

UKGI-BP-103a

## UKGI BOARD MANDATE

UK Government Investments Limited (“the Company” or “UKGI”) was formed on 1<sup>st</sup> April, 2016 to undertake the activities previously undertaken by The Shareholder Executive and to be the parent of UK Financial Investments (“UKFI”). UKGI is wholly owned by HM Treasury (“HMT”) and governed by a Framework Agreement with HMT dated April 2016. UKFI is governed by its own Board and by a separate Framework Agreement with HMT agreed in June 2016 .

The purpose of this mandate (“Mandate”) of the Board of Directors (the “Board”) of UKGI is to provide guidance to Board members, about our role and responsibilities and the culture and values of the Board.

This Mandate will be reviewed annually in March of each year.

### OUR PURPOSE AND ROLE

The Board is responsible for the stewardship of the Company. We oversee the conduct and affairs of the Company to ensure that it achieves the objectives set out in its Framework Agreement (the “Objectives”) with HM Treasury, as well as complying with applicable law and regulation.

The Board discharges some of its responsibilities directly and others through its Board Committees and senior management.

The Board agrees, and has collective responsibility for, developing the strategy and high level priorities of the Company. We track and measure the performance against the strategy and Objectives. Our strategy consists of the development of specific actions aimed at achieving the Objectives.

The key resource in implementing our strategy is our people. Accordingly, one of our important roles is ensuring that senior management is effective in recruiting and developing our people, as well as ensuring that they are appropriately allocated to deliver our Objectives.

The Board is responsible for ensuring that appropriate values, ethics and behaviours for the proper conduct of the Company are agreed and that appropriate procedures and training are in place to ensure that these are observed throughout UKGI and that reward and assessment includes measurement against these values.

The Board has discussed and agreed the key values of the Company. We expect the Board and employees to be **Professional, Collegiate, Open and Honest and Outcomes Focused**.

The Board is responsible for ensuring that the senior management ensures respect for diversity across, *inter alia*, gender, ethnicity, age, nationality and religion by attention to recruiting, evaluation, promotion and compensation. The senior management will present an annual review of its diversity plan.

## UKGI-BP-103a

**Our responsibilities**

The Board recognises that it cannot, and should not, be involved in the day-to-day exercise of the various activities of the Company and nor to take operational decisions. The CEO, as Accounting Officer, is responsible for the key operational decisions. The CEO's duties, priorities and objectives will normally align with the Board's. When they do not, it is up to the Accounting Officer to act according to Accounting Officer standards of regularity, propriety, value-for-money and feasibility.

However, as the prudent fiduciary providing oversight of the management of the business, the Board does have responsibility for:

- (i) Ensuring that adequate controls and processes are in place for the proper exercise of the senior management's day-to-day responsibilities, including controls and processes to manage audit, compliance and legal risks as well as to manage public money and the Company's budget;
- (ii) Ensuring that people with the appropriate mix of skills and experience are in place to lead UKGI and meet our Objectives through recruiting, developing, remunerating and motivating our people;
- (iii) Ensuring that the management team of UKGI achieves our Objectives, including delivering corporate finance and corporate governance advice to Ministers and Departments across Whitehall. Each year the Board will agree the KPIs against which performance in delivering the Objectives will be measured. The Board will review and assess the KPIs quarterly and agree with the CEO on the form in which the CEO reports the KPIs to HMT at the Quarterly Shareholder Meeting;
- (iv) Giving its endorsement, when requested to do so by the Chair, CEO or Ministers, of advice to be given to Ministers. Requests to the Board for endorsement of advice will be typically about major decisions to be taken by Ministers at key milestones. Such milestones might include, but are not limited to, the pricing of an initial public offering or agreement to sale in a private market transaction.

The CEO and other senior UKGI officials may be held to account for advice given to Ministers when they are called as witnesses to give evidence at Parliamentary Select Committee hearings, in particular hearings of the Public Accounts Committee ("PAC"). PAC hearings will typically follow National Audit Office value-for-money reports. In these cases, the UKGI executives will typically appear in support of the Accounting Officer responsible for the asset, investment or divestment on which we have provided advice.

**Discharging our responsibilities**

In order to effectively discharge its responsibilities, the Board should be informed about the business of UKGI, including transactions and governance projects as well as other corporate finance and corporate governance advice. Accordingly:

- (i) Independent Directors are encouraged to meet with senior management and members of the project teams outside Board meetings;
- (ii) Independent Directors may be assigned to specific project teams. Assignments to project teams will facilitate the Board's role in ensuring appropriate risk assessment and internal control is in place and that advice is well-considered. The Independent Directors assigned to a project are expected to challenge, advise and support teams but do not have responsibility for leading the team or making decisions but, given their expertise and experience, may exercise influence;
- (iii) Independent Directors are encouraged to attend management-led, Risk and Assurance Reviews and to challenge, advise and support the teams in those reviews;
- (iv) The Board will discuss which transactions, governance roles and other significant areas of advice merit the Board's focus and attention and, in some instances, endorsements of advice. The CEO and senior management, in discussion with the Chairman, will identify the most important issues as far in advance as is possible so

## UKGI-BP-103a

- that the Board can be appropriately informed about the issues;
- (v) The Board will regularly review the main corporate finance and corporate governance projects to allow challenge, discussion and advice to the teams about the key issues and risks; and,
- (vi) Non-Executive Directors will receive regular updates as well as deep dives, when additional detail is required, at Board meetings.

Recently appointed Independent Directors will be offered an induction which may include meetings with senior management as well as a review of the main corporate finance and corporate governance projects and of the risk register.

### **Budget, Business Plan and Performance**

The Board is responsible for ensuring that effective procedures and processes are in place so that UKGI discharges its responsibilities to prepare a Budget and Business Plan each year for agreement with HMT and report on an effective and timely basis to the Principal Accounting Officer at HMT (or their nominee).

The Board is responsible for receiving updates of the performance of its subsidiary UKFI on a quarterly basis. While UKFI remains a separate subsidiary with its own Board and framework agreement UKGI will not be responsible for approval of advice given to HMT nor for day-to-day operations of UKFI.

### **Committee responsibilities**

The Board is responsible for ensuring that proper remuneration policies are in place for the attraction, retention and motivation of employees and that these policies are consistent with the framework agreed with HMT. *Much of this work is delegated to the Remuneration Committee.*

The Board is responsible for effective succession planning at Board level and for assessing the processes in place to ensure that there is appropriate succession planning amongst the senior management. *Much of this work is delegated to the Nominations Committee.*

The Board is responsible for overseeing the implementation of appropriate risk assessment systems, internal controls and processes to identify, manage and mitigate the principal risks of the Company's business both as they relate to transactions and Governance roles. *Much of this work is delegated to the Audit and Risk Committee.*

## **APPOINTMENTS, VALUES AND CULTURE**

### **Appointments**

The UKGI Board consists of (i) Independent Directors nominated by the Nominations Committee and approved by the Board and by HM Treasury, (ii) the Shareholder Representative Director and the Director appointed by a government department, currently BEIS, and (iii) the Chair, Deputy Chair and Chief Executive who are appointed by HM Treasury. (The Chief Executive is appointed by Treasury Ministers in consultation with the Chair).

UKGI aspires to be a high performing Board; this means we must appoint Independent Directors with the skills and experience necessary to achieve the Board's purpose and with the attributes and values required to help the effective functioning of the whole Board. The Board explicitly acknowledges the need for diversity in the composition of our Board. The Board will ensure that rigorous appraisals of the Board, its Committees and the individual Board members are



UKGI-BP-103a

conducted. (HM Treasury is responsible for external review of the Chair.)

## Values

Each member of the Board must exercise due care and diligence, using the skills and experience that they have and for which they were appointed to the Board. It is the responsibility of each Board member to always act in the interests of the Company and play their part in creating the required open Board culture.

In fulfilling their duties, UKGI Directors are expected to uphold and embody the Company's values of **being Professional, Collegiate, Open and Honest and Outcomes Focused**; these values are the lens through which our decisions and actions should be viewed. The values will be used in evaluating the effectiveness of the Board and the contribution of all Board members.

These values should be at the heart of every action of the UKGI Board and its Members and of every decision taken by the Board. UKGI's reputation and its ethos has been hard earned through the work over many years of The Shareholder Executive and UKFI, is a key element of the brand and must be preserved and enhanced. If any material aspect of the Company's business or of any proposed action does not feel right judged against these values, the view should be expressed at the Board or, where necessary, privately to the Chairman, Senior Independent Director or CEO for discussion and resolution.

Board Members are expected to comply at all times with "*Code of Conduct for Board Members of Public Bodies*" and otherwise observe the points set out in paragraph 6.12 of the Framework Agreement relating to use of public funds, conflicts of interest, use of information, acceptance of gifts and hospitality, etc.

## Culture

Board members have a duty to make their considered views known, even if they are critical or are expressing an opposing view. They should do this in a way that represents the values and encourages constructive discussion and solutions rather than conflict, and in a way that respects the views of other Board members.

As a Board we accept that things do not always go according to plan in business and we must be able to discuss openly difficult issues and plans that have failed in a way that is designed to improve outcomes. So, whilst accountability must be clear, to encourage this open discussion we expect that challenge should be tempered and balanced by support and encouragement.

Directors are expected to take an active role in discussion and decision-making at each Board meeting. To facilitate this, the Chair is primarily responsible for ensuring that the Board has a culture where openness is encouraged, where disagreement is tolerated and valued, and where all Board members feel able to raise issues about any relevant aspect of the performance of the Company without constraint. As a Board, we respect the different skills and experience we each have and for which we were appointed and try to ensure that collectively we make the most of these talents by listening as well as speaking.

In support of the required openness at the Board, where it is expected that there will be differences of opinion, it is the responsibility of the Chair to bring discussion to a conclusion, decision and agreed action that reflects the views of the Board, cutting through disagreement where required.