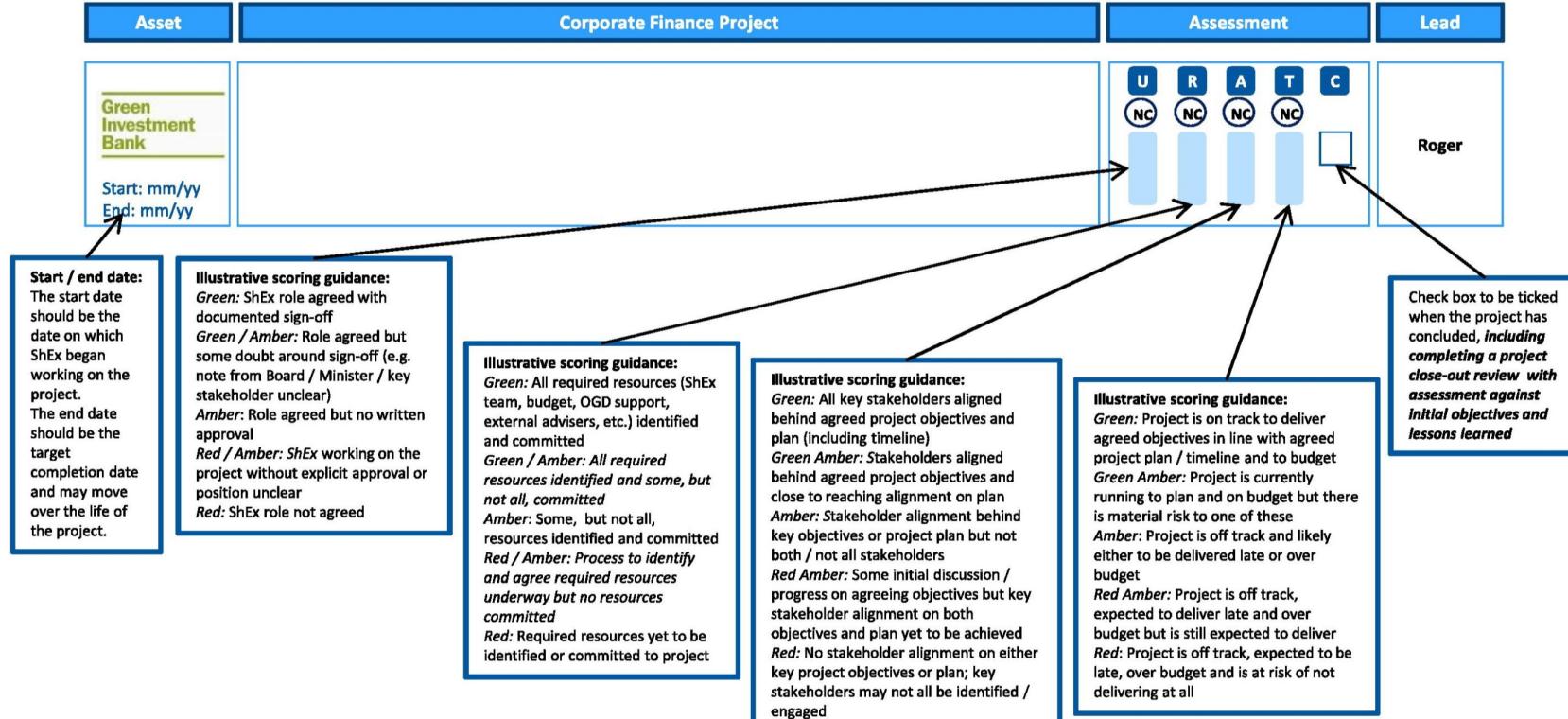
- What is UKGI's agreed role/purpose?
- What are the key corporate governance/corporate finance skills required, if any, to fulfil the role?
- What is the time commitment required?
- What is the opportunity for UKGI?
- What are the risks to UKGI, if any?
- What are the priority contributions UKGI should deliver? Is this something UKGI should re-consider its involvement in?

| Name | Department | Overview | Appointed on date | Lead | 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. | 15. | 16. | 17. | 18. | 19. |
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| | | IRRELEVANT | | | | | | | | | | | | | | | | | | | | | |



 = Risk reduced
 = Risk increased
 = No risk change

Explanation of the traffic lights for asset sales / advice



Project Key:  UKGI role agreed  Resources Secured: team, budget, etc.  Stakeholder Alignment: on key objectives and project plan  On Track: assessment of progress against plan  Completed: Project concluded, including close-out review

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19.