



OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS

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You asked for the Committee's advice about taking up an appointment with a new UK-China investment fund you are forming, called the UK-China Fund.

The Committee's remit

As you will be aware, it is the Committee's role to advise on any conditions that should apply to appointments or employment under the Government's Business Appointments Rules for Former Ministers (the Rules), which apply to former Ministers for two years after they leave office.

The Rules seek to counter suspicion that:

- a) the decisions and statements of a serving Minister might be influenced by the hope or expectation of future employment with a particular firm or organisation; or
- b) an employer could make improper use of official information to which a former Minister has had access; or
- c) there may be cause for concern about the appointment in some other particular respect.

When the Committee considers applications it must have in mind that Government has judged that it is in the public interest that former Ministers with experience in Government should be able to move into business or into other areas of public life, and to be able to start a new career or resume a former one. It is equally important that when a former Minister takes up a particular appointment or employment, there should be no cause for any suspicion of impropriety.

Appointment details

You informed the Committee that you have held talks with partners about establishing a new UK-China private equity fund (referred to throughout as the Fund), which would play a role in commercialising collaborative initiatives between the two countries.

You told the Committee that the idea for the Fund was brought to you, following your resignation as Prime Minister (PM), by your friend Lord Chadlington. The Fund would build

on the close bilateral relationship between the UK and China established when you were PM.

You confirmed that discussions about the Fund all took place this year and that no work or tentative discussions took place while you were PM.

Purpose and nature of the UK-China Fund

You provided the Committee with the following information about the Fund:

- The Fund would play a role in promoting economic UK-China cooperation in a wide variety of sectors, such as: technology (including Fin-Tech); healthcare; high-end manufacturing; infrastructure and new energy.
- The primary objective of the investments will be to help businesses in the targeted sectors expand into overseas markets.
- The Fund will be a commercially run private equity investment fund, with capital coming from leading Chinese and UK institutional investors.
- It will be managed commercially by a professional management team.
- It is intended that the Fund will be domiciled in the Republic of Ireland.
- It will invest primarily in the UK and China, and elsewhere in the world as commercially required.
- Through its investment activities, the Fund will help UK companies enter the Chinese markets and realise growth potential. Likewise, it will also help Chinese enterprises invest in the UK, and other foreign markets.
- The Fund will aim to help these companies overcome hurdles such as cultural differences, geo-political and regulatory risks etc.
- The Fund will promote economic development and relations between the UK and China, but will also benefit the international community by exploring broader investment opportunities.
- You informed the Committee that the Fund's likely partners are two business contacts of Lord Chadlington; and you confirmed that you had no contact or relationship with them during your time as PM.

Your role at the UK-China Fund

You provided the following information to the Committee about your proposed role at the Fund:

- You will play an active role in the strategic planning for the Fund's structure, including investment direction and management - approving investment partners and identifying businesses that could benefit from investment and commercial advice from the Fund's management team.
- You will participate in critical aspects of the decision-making process of the Fund and in setting the broad strategy.
- You will help connect UK companies with Chinese markets and Chinese capital with areas for investment in the UK; promoting greater interconnectivity and business links between the two countries.
- You envisage that the Fund will involve 2-3 days per month of your time.
- You will be Vice-Chairman and will be paid.
- You said it is hoped that the UK-China Fund will fit well with the UK's strategic needs. For that reason, "*if and when necessary*" you will facilitate dialogue with the UK (and Chinese) governments, but you will not lobby Ministers, departments or officials on behalf of Fund investors or partners.

Relevant dealings with the sector in office

You explained that, as PM, you held many meetings with Chinese government Ministers and officials, and with those working in the financial services sector and Fin-Tech firms in both the UK and China. You said that this contact was not directed to the current proposal to establish a new UK-China Fund. You noted that discussions that took place while you were PM focused on the broader political and economic policies being pursued by the UK and Chinese governments, not on the detailed internal policies or strategies of individual companies.

Government assessment

We consulted HM Treasury (HMT), the Department for International Trade (DIT), the Department for Business, Energy and Industrial Strategy (BEIS) and the Cabinet Office on the Fund and your proposed role in it.

The UK Government does not believe that your previous role as PM will provide an unfair advantage to the Fund. In particular, it noted the significant time-lapse between you being in office and setting up the fund, so that any information you were privy to by virtue of your role (particularly market-sensitive information) will be likely to be substantially out of date. It also noted that as former PM you will, under its Business Appointment Rules, be subject to a 2-year ban on lobbying the UK Government.

Cabinet Office informed the Committee that you had contact with Chinese officials and business people as PM, but this was not unusual and reflected a desire to increase trade and improve diplomatic relations.

Government is supportive of the Fund and your role in it. Government's view is that, if managed well, the Fund should bring economic benefits to the UK by promoting UK-China economic cooperation; and helping to overcome informational, logistical and operational barriers to UK firms developing successful businesses in China or with Chinese partners.

In relation to your offer to facilitate dialogue with the UK and Chinese Governments, Government's view is that having a trusted interlocutor on certain issues would be an advantage, subject to two points: there should be a clear demarcation between the Fund's private interests and governance structure and those of the UK Government; and any such dialogue between you/the Fund and the UK and Chinese Governments should occur only at the express consent of UK Government departments.

Cabinet Office has no concerns with respect to this application. In addition, they have suggested that conditions which allow for routine contact with Government, would be in the interest of Government.

The Committee's consideration

The Committee has considered the risk of this appointment being perceived as a reward – or to state the test in the Rules, whether there is scope for reasonable suspicion that the decisions or statements you made in Government might have been influenced by the hope or expectation of future employment.

It noted your confirmation that the discussions held about the Fund have all taken place this year and that no work or tentative discussions took place while you were PM. None of the information provided by Government suggests that any actions you took in office were influenced by expectation of financial gain.

You had contact with Chinese officials and business people as PM. Therefore, the Committee considers it is possible that you may engage with some of these people in your role with the Fund; and that some may make investments. However, it does not consider this would amount to a reward for decisions made while in office - as the Cabinet Office has confirmed that the contact you had with Chinese officials was not unusual for a PM and was consistent with Government's desire to increase trade and improve diplomatic relations.

The information you provided to the Committee about the Fund's likely partners is also a relevant factor here. You have confirmed, and the Cabinet Office corroborated, that you had no contact or relationship with the Fund's potential partners during your time as PM.

The Committee has also considered the risk of your involvement in the Fund providing it or you with an unfair advantage.

You will be drawing on the relationship you developed with the Chinese Government in this role. You explained to the Committee that you are proud of the strong bilateral relations you helped to build while in No.10 and that you wish to continue helping with UK-China relations out of office. You have been clear to the Committee that you will not lobby Ministers, departments or officials on behalf of Fund investors or partners. However you have said that "*if and when necessary*" you will facilitate dialogue with the UK and Chinese governments.

The Cabinet Office has suggested that a modified lobbying ban, which allows for routine contact with Government, would be beneficial for the operation of this role. The Committee considers that contact made at your instigation could risk your role affording the Fund with an unfair advantage, given your status and influence as former PM. However, the Committee considers that it would not give rise to such propriety concerns if contact came about at the invitation of the UK Government.

Additionally the Committee has imposed an condition stipulating that facilitating dialogue between the UK and Chinese Governments and testing UK Government initiatives with Chinese partners should only occur at the express consent of the UK Government. This will take careful handling and dialogue between the UK Government and the Fund and there should be an agreement on the terms of such engagement drawn up between parties to ensure this happens correctly. This agreement should be appropriate within the scope and spirit of the Rules and in keeping with this advice. I am copying this advice letter to the Cabinet Office to sight it on the conditions imposed.

The Committee also noted that it is intended the Fund will be domiciled in the Republic of Ireland. The basis upon which the Fund itself is structured and taxed is not within the scope of this Committee. However, it noted you have made HMT and the Cabinet Office aware of these proposed arrangements; and you informed the Committee that there would be no tax advantage to you from this arrangement.

The Committee wishes to make clear its recommendation is made on the basis of the information provided. It recognises that the Fund is in the development stages and therefore, if there is a change in the purpose and nature of the Fund, or your role in it, you should revert to the Committee for further advice.

Taking into account these factors, in accordance with the Government's Business Appointment Rules, the Committee advises this appointment be subject to the following conditions:

- you should not draw on (disclose or use for the benefit of yourself or the persons or organisations to which this advice refers) any privileged information available to you as Prime Minister;
- for two years from your last day in Ministerial office, you should not become personally involved in lobbying the UK Government on behalf of the UK-China Fund or its partners or investors or make use, directly or indirectly, of your contacts in Government and/or Crown service to influence policy or secure business on their behalf. Neither should you contact Ministers or officials to discuss issues relating to the UK-China Fund unless invited to do so by the UK Government. This would not prevent you from approaching the UK Government to agree the terms on which you may facilitate dialogue between the UK and Chinese governments; and
- you should not facilitate dialogue between the UK and Chinese Governments (or test UK Government initiatives with Chinese partners) without the consent of the UK Government.

By 'privileged information' we mean official information to which a Minister or Crown servant has had access as a consequence of his or her office or employment and which has not been made publicly available. Applicants are also reminded that they may be subject to other duties of confidentiality, whether under the Official Secrets Act, the Civil Service Code or otherwise.

The Business Appointment Rules explain that the restriction on lobbying means that the former Crown servant/Minister *"should not engage in communication with Government (Ministers, civil servants, including special advisers, and other relevant officials/public office holders) – wherever it takes place - with a view to influencing a Government decision, policy or contract award/grant in relation to their own interests or the interests of the organisation by which they are employed, or to whom they are contracted or with which they hold office."*

I should be grateful if you would inform us as soon as you take up employment with this organisation, or if it is announced that you will do so, either by returning the enclosed form or by emailing the office at the above address. We shall otherwise not be able to deal with any enquiries, since we do not release information about appointments that have not been taken up or announced. This could lead to a false assumption being made about whether you had complied with the Rules and the Ministerial Code.

Please also inform us if you propose to extend or otherwise change the nature of your role as, depending on the circumstances, it may be necessary for you to make a fresh application.

Once the appointment has been publicly announced or taken up, we will publish this letter on the Committee's website and include the main details of the application, together with the Advisory Committee's advice, in the regularly updated consolidated list on our website and in the next annual report.

The Baroness Browning

The Rt Hon David Cameron