



HM Government

1 Victoria Street □ London SW1H 0ET

TELEPHONE:

GRO

□ FAX:

GRO

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Robert Swannell

Via email –

GRO

November 2013

NON- EXECUTIVE BOARD MEMBER: SHAREHOLDER EXECUTIVE BOARD

I am very pleased to write formally to confirm your appointment as a Non-Executive Board member of the Shareholder Executive Board. The terms of reference for the Shareholder Executive Board are at Appendix 1, and the terms of your appointment are at Appendix 2. As you are aware, this role is advisory. You will receive a fee of £6,000 for this appointment.

I would be grateful if you would reply formally to this letter accepting the terms of reference for the appointment as set out in the appendix, and include a list of all directorships or other offices held and a note of any shareholdings or other beneficial interests which you have in any of the listed companies in the Shareholder Executive portfolio. Throughout the duration of your appointment, I'd be grateful if you could please keep me advised of new directorships, offices and any fresh acquisition of shares in these companies. This information will, of course, be held in confidence.

Once again, I am very pleased to offer you this appointment and look forward to working with you in this role.

Yours sincerely,

PATRICK O'SULLIVAN
CHAIRMAN, SHAREHOLDER EXECUTIVE

APPENDIX 1

**Shareholder Executive Board
Terms of Reference**

September 2013

1. Background

The Shareholder Executive was formed in 2003 with a mandate to improve the Government's performance as a shareholder of publicly-owned businesses. It now has a portfolio of around 20 complex businesses in which Government has a shareholding, and works with Government departments and management teams to help these businesses perform better.

The Shareholder Executive subsequently developed a wider role as a specialist provider of corporate finance advice which includes advising on asset sales, launch aid and broader forms of assistance, rescue aid and other major interventions and other significant Government projects.

ShEx has also taken a lead role in incubating various new projects including the Government Property Unit, the Green Investment Bank and, most recently, the Business Bank.

ShEx is part of the Department of Business, Innovation and Skills ("BIS") but a large part of its work is carried out for other Government Departments.

The Chief Executive Officer ("CEO") of ShEx is appointed by the Secretary of State of BIS.

The Shareholder Executive Board ("SEB") was established, initially as an Advisory Group, in late 2007. This was modified to 'Board' status in 2009.

Terms of Reference were agreed in October 2009. These reflected the shape and activities of ShEx at that time, hence the references to the Operational Efficiency Programme and the Government Property Unit.

Since then, not only has the shape of ShEx changed considerably but the SEB itself has taken on a more significant role within the governance arrangements for ShEx;

This paper is informed by three key documents:

- Chair's Appointment letter dated 4th October 2011;
- Corporate Governance in Central Government Departments Code of Good Practice 2011;
- Governance of the Shareholder Executive dated October 2009

2. Purpose

The designated purpose of the SEB is to act as an Advisory Board, providing assistance and support to the CEO and helping him ensure that ShEx adopts best practice with regards to governance. The principal activities of the SEB relate to three main areas: Strategy, Leadership of specific projects and Whitehall relationships.

Strategy

- To monitor strategic and operational risks faced by ShEx in relation to all its activities;
- To advise on the development of a medium term 5 year Strategy;
- To consider moves into new, or cessation of activity in existing, areas of business
- To review financial and operational performance in the context of the Strategy
- To consider major changes to ShEx's management and control structure.

Leadership of Specific Projects

- To assess individual high priority and / or high risk transactions, projects or other situations where ShEx is actively involved;
- To consider and regularly review the ShEx Risk Register, responsibility for which lies with the CEO.

Whitehall relationships

- To monitor developments across Whitehall and the broader public sector and to consider the threats and opportunities faced by ShEx;
- To ensure that effective relationships are maintained with all major stakeholders including BIS, HMT, Cabinet Office, Number 10 and other central Government departments;
- To consider strategy towards matters of public interest which could affect ShEx's reputation.

Beyond this, Cabinet Office guidance is that all Public Sector Boards should focus on providing advice and supervision in five main areas:

- Strategic clarity
- Commercial sense
- Talented people
- Results focus
- Management information.

3. Authority

- (i) The non-executive Chair is appointed by the Secretary of State for BIS and is responsible for leading the SEB;
- (ii) The CEO is appointed by the Secretary of State for BIS and reports to him. The CEO is responsible for the operational performance of ShEx;
- (iii) Non-executive Directors are endorsed by the Minister responsible for ShEx, but appointed by the Permanent Secretary for BIS;
- (iv) The Chair and CEO will report to Ministers on a 6-monthly basis on the overall performance of ShEx;
- (v) In the event that the CEO believes that actions recommended by the Chair or the SEB will cause a conflict with his responsibilities he will seek to remedy this in discussion first with the Chair and/or SEB and then through the Permanent Secretary in BIS. If it proves impossible to resolve the conflict, the CEO will invite the Secretary of State to issue an Accounting Officer Direction.

4. Interaction between SEB and Exco

SEB is separately constituted from, and is independent of, the Executive Committee of ShEx ("Exco"). The composition of the two bodies is different and, while they will inevitably cover some of the same ground, the nature of the discussions will be different. The SEB is expected to take a higher level, more supervisory and strategic perspective while the Exco's perspective will be more detailed and operationally orientated.

Interaction will be both formal, with papers presented by Exco members who will be invited to attend relevant parts of SEB meetings, and informal.

The principal conduit between the two boards is the CEO.

5. Role of Chair

The key role of the Chair is to lead the SEB and to provide high level advice and support to the CEO and the senior ShEx team on the three key areas of strategy, project leadership and Whitehall relations.

It is expected that the Chair will have significant board – level experience from the private sector, together with first hand experience of leading major transactions and a familiarity with Whitehall principles, practices and networks.

6. Membership of the Board

- (i) The Chair and the CEO will determine the makeup of the SEB which will be a combination of Non-executive directors and executives;
- (ii) Non-executive directors will be expected to have broad experience of Whitehall and a familiarity with the nature of ShEx's activities;
- (iii) Although SEB members do not have the statutory responsibilities associated with Company Directors, all members of the SEB are expected to act in line with the highest standards of corporate governance to ensure that ShEx complies, wherever possible and appropriate to its circumstances, with the Combined Code & the Nolan principles;
- (iv) There will be up to five Non-executive Directors, one of whom will be a senior representative of HMT;
- (v) Executive members will comprise the CEO and all ShEx Grade 3 Directors. The Chief Operating Officer, if not a Grade 3 Director, will be invited to attend as an observer.
- (vi) Remuneration of Non-executive Board members will be in line with current practice in BIS;
- (vii) A Senior Independent Director ("SID") shall be nominated by the Chair, in consultation with the CEO, who would normally take the place of the Chair when required.

7. Meetings

- (i) **Frequency** – SEB will normally meet six times per annum in central London and on such other occasions as the Chair, in consultation with the CEO, shall deem appropriate;
- (ii) **Attendance** - Other individuals, particularly members of ShEx who are not members of SEB, will be invited periodically to attend SEB meetings, to give advice or actively participate in discussions on specific subjects, particularly those relating to their own function or transaction. Rights of access to SEB will at all times be at the discretion of the Chair in consultation with the CEO;
- (iii) **Quorum** – The minimum number of members required to constitute a quorum is four, including the Chair and at least one Executive and at least one Non-Executive member;
- (iv) **Agenda** – To be agreed with the Chair and finalised for distribution together with all relevant papers a minimum of 5 working days before each meeting.;
- (v) **Minutes** – Full minutes, in draft form, will be circulated to all SEB members as part of the following board pack . These will be ratified as a standing item at the following SEB;
- (vi) **Papers** – SEB should be provided with the right level of information and assurance to ensure it has appropriate oversight of strategic issues. Papers brought to SEB should be owned by one of the SEB members. Papers should be in the agreed form, making clear the Purpose and Next Steps proposed, together with an Executive Summary and relevant background information to provide the SEB with a rounded view of the matter in question. As a rule, papers should not exceed ten pages in length, although further information can be added as appendices where relevant;
- (vii) **Publication** - These TOR will be made available on the Intranet and the public Internet site.

APPENDIX 2

Terms of appointment of Non-Executive Board Members to the Shareholder Executive Board

Status

1. You are appointed as a Non-Executive Board Member of the Shareholder Executive Board. This role is advisory and is classed as an "Office Holder" for tax and National Insurance purposes. This appointment does not mean that you are an employee of the Department or the Crown.

Period of Appointment

2. Your term of appointment will begin on 1 December 2013 and will be for three years, ending by 30 November 2016.

Renewal of Appointment

3. An informal annual review of your appointment will be carried out by the Chairman of the Shareholder Executive Board.
4. Subject to a review of the position before the end of your current term you may be eligible for a reappointment for a second term

Termination of Appointment

5. The appointment can be terminated at any time on either side without notice.

Level of Commitment required

6. The Shareholder Executive Board meets 6 times a year. The meetings last approximately 3 hours and will be held in Central London.
7. The Board secretariat will aim to send meeting papers to you at least five working days before the meeting.

Remuneration

8. In total, you will receive a fee of £6,000 gross a year. This will be paid automatically, via our pay-roll, in 2 instalments of £3,000 gross payable at the end of March and September. This appointment is classed as an "Office Holder" for tax and National Insurance purposes and, as such, under Section 19(1) Income and Corporation Taxes Act 1988, the fee is liable to tax under Schedule E and attracts Class 1 National Insurance liability.
9. Please notify Nigel Smith, Head of Corporate Services (contact information below) of the details of your preferred bank or building society account, into which you would like your remuneration paid, by completing the format Annex A.
10. Your fee earnings will not attract any eligibility for or benefits from the Principal Civil Service Pension Scheme.

Conflicts of Interest

11. The Nolan Principles of Public Life, attached at Annex B, which are the foundations of the public appointments process and provide guidance on the standards expected of public appointees, apply to these appointments.
12. You must declare any business interests which may, or may be perceived to, influence your judgement in performing your functions. Accordingly, when replying to this letter, please include a list of all directorships or other offices held and a note of any shareholdings or other beneficial interests which you have in any of the listed companies in the Shareholder Executive portfolio, or within the Operational Efficiency Programme asset management strand. You should also keep the Chairman advised of any new directorships, offices or fresh acquisition of shares in such companies. This information will, of course, be held in confidence.
13. If at any time you feel that you may have a conflict of interest in any of the issues to be considered by the Board, you should let the Chairman know. If this should occur during a meeting itself you should bring the matter to the attention of the Chairman, who will decide whether or not it would be appropriate for you to withdraw from the meeting.

Declaration of Political Interests

14. You are expected not to occupy paid party political posts or hold particularly sensitive or high roles in a political party. Subject to the above, you may engage in political activity but should, at all times, remain conscious of your responsibilities as a board member and exercise proper discretion, particularly with regard to the work of the Shareholder Executive Board.
15. All members are expected to inform the Chairman if they intend to accept a paid or prominent position in any political party and understand that the appointment may be terminated early if it is felt that the positions are incompatible. In addition if, at any time during your term of office, you accept a nomination for election to the House of Commons or European Assembly, you will need to resign your appointments.

Confidentiality

16. Although not a civil servant of the Crown, the provisions of the Official Secrets Acts 1911 and 1989 will apply to you, and will continue to apply after the expiry of your appointments. Unauthorised disclosure of any information gained in the course of this appointment, or its use by you or others for personal gain or advancement, could result in the appointment being terminated early, or even criminal prosecution. You are not required to sign a declaration relating to these Acts. In addition, the appointment carries with it a duty of confidentiality in relation to the information you will receive.

Personal liability

17. In accordance with central policy, the Shareholder Executive will provide that where individual members have acted honestly, reasonably, in good faith and without negligence they will not have to meet out of their own personal resources any personal civil liability which is incurred in execution or purported execution of their Board functions.

Further Information

If you have any questions about the above terms of reference or any other issues concerning your appointment, please contact Peter Batten, Board Secretariat.

Shareholder Executive contacts

Board Secretariat: Peter Batten, [GRO] tel [GRO]

Head of Corporate Services: Nigel Smith, [GRO] tel [GRO]

[GRO]

1 Victoria Street, London SW1H 0ET

Annex A

Details of part time appointees for BIS to process fees

PLEASE COMPLETE IN BLOCK CAPITALS (other than e-mail address)

Members Full Name	
Name of Board / Committee	SHAREHOLDER EXECUTIVE BOARD
Residential Address	
E-mail Address	
Date of Birth	
National Insurance Number	
Bank Name	
Bank Address	
Bank Sort Code	
Bank Account Name	
Bank Account Number	

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Annex B

THE SEVEN PRINCIPLES OF PUBLIC LIFE (Not an Principles)

Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.