

UK Infrastructure Bank Framework Document

1. Introduction and background

1.1 Purpose of this Document

1.1.1 This Framework Document (the “**Document**”) sets out the principles underpinning the relationship between Her Majesty’s Treasury (“**HMT**” or the “**Shareholder**”), UK Government Investments (“**UKGI**” or the “**Shareholder Representative**”) and UK Infrastructure Bank Ltd (“**UKIB**” or the “**Company**”).¹ It does not convey any legal powers or responsibilities.

1.1.2 The Document:

- I. sets out the Company’s core responsibilities and parameters within which it is expected to operate;
- II. describes the governance and accountability framework that applies between the Shareholder, the Shareholder Representative and the Company; and
- III. sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters, considering the framework established in the Articles of Association of the Company (the “**Articles**”) and other governance documentation.

1.1.3 Copies of the Document and any subsequent amendments will be placed in the libraries of both Houses of Parliament and made available to members of the public on GOV.UK and on the Company’s website.

1.2 Context

1.2.1 The Company will provide leadership to the market in the development of infrastructure and new infrastructure technologies, crowding-in private capital and reducing risk through its cornerstone investments and range of financial products. It will bolster the government’s lending to local government for large and complex projects through its expertise and scrutiny, and help to bring private and public sector stakeholders together to regenerate regions and create new opportunities.

¹ References to the Company include any subsidiaries and joint ventures that are classified to the public sector and central government for national accounts purposes. If the Company establishes a subsidiary or joint venture, the Company and the Shareholder shall discuss whether a document setting out the arrangements between it and the Company should be put in place.

1.2.2 The Company will focus on intervening in order to address shortfalls in the provision of private finance, thus allowing projects to be taken forward that would otherwise not have had the necessary support. Acting as a cornerstone investor, it will seek to leverage private investment.

1.2.3 The Company is an essential element of the government's broader infrastructure strategy, complementing the existing expertise of the Infrastructure and Projects Authority and the National Infrastructure Commission, and alongside the policy levers of central government.

1.2.4 This framework document is reflective of the Company's initial phase of operations and as such may be amended subject to mutual agreement between the parties. At a minimum, it will be reviewed no later than 12 months after the launch of the Company.

1.3 Company ownership, legal status and legal framework

1.3.1 The Company is one that is limited by shares, the sole shareholder of which is the Solicitor for the Affairs of Her Majesty's Treasury (the Treasury Solicitor) in their capacity as nominee for HM Treasury.

1.3.2 The Company has the relevant general legal capacities under the Companies Acts and the common law to provide products and investments to the market.

1.3.3 The Shareholder has agreed to the initial capitalisation of the Company. This initial capitalisation and any other financial assistance that may be given to the Company, including but not limited to any further capitalisation, loans or working capital facilities, will be provided under the Shareholder's legal powers, including common law powers, with the necessary spending authority being provided by section 1 of the Infrastructure (Financial Assistance) Act 2012, section 228 of the Banking Act 2009 or section 50 of the United Kingdom Internal Markets Act 2020.

1.3.4 The Company must ensure that, when making any investments or developing any products, it considers the proper legal basis upon which such spending will be incurred, having regard to the specific spending authority provisions set out above. The Company will consult the Shareholder where appropriate with a view to ensuring that its conclusions in this regard are consistent with the Shareholder's accountability to Parliament.

1.3.5 The Company must also ensure that nothing in the terms and conditions of its investments or products is inconsistent with, or would prevent or impair its compliance with, this Framework Document.

1.3.6 The Company is a separate legal entity from that of the Shareholder and will act with operational independence after the initial phase of operations. The Company's board of directors (the "**Board**") and the executive team will run the day-to-day operations of the Company within the parameters set out in this Document. They are accountable to the Shareholder for the performance of the Company.

1.3.7 The Shareholder will appoint the Shareholder Representative Director to sit as a Non-Executive Director on the Company's Board.

1.4 Government classification

1.4.1 The Company is yet to be administratively classified.

2. Strategic Objectives

2.1 The Company's core mission is to partner with the private sector and local government to increase infrastructure investment to help to tackle climate change and promote economic growth across the regions and nations of the United Kingdom.

2.2 This mission will be pursued through two strategic objectives (the "**Strategic Objectives**"):

- i. to help tackle climate change, particularly meeting the government's net zero emissions target by 2050; and
- ii. to support regional and local economic growth through better connectedness, opportunities for new jobs and higher levels of productivity.

3. Operating Principles

3.1 To ensure the Company is successful in meeting its core objectives, the Company will act in line with the following principles:

- Achieving policy objectives and generating a positive financial return over time: the Company will work towards achieving a double-bottom line, whereby investments help to achieve the core policy objectives to tackle climate change and support regional and local economic growth, whilst generating a positive financial return to ensure the financial sustainability of the institution and to reduce the burden on the taxpayer.
- Partnership: the Company will operate in partnership with private and public sector institutions and other stakeholders to finance and support infrastructure investment.
- Additionality: the Company will prioritise investments where there is an undersupply of private sector financing and, by reducing barriers to investment, crowd-in private capital.
- Operational independence: the Company will, as noted in Section 1.3 above, have operational independence in its day-to-day activity. The Company will have delegated authority to make investment decisions, subject to meeting certain conditions agreed with the Shareholder.
- Impact and credibility: the Company will be a long-lasting institution and able to provide long-term patient capital through its investments.
- Flexibility: the Company will have flexibility to adapt and respond to evolving market conditions to enable it to deliver on its mandate.

3.2 The principles described above (as amended, updated or replaced from time to time) are referred to in the remainder of this Document as the "**Operating Principles**".

3.3 The Company and the Shareholder will maintain ongoing consultation on the Operating Principles to allow them to evolve as the Company's operations progress.

4. Investment Principles

4.1 The guiding investment principles for considering whether an infrastructure or economic development investment is within the scope of the Company's investment mandate are set out below. The Company will make an assessment of private sector projects against these principles (the "Investment Principles"):

- 1) The investment helps to support the Company's objectives to drive regional and local economic growth or support tackling climate change;
- 2) The investment is in infrastructure assets or networks, or in new infrastructure technology. The Company will operate across a range of sectors, but will prioritise in particular clean energy, transport, digital, water, and waste;
- 3) The investment is intended to deliver a positive financial return, in line with the Company's financial framework; and
- 4) The investment is expected to crowd-in significant private capital over time.

4.2 The Company's dual objectives of investing in projects to help mitigate and adapt to climate change, and to support regional economic growth across the UK have huge potential synergies. But occasionally these objectives will be in tension with each other, especially in the near term. The Company will be required to have regard to both of these objectives, both in setting its lending and investment policies and in assessing specific transactions. Where an investment is primarily to support economic growth, the Company will ensure that it does not do significant harm against its climate objective.

4.3 The Company will not consider lending or providing other support to projects involving extraction, production, transportation and refining of crude oil, natural gas or thermal coal with very limited exemptions. These exemptions include projects improving efficiency, health and safety and environmental standards (without substantially increasing the lifetime of assets), for Carbon Capture and Storage ("CCS") or Carbon Capture, Usage and Storage ("CCUS") where projects will significantly reduce emissions over the lifetime of the asset, or those supporting the decommissioning of existing fossil fuel assets. The Company will also not support any fossil-fuel fired power plants, unless part of an integrated natural gas-fuelled CCS or CCUS generation asset. This policy will be updated over time to reflect changes in government policy and regulatory standards.

4.4 The Company is expected to develop its own environmental and social governance ("ESG") strategy in collaboration with the Shareholder to consider the impacts of its investments and its assessment and implementation approach in further detail.

5. Governance and accountability

5.1 Overview

5.1.1 Relationships between the Shareholder, the Shareholder Representative and the Company will be founded on professionalism, efficiency, and mutual trust.

5.1.2 The Company shall operate corporate governance arrangements that comply with applicable regulatory requirements and which, so far as practicable and in the light of the other provisions of this Document or as otherwise may be mutually agreed between the Company and the Shareholder, accord with good corporate governance practice.

5.1.3 In particular (but without limitation), the Company must:

- a) comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (the "**Code**") (as amended and updated from time to time) to the extent appropriate to the Company or specify and explain any non-compliance in its annual report;
- b) comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice to the extent appropriate to the Company;
- c) comply with Managing Public Money ("**MPM**");
- d) take into account, as far as practicable and appropriate with respect to the Company, the relevant Green Book guidance when appraising investment opportunities; and
- e) take into account, as far as practicable and recognising that the necessary processes will take time to introduce after the initial phase of operations, the codes of good practice and guidance set out in Appendix 1 of this Framework Document, as they apply to arms' length bodies.

5.1.4 The Company shall provide an account of corporate governance in its annual governance statement including the Board's assessment of its compliance with the Code with explanations of any material departures. To the extent that the Company does intend to materially depart from the Code, the Shareholder and Shareholder Representative should be notified in advance.

5.2 The role of the Shareholder

Ministerial responsibility

5.2.1 The Chancellor of the Exchequer (the "**Chancellor**") has ministerial responsibility and accountability to Parliament in respect of the Company's activities, although the Chancellor may delegate this responsibility or certain specific responsibilities, such as approving projects outside of the Company's delegated limits, to other HMT ministers.

Board appointments

5.2.2 The Shareholder is responsible for making the appointments listed in Section 5.2.3 below to the Company's Board by ministerial appointment, through a process that adheres to best practice guidance for appointments in being open, fair and transparent. The Shareholder will ensure that the Board has a balance of skills and diversity which is appropriate to directing the Company's business.

5.2.3 The Shareholder will appoint:

- the Chair and other Non-Executive Directors ("**NED**") for a term of three years, subject to satisfactory annual appraisal. The Chair and NEDs may be reappointed for up to two further terms of three years, subject to mutual agreement and meeting required performance standards;

- a senior employee of the Shareholder Representative as a NED on the Company's Board (the "**Shareholder Representative Director**"). The Shareholder Representative Director will make provision for the appointment of an alternate Shareholder Representative Director as required; and
- the Chief Executive Officer ("**CEO**") who shall be a permanent employee of the Company.

5.2.4 The Company shall be responsible for appointing all other executive directors, who shall be permanent employees of the Company. This process will be conducted via the Company's Nominations Committee as set out in Section 5.12. In each case, the Board will give legal effect to the appointment.

5.3 Other Shareholder reserved matters

5.3.1 The Shareholder is answerable to Parliament for all matters concerning the Company. Aside from the Shareholder reserved matters set out in this Document, the Shareholder will review, and if in agreement, give prior written approval to the following "**Shareholder Reserved Matters**":

- the Strategic Plan (following development and updating by the Board, the Shareholder will review and approve this annually);
- any changes to the approved capital structure and to the financial framework as set out in Section 6 below, including to the remuneration policy as set out in Section 9 below;
- the appointment or removal of any external auditor.

5.4 The role of the Shareholder Representative

5.4.1 The Shareholder Representative is responsible for discharging the responsibilities of the Shareholder and will seek regular input from the Shareholder.

5.4.2 The Shareholder Representative shall:

- maintain appropriate and effective corporate governance foundations which govern the Shareholder, Shareholder Representative and the Company's relationship;
- promote effective objectives, business planning and performance against the Strategic Plan set out in Section 5.11;
- promote the organisational capability of the Company to deliver against its Strategic Plan;
- promote effective leadership (high quality Boards and senior management);
- promote effective relationships between the Shareholder, Shareholder Representative and the Company; and
- support and supplement the activities outlined above by providing an experienced Non-Executive Director on the Board of the Company.

5.4.3 The Shareholder Representative's responsibilities are set out in Appendix 2 to this Framework Document.

5.4.4 The Shareholder Representative Director will be represented by an alternate Shareholder Representative Director in the event that the Shareholder Representative Director is unable to fulfil their role.

5.5 Information provided to the Shareholder Representative

5.5.1 The Shareholder Representative has the right of access to all of the Company's records and personnel for any purpose including, for example, sponsorship audits and operational investigations. The Company shall provide the Shareholder Representative with such information about its operations, performance, individual projects or other expenditure as the sponsor department may reasonably require.

5.5.2 The Shareholder Representative may request the sharing of data held by the Company in such a manner as set out in central guidance except insofar as it is prohibited by law. This may include requiring the appointment of a senior official to be responsible for the data sharing relationship.

5.5.3 The Company will facilitate the Shareholder Representative in fulfilling its function by providing relevant information on request including on, but not limited to, strategic plans, financial forecasts and budgets, financial performance, achievements against targets, capital expenditure and investment decisions, governance matters, such as Board appointments and remuneration; and reports on key corporate risks.

5.5.4 Where the Shareholder Representative Director receives information:

- in their capacity as the Shareholder Representative Director, the Company must ensure that the Director is authorised to share this information with the Shareholder in accordance with the terms of this Document; or
- other than in their capacity as the Shareholder Representative Director and where the information is subject to a duty of confidentiality, they shall not be obliged to disclose the information to the Shareholder. Where the Shareholder Representative Director receives such information in such capacity, in circumstances where they consider that the knowledge or receipt of such information could affect their ability to comply with their duties as a NED of the Company, the Shareholder Representative Director agrees to notify the Board as soon as practicable and to take appropriate steps, including but not limited to agreeing to recuse themselves from relevant decision-making processes.

5.6 Meetings

5.6.1 The following meetings will take place (in person or virtually) to ensure appropriate information flows between the Company, the Shareholder Representative and the Shareholder on policy, performance and governance:

- i. The relevant HMT minister will meet at least once a quarter with the Chair and Chief Executive of the Company. The relevant HMT minister may require further meetings as reasonably necessary.

- ii. The Principal Accounting Officer ("PAO") will meet with the Accounting Officer ("AO") of the Company at least once a year, or more frequently as necessary if agreed between the parties, or at the request of either the PAO or the AO.
- iii. Regular meetings between the Shareholder Representative and senior Company representatives (including the Chair, CEO and CFO) will be held on a quarterly basis to discuss governance, financial performance and other relevant matters (Quarterly Shareholder Meetings).

5.6.2 The Shareholder will be responsible for hosting the meetings described in (i) and (ii), the Shareholder Representative will be responsible for hosting the meetings described in (iii). In each case, the relevant host will ensure that each meeting is arranged in a timely fashion to suit the reasonable convenience of all relevant parties, and that a suitable agenda is agreed and circulated a reasonable time in advance of the meeting.

5.7 Accountabilities and responsibilities of the PAO

5.7.1 The Permanent Secretary of HMT is the PAO for the activities of the Company.

5.7.2 The PAO will designate the AO and will ensure that the AO is fully aware of their responsibilities. The PAO will issue a letter appointing the AO and setting out their responsibilities and delegated authorities. Whilst the CEO of the Company will typically be the AO, if deemed appropriate, the PAO may designate another person as AO.

5.7.3 The general responsibilities of a departmental PAO are set out in Chapter 3 of MPM.

5.7.4 The PAO is responsible for advising the Chancellor and other relevant HMT ministers:

- on an appropriate framework of objectives and targets for the Company in the light of the Shareholder's wider strategic aims and priorities; and
- how well the Company is achieving its Strategic Objectives and whether the Company is delivering value for money.

5.7.5 The PAO is also responsible for ensuring arrangements are in place in order to:

- monitor the Company's activities;
- address significant problems in the Company, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the Shareholder and the Company's objectives and activities;
- inform the Company of relevant government policy in a timely manner; and
- bring concerns about the activities of the Company to its full Board requiring explanations and assurances that appropriate action has taken place.

5.7.6 The Shareholder Representative will be the primary point of contact between the Shareholder and the Company. They are the main source of advice to the responsible minister and PAO on the discharge

of their responsibilities in respect of the Company. Therefore, the Company should engage with the Shareholder Representative as the initial point of contact between the Company and the Shareholder.

Responsibilities for accounting to Parliament

5.7.7 The responsibilities of the Company's AO include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Shareholder;
- preparing and signing the Governance Statement (as set out in the Corporate Governance Code) covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the Company are established and made widely known within the Company;
- ensuring that the Company acts in accordance with the terms of this Document, the principles of MPM and other instructions and guidance issued from time to time by the Shareholder and the Cabinet Office to the extent that they apply to the Company; and
- giving evidence, normally with the PAO, if required before the Public Accounts Committee or Treasury Select Committee on the Company's stewardship of public funds.

Responsibilities to the Shareholder and the Shareholder Representative

5.7.8 The AO's responsibilities to the Shareholder and Shareholder Representative include:

- establishing, in agreement with the Shareholder, the Company's Strategic Plan;
- informing the Shareholder and Shareholder Representative of progress in achieving the Strategic Objectives as appropriate and in demonstrating how resources are being used to achieve those objectives; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Shareholder Representative; that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Shareholder Representative in a timely fashion.

Responsibilities to the Board

5.7.9 The AO is responsible for:

- advising the Board on the discharge of the Company's responsibilities as set out in this Document, in any relevant instructions and guidance that may be issued from time to time;
- advising the Board on the Company's performance compared with its aims and objectives as set out in the Strategic Plan;

- ensuring that financial considerations are taken fully into account by the Company's Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal techniques are followed; and
- taking action as set out in paragraph 3.8.6 of Managing Public Money if the Company's Board, or its Chair, is contemplating a course of action involving a transaction which the AO considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

Managing conflicts between the Board and the AO

5.7.10 The AO (on the assumption that they are a member of the Board, after the initial phase of operations) should follow the advice and direction of the Board, except in very exceptional circumstances where there is a clear rationale for not doing so. The AO must take care that their personal legal responsibilities do not conflict with their duties as a Board member. In particular, the AO should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

5.7.11 If the Chair or Board of the Company is minded to instruct the AO (on the assumption that they are a member of the Board, after the initial phase of operations) to carry out a course inconsistent with their duties as accounting officer, then the AO should make their reservations clear, preferably in writing. If the Board is still minded to proceed the AO should then:

- ask the PAO to consider intervening to resolve the difference of view, preferably in writing;
- if the Board's decision stands, seek its written direction to carry it out;
- proceed to implement without delay; and
- follow the routine in paragraph 3.4.5 of Managing Public Money.

5.8 The role of the Board

5.8.1 The role of the Board shall be to run the Company in accordance with this Document and with their statutory, regulatory, common law and fiduciary duties, and to deliver the Strategic Objectives. Detailed responsibilities of the Board shall be set out in the Board's terms of reference (as varied from time to time) and shall include the following:

- establishing and taking forward the aims and objectives of the Company as set out in the Strategic Objectives subject to Shareholder approval. These should be consistent with the Company's overall Strategic Plan and within the policy and resources framework determined by the Shareholder;
- developing, updating and approving the multi-year Strategic Plan and the annual operating plan and budget;
- ensuring that the Company's activities are conducted in accordance with the Operating Principles;

- providing effective leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed;
- ensuring the financial and human resources are in place for the Company to meet its Strategic Objectives;
- ensuring that the Board receives and reviews regular financial information concerning the management of the Company and is informed in a timely manner about any concerns about the activities of the Company;
- reviewing management performance;
- ensuring that the Shareholder is kept informed of any changes which are likely to impact on the strategic direction of the Company or on the attainability of its Strategic Objectives, and determining the steps needed to deal with such changes;
- demonstrating high standards of corporate governance at all times, including by using the Company's audit and risk committee to help the Board to address key financial and other risks;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with and that the Board operates within the limits of its legal authority and any delegated authority agreed with the Shareholder, and in accordance with any other conditions relating to the use of or risk to public funds;
- if required, co-operating fully with the requests of all relevant Parliamentary committees for scrutiny, requests from the Parliamentary Commissioner for Administration and otherwise to assist the Shareholder and the Shareholder Representative in answering questions about the Company; and
- determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the Company of the Strategic Objectives.

5.8.2 For the avoidance of doubt and subject to the directors' statutory, common law and fiduciary duties, the Board's obligations in this regard are to the Shareholder alone, and not, for instance, to individual departments across government.

5.8.3 At the request of the Shareholder, the Board or its representatives shall:

- meet the Shareholder or their representatives with reasonable notice to discuss the affairs of the Company; and
- provide such information in relation to the affairs of the Company as the Shareholder may reasonably require, while also respecting the operational independence of the Company.

5.8.4 Consistent with its operational independence, the Company will make its own investment decisions, subject to its delegated authority limits. These decisions may result in the Company entering into binding legal obligations, including obligations of contractual and/or common law confidentiality with respect to the information of third parties. Without prejudice to the foregoing, the Company acknowledges and

agrees that it, the Shareholder and the Shareholder Representative also have public sector accountability obligations, including to Parliament and, as such, the Company will seek to provide the Shareholder with information that it may require by law and/or reasonably require to meet its accountability obligations, including to Parliament and the National Audit Office. The Shareholder acknowledges that any such information shall be handled appropriately, including ensuring commercially sensitive information is kept confidential and any personal data is handled in accordance with relevant data protection legislation. The Company and the Shareholder acknowledge and agree that an information protocol shall be agreed between them as soon as reasonably practicable.

5.9 The role of the Chair

5.9.1 The Chair is accountable to the Shareholder. Engagement between the Company's Board and the Shareholder should, in the first instance, be through the Chair engaging with the Shareholder Representative.

5.9.2 The Chair is responsible for leading the Board in the delivery of its responsibilities and objectives.

5.9.3 The Chair should lead the Board in providing support and challenge to the Company's CEO and the executive team as set out in the UK Infrastructure Bank Limited - Chair's Letter issued to them by the Shareholder Representative from time to time.

5.9.4 In addition, the Chair has the following leadership responsibilities:

- helping to formulate the Board's strategy;
- leading the Board in scrutinising and challenging the Strategic Plan formulated by the executive of the Company;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Shareholder;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

5.9.5 The Chair has an obligation to ensure that:

- Board members are fully briefed on terms of appointment, duties, rights and responsibilities (as set out in Section 5.10.1 and any appointment letter); and performance of individual Board members is regularly assessed, including when being considered for re-appointment;
- the Chair, together with the other Board members, undertake appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- there are regular internal and external reviews of Board performance and composition, with an externally facilitated Board evaluation at least every three years; and

- the Shareholder is advised, via the Shareholder Representative, of the Company's needs when Board vacancies arise. The Chair will discuss Board composition, external board review and succession plans with the Shareholder Representative from time to time, and agree any actions at least annually.

5.9.6 Engagement between the Company's Board and the Shareholder should, in the first instance, be through the Chair or the CEO engaging with the Shareholder Representative.

5.9.7 Notwithstanding the Code, the Shareholder shall retain responsibility for conducting overall evaluation and review of the Chair's performance. In conducting such evaluation and review the Shareholder shall take into account appraisal of the Chair's performance in accordance with the Code.

5.10 The role of individual Board members

5.10.1 Individual Board members should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies and with the rules relating to the use of public funds and conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- ensure they are familiar with any applicable guidance on the role of Public Sector non-executive directors and boards that may be issued from time to time by the Cabinet Office, HM Treasury or wider government;
- ensure that, in accordance with the Code they should not take on additional external appointments without prior approval of the Board. Furthermore, the Shareholder Representative should be informed in advance before a director takes on a new external appointment;
- comply with the Board's rules on the acceptance of gifts and hospitality; and
- act in good faith in the best interests of the Company and in accordance with their statutory, common law and fiduciary duties as Directors of the Company, including under section 172 of the Companies Act 2006 which set out directors' duty to promote the success of the Company for the benefit of the members as a whole.

5.11 Board composition

5.11.1 The Board comprises the Non-Executive Chair, other Non-Executive Directors (including the Shareholder Representative Director), the CEO, and other Executive Directors. All will be company directors within the meaning of the Companies Act 2006.

5.11.2 The Board shall be no larger than 10 members, unless otherwise agreed with the Shareholder. This will include as an executive and voting Board member an appropriately qualified finance director as described in Annex 4.1 of Managing Public Money.

5.11.3 The Board must contain a balance in favour of Non-Executive Directors whom the Board considers to be independent.

5.11.4 The quorum for Board meetings shall be three Directors, one of whom shall be the Shareholder Representative Director (or an alternate Shareholder Representative Director), and one of whom shall be an Executive Director (or an alternate director appointed by an Executive Director) as stated in Article 88 of the Company's Articles.

5.11.5 The Shareholder reserves the right to request that an observer attends all or part of specific Board meetings. The Company's consent is not to be unreasonably withheld, delayed or conditioned.

5.12 Board committees

5.12.1 It is the responsibility of the Board to establish the following committees of the Board: the Audit and Risk, Remuneration, and Nomination Committees.

5.12.2 The membership and terms of reference of each committee shall be determined by the Board and reviewed and updated as necessary by the Board, on at least an annual basis. The Shareholder Representative Director must always be a member of the Audit and Risk, Remuneration and Nomination Committees.

5.12.3 The Audit and Risk Committee shall be responsible for the independent appraisal of the Company's control environment, financial reporting, risk management and effectiveness of corporate governance, and for providing advice and challenge on risks that may adversely impact the Company, in accordance with its terms of reference to be published on the Company's website

5.12.4 The Nominations Committee shall be responsible for items such as recruitment of senior executives and appointing them as directors of the Board. The Nomination Committee's terms of reference will be published on the Company's website.

5.12.5 The Remuneration Committee will approve the Company's Remuneration Policy in accordance with Section 9.3 below. The Remuneration Committee Terms of Reference published on the Company's website will reflect this. The Remuneration Committee should report annually to the Shareholder Representative on the key items it has considered over the course of the year and how it has approached them, including confirming to the Shareholder Representative that the Company has complied with Section 9 of this Document, the Company's own Remuneration Policy and any other relevant guidance applicable to the Company. The Remuneration Committee shall also be responsible for matters relating to pensions and life cover.

5.13 Strategic Plan and performance measures

5.13.1 The Company shall publish a Strategic Plan within the first 12 months from the publication of this document. The Company shall agree with the Shareholder the issues to be addressed in the plan and the timetable for its preparation, but, as a minimum, it shall include:

- financial information at a level of detail agreed between the Company and the Shareholder Representative covering a 3-year forecast period, including an income statement, balance sheet, cashflow statement and explanatory narrative regarding assumptions;

- a description of how the Strategic Objectives are being fulfilled in the current period and for the future including clear descriptions of risks and opportunities to the plan;
- a description of how the Company's activities will be conducted in accordance with the Operating Principles and Investment Principles;
- a description of how the Company intends to engage informally or formally with stakeholders in its day-to-day operations, including through memorandums of understanding and advisory panels;
- a set of Key Performance Indicators ("KPIs") to allow the Board and Shareholder Representative to track performance against the plan; and
- other matters as agreed between the Shareholder and the Company.

5.13.2 The Strategic Plan will be developed, reviewed and updated by the Board on an annual basis, and in each instance shall be approved by the Shareholder.

6. Financial framework and risk management

6.1 Shareholder guidance and other government controls

6.1.1 The activities, roles and responsibilities of the Company as described in this Document should comply with MPM, the Consolidated Budgeting Guidance² and guidance issued by the Shareholder and the Cabinet Office (as amended from time to time and to the extent applicable to the Company).

6.2 Pricing and subsidy control rules application

6.2.1 The Company will make decisions on the pricing applied to individual transactions taking into account its public policy objectives, including any market failure it is seeking to address. The Company will ensure that pricing is:

- reflective of the risk undertaken;
- consistent with the relevant sections of MPM³; and
- in accordance with applicable company and competition law, subsidy control rules and regulatory requirements.

6.2.2 The Company will have its own in-house legal function, or will obtain suitable third-party legal services, that will advise the Company, in particular, in respect of individual programmes and transactions from a subsidy control perspective.

² www.gov.uk/government/publications/consolidated-budgeting-guidance-2020-to-2021

³ In particular, see 6.6 of Managing Public Money.

6.3 Dividend distribution and retained earnings

6.3.1 The Shareholder will be able to request a dividend in order to prevent significant retained earnings being accrued over time within the Company. The mechanics of this process will be agreed in writing by the Shareholder.

6.4 Capitalisation

6.4.1 The Shareholder will provide the Company with a maximum financial capacity of £22 billion. This will be drawn as follows:

- the Shareholder will provide the Company with £5 billion of equity over time. The Company will be able to draw down up to £1.5 billion in any given year for the first five years;
- the Company will be able to borrow from the Debt Management Office (“DMO”), through voted loans via HM Treasury’s departmental supply funding, and also private markets depending on the best value for money, as outlined in Section 6.5 below; and
- the Company will take over management of the UK Guarantee Scheme. It will be able to issue up to £10 billion of guarantees overall, and up to £2.5 billion in guarantees in any given year.

6.4.2 The Strategic Plan set out in Section 5.11 should include a capital drawdown profile, which will be agreed with the Shareholder.

6.5 Loan facilities

6.5.1 Any loan facilities put in place should be reviewed and approved by the Board and take into account guidance set out in MPM (5.8 Borrowing by Public Sector Organisations and 5.9 External Borrowing) where relevant. The Company will be able to borrow up to £1.5 billion a year, from either the DMO facility or private markets depending on the best value for money, up to the £7 billion total borrowing limit. The cost of borrowing from the DMO will be set by the Shareholder.

6.5.2 The Company will operate through the Government Banking Service and such commercial banking arrangements as are approved by the Board and agreed with the Shareholder Representative, having been approved by the Shareholder.

6.6 Return on equity

6.6.1 The Company differs from commercial actors in that its primary objective is to deliver against its specific public policy objectives (the Strategic Objectives), within a given level of risk and return.

6.6.2 The Shareholder and the Company will agree a medium term (5 year) return target for the Company. The Shareholder and the Company agree that progress towards the annual return on equity should be demonstrated by the end of 2023-24 and be met by the end of 2025-26.

6.7 Risk framework

6.7.1 The Company shall ensure that the risks it faces are dealt with in an appropriate manner and implement policies and practices to safeguard itself against fraud and theft. It should take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract.

6.7.2 As part of the full financial framework, the Company will work with the Shareholder to develop a risk management framework (the "**Risk Management Framework**") to address the risks relevant to the activities and exposures of the Company, including risks associated with making and divesting investments, the assessment and mitigation of those risks, and the Company's associated structures, controls, processes and procedures. This will be drafted in accordance with the Shareholder guidance 'Management of risk - Principles and Concepts' (the "**Orange Book**").

6.7.3 The Risk Management Framework shall be subject to review and approval by the Shareholder on an annual basis and shall also be reviewed by the Company Board and internal and external auditors on an annual basis. The Board may also review the Risk Management Framework as necessary to take into account any changes that it deems relevant, including the activities of the Company, the investment environment, and regulatory guidelines and requirements.

6.7.4 The Company shall inform and consult with the Shareholder in respect of any changes to the Risk Management Framework that the Company Board considers to be material. Any such updates or amendments to the Risk Management Framework, whether arising out of the annual review process or otherwise, will be subject to discussion with the Shareholder.

6.8 Annual report and accounts

6.8.1 The Company's Board must publish an annual report of its activities together with its audited accounts after the end of each financial year.

6.8.2 The annual report to be produced by the Company will comply with the Companies Act 2006 and the timing for production of such accounts shall accord with 'best practice' applicable to UK registered companies.

6.8.3 The annual report shall also follow the principles in HM Treasury's Financial Reporting Manual ("**FReM**") and provide the additional disclosures required by FReM where these go beyond the Companies Act 2006. The Company will also be subject to certain consolidation responsibilities, including the preparation of consolidation packs and any adjustments that may be required for any differences in accounting policies.

6.8.4 The Company will share a draft of the report narrative with the Shareholder Representative for review before it is signed off by the Company's Board providing adequate time for such review and not less than five working days. The final report should be submitted to the Shareholder immediately upon receipt of auditor approval, for endorsement. The Shareholder recognises that the finalised annual report is solely the responsibility of the Company's Board. Publication will be dependent on other government and Company announcements but will be as soon as feasibly possible.

6.8.5 The Shareholder will lay the Annual Report and Accounts before Parliament and it should be made available on the Company's website.

6.9 Audit requirements

Internal

6.9.1 The Company will maintain an internal audit function (with or without external professional support) who will report to the Audit and Risk Committee and will cover (among other things) matters relating to risk management and internal controls within a framework set by the Audit and Risk Committee, which will include compliance with the terms of this Document.

External

6.9.2 The Company will arrange for audit of its accounts in accordance with the Companies Act 2006, subject to the approval of the Shareholder. As at the date of this Document, the Comptroller and Auditor General (the "C&AG"), operating through the National Audit Office, is appointed as the Company's external auditor.

6.9.3 The Shareholder and the Company shall provide, in conditions to any grants or contracts, for the external auditor to exercise such access to documents held by grant recipients, contractors or sub-contractors as may be required for its audit and examinations; and shall use its best endeavours to secure access to any other documents required by the external auditor which are held by other bodies.

6.10 Delegations

6.10.1 The Board is responsible for establishing appropriate delegations with the Executive Directors. The Shareholder Representative will review these delegations from time to time with the Board.

6.10.2 The Company's delegated authorities will be set out in the delegation letter. This delegation letter may be updated and superseded by later versions which may be issued by the Shareholder.

6.10.3 In line with Managing Public Money Annex 2.2 these delegations will be reviewed on an annual basis. The Company shall obtain the Shareholder's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Company's annual budget as approved by the department;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

7. Freedom of Information Act (“FOIA”)

7.1 The CEO of the Company is authorised to act as the ‘qualified person’ under section 36(5)(o) (iii) of FOIA, pursuant to the letter of authorisation from the Shareholder.

8. Reporting on legal risk and litigation

8.1 Notwithstanding the provisions of any protocol agreed as set out below, the Company shall provide a quarterly update to the Shareholder on the existence of any active litigation and any threatened or reasonably anticipated litigation relating to the Company (or any natural or legal person connected to the Company) or its activities which has the potential to affect the Company’s financial or public position in any material respect or would otherwise be of interest or concern to the Shareholder

8.2 The Company, the Shareholder and the Shareholder Representative acknowledge the importance of ensuring that legal risks are communicated appropriately to the Shareholder in a timely manner.

8.3 In respect of each substantial piece of litigation involving the Company, the Shareholder and the Shareholder Representative 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. Until such time as a protocol is agreed, Company and the Shareholder Representative will ensure that:

- material developments in the litigation are communicated to the Shareholder in an appropriate and timely manner;
- legally privileged documents and information are clearly marked as such;
- individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege; and
- circulation of privileged information within government occurs only as necessary.

8.4 The Company shall provide a written update to the Shareholder at the end of each quarter describing how its investments and products for the quarter are (i) supported by its legal capacities and the spending authority provisions set out in Section 1.3 above; and (ii) compatible with any applicable subsidy control rules.

9. Remuneration and staff

9.1 Status of the Company’s employees

9.1.1 The Company’s staff are Public Servants and therefore the annually updated Civil Service Pay Guidance does not apply.

9.2 Company pension scheme

9.2.1 Former Civil Servants whose employment transferred from their original department on loan or secondment will continue to be eligible to be members of the Principal Civil Service Pension Scheme pursuant to the Cabinet Office Statement of Practice.

9.2.2 All other Company employees will be entered into a defined contribution pension scheme, unless they should choose to opt out.

9.2.3 Any contemplated changes to the Company's defined contribution pension scheme should be discussed with the Shareholder in advance. The Company requires the Shareholder's approval to such changes, which shall not be unreasonably withheld.

9.3 Pay controls

9.3.1 The Shareholder expects the Remuneration Committee to have responsibility for setting the remuneration policy for executive directors and all other senior management of the Company, any compensation payments, and performance related remuneration. Proposals on severance must comply with the rules in Chapter 4 of Managing Public Money. In determining such a remuneration policy, the Remuneration Committee shall take into account all factors that it deems necessary including applicable legal and regulatory requirements, the provisions and recommendations of the Corporate Governance Code, and associated guidance on remuneration.

9.3.2 The pay controls for senior executives will be agreed with the Shareholder (via the Chief Secretary to HM Treasury). No executive officer or other employee of the Company shall be paid higher than these limits without prior written consent of the Shareholder. In determining the remuneration of an individual, such remuneration shall be deemed to be equal to the actual cash payment that the individual receives in the relevant year.

9.4 Remuneration criteria

9.4.1 The Remuneration Committee shall determine the Remuneration Policy and remuneration levels in accordance with the criteria set out below (which shall also be reflected in the Remuneration Committee terms of reference and the Remuneration Policy itself). The criteria are that remuneration levels:

- are sufficient to attract and motivate high calibre individuals to drive the delivery of the activities and objectives of the Company described in this Document;
- are structured to link remuneration of senior employees to performance in line with the Strategic Plan;
- are aligned with the objectives set out in this Document;
- deliver value for money; and
- take account of MPM and take account of remuneration levels within comparable public sector institutions and are set with wider public sector pay policy in mind.

9.4.2 Staff terms and conditions should be set out in an employee handbook, which should be provided to the Shareholder Representative, together with subsequent amendments, on request.

9.4.3 The Company will operate a performance-related bonus scheme based on company and individual performance approved by its Remuneration Committee.

9.4.4 The travel expenses of Board members will be tied to the rates allowed to senior staff of the Company. Reasonable actual costs, excluding alcohol, shall be reimbursed.

9.5 Board responsibility for staff matters

9.5.1 The Board is solely responsible for all other staff matters, including the appointment and management of staff, determining staff numbers, and determining terms and conditions of appointment in accordance with the appropriate Company HR documents, including the Remuneration Policy.

9.5.2 The Company must have regard to wider public sector pay policy when setting a Remuneration Policy for the Company and the Remuneration Committee should have oversight of all bonus and incentive schemes. The Board will delegate to the Remuneration Committee those responsibilities set out in Section 9.3 above. The CEO is also responsible for ensuring the Company conducts its operations in accordance with MPM in relation to:

- off-payroll rules: it is the responsibility of the Company to ensure it complies with the IR35 requirement;
- confidentiality clauses: confidentiality clauses may only be used as permitted in relevant public sector guidance⁴;
- salary sacrifice schemes: must be consistent with MPM;
- travel: travel policy must be consistent with the guidance⁵, with first class travel restricted to exceptional cases; and
- pension schemes: are defined contribution and not based on final salary (recognising that some existing staff have legacy arrangements as highlighted in Section 9.2 above).

9.5.3 The Company should report (via the Remuneration Committee) to the Shareholder Representative the number of posts paid above the remuneration threshold (with names). The Annual Report should contain full details of the remuneration of Board members, provide information in bands for Executive Committee members paid above the remuneration threshold, and report the numbers of other staff (without names) paid above the remuneration threshold. The Company should also notify the Shareholder, via the Shareholder Representative, of all bonus arrangements put in place that are above the remuneration threshold as soon as the decision is made and within no more than one month. The number of bonuses paid above the threshold should be made public in the Annual Report.

⁴ www.gov.uk/government/publications/civil-service-settlement-agreements-special-severance-payments-and-confidentiality-clauses

⁵ www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note

10. Location

10.1 The registered office and headquarters of the Company shall be established in Leeds.

10.2 The Board shall obtain the prior approval of the Shareholder before any change to the location of the Company's headquarters.

11. Regulation

11.1 Notwithstanding any exemptions that may apply to the Company, the Shareholder acknowledges that the provision of certain aspects of the Company's activities may be subject to the Financial Conduct Authority rules (the "FCA Rules") or guidance or principles, the Prudential Regulation Authority rules (the "PRA Rules") or guidance or principles and/or other applicable laws or regulations. The Shareholder acknowledges that if there is any conflict between the Framework Document and any of the FCA Rules or guidance or principles, the PRA Rules or guidance or principles or other applicable laws or regulations, any relevant FCA Rules, PRA Rules and/or other applicable laws or regulations shall prevail.

11.2 Where a material issue arises in relation to financial regulation which could affect the interests of the Shareholder, then the Company must, to the extent practicable and legal, consult with the Shareholder in good time and before any substantive communications with the relevant financial regulator. The Company will consult with the Shareholder to address the issue and, if time permits, agree an appropriate clearance arrangement for such communications.

12. Compliance

12.1 The Company should adopt and implement policies and practices to safeguard itself against fraud, theft, corruption, bribery, insider dealing, market abuse and money-laundering, in line with guidance as issued by the Counter Fraud Function⁶, in compliance with the procedures and considerations as set in in Managing Public Money Annex 4.9 and pursuant to applicable laws, rules and regulations in relation to the foregoing area. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide grant or grant-in-aid.

12.2 If certain exemptions from regulation are granted to the Company, the Company shall in any event act in accordance with best practice in its governance and conduct as a financial institution. This would include, as far as is reasonably practicable and appropriate for the Company, abiding by the principles of the Senior Managers and Certification Regime and the relevant elements of the FCA's Principles for Business.

12.3 The Company should keep records of and prepare and forward to the department an annual report on fraud and theft suffered by the Company and notify the sponsor department of any unusual or major incidents as soon as possible. The Company should also report identified loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in Counter Fraud Functional Standard⁷.

⁶ www.gov.uk/government/groups/counter-fraud-standards-and-profession#government-counter-fraud-function

⁷ www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud

13. Term of this Document

13.1 This Document shall continue in force for as long as HM Treasury remains the sole shareholder of the Company.

14. Revision of this Document

14.1 This Document will be reviewed no later than 12 months after the launch of the Company.

14.2 This Document shall be reviewed by the Shareholder and the Company at least every three years and reviewed within six months of the formation of a new government. No variation of this Document shall be effective unless it is in writing and agreed by the parties.

15. Resolution of disputes between the Company and the Shareholder

15.1 In its capacity as the sole shareholder of the Company, the Shareholder is committed to giving the Board freedom to operate the Company in seeking to achieve its Strategic Objectives. The Company will have operational independence to identify, design and deliver specific interventions, or any category of interventions, based on its own assessment of how to achieve the Strategic Plan.

15.2 Where a material issue arising under or in connection with this Framework Document is the subject of disagreement between the Shareholder and the Company, the matter will be reviewed and discussed by the Company and the Shareholder Representative at working level. Each party will use its best endeavours to resolve the dispute at that level. If such a resolution does not prove possible within a reasonable time, either party may initiate a further review and discussion by the senior policy sponsors from the Company and the Shareholder Representative. The Shareholder Representative will ensure that the PAO is briefed on evolving developments in any such discussions; and the Shareholder Representative shall ensure that the CEO and Chair of the Company are similarly briefed.

15.3 In the event that the process detailed above is unsuccessful, the Shareholder reserves the right to give the Board directions of a general or specific nature. If the Shareholder gives any instruction to the Company to undertake an action that the Board and the AO reasonably believe would conflict with the items below, then the Board, acting through the AO, may make their reservations in respect of such matter clear to the Shareholder in writing (a "**Reservation Notice**"). The Board may send a Reservation Notice in response to instructions from the Shareholder that would:

- i. infringe the requirements of propriety or regularity;
- ii. not represent good value for money for the Exchequer as a whole;
- iii. be of questionable feasibility or is unethical;
- iv. be contrary to the Strategic Objectives;
- v. result in the directors of the Company being in breach of their legal duties; and/or
- vi. not be in the best interests of the Company for any other material and demonstrable reason.

15.4 If the Shareholder, after receiving a Reservation Notice, nevertheless instructs the Company to proceed with the matter the subject of the Reservation Notice (an "**Instructed Matter**"), then the AO shall:

- i. seek a written instruction to undertake such Instructed Matter from the Shareholder, (a “**Written Direction**”) with any oral instruction from the Shareholder (an “**Oral Direction**”) being confirmed promptly in writing;
- ii. upon receipt of a Written Direction or an Oral Direction:
 - a. inform the Board who shall undertake the Instructed Matter, without delay;
 - b. copy the Written Direction or any Oral Direction confirmed in writing to the Comptroller & Auditor General and the Treasury Officer of Accounts;
 - c. if asked, explain the Shareholder’s course of action; and
 - d. arrange for the existence of the Written Direction or any Oral Direction confirmed in writing to be published (unless the Shareholder has directed in writing to the Company that the matter must be kept confidential).

15.5 Each party will maintain a proper audit trail of its engagement in the processes set out in this Section.

16. Arrangements in the event that the Company is wound up

16.1 The Shareholder intends for the Company to be a long-lasting institution.

16.2 To ensure that proper provision is made on a contingency basis for the winding up of the Company or an appropriate transfer of its business if required in future circumstances (such as a change in government or in government policy), the Shareholder and the Shareholder Representative shall put in place arrangements to ensure the orderly transfer or voluntary winding up of the Company’s business. Such arrangements will be designed to ensure that the assets and liabilities of the Company are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities will revert to the Shareholder.

16.3 To this end, the Shareholder Representative shall propose to the Shareholder as soon as practicable after this Framework Document takes effect a draft of such arrangements, including provision to:

- ensure that procedures are in place in the Company to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the Company’s assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that, for non-Crown bodies funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with their report on the accounts; and
- arrange for the most appropriate person to sign the closing accounts. In the event that another company takes on the role, responsibilities, assets and liabilities, the succeeding AO should sign the closing accounts. In the event that the Shareholder inherits the role, responsibilities, assets and liabilities, the PAO should sign.

16.4 The Shareholder and the Shareholder Representative will use their best endeavours to agree the arrangements, and when they have done so will provide a copy of them to the Company.

16.5 If it appears likely that the arrangements referred to above will need to be put into practice, the Company shall provide the Shareholder in a timely manner with full details of all agreements where the Company or its successors have a right to share in the financial gains realised through the project, together with details of any other forms of claw-back due to the Company.

Appendices

Appendix 1: List of government-wide corporate guidance instructions

In addition to the provisions of the main body of this document, UKIB shall adopt the relevant principles set out in the following general guidance documents and instructions where appropriate, unless an exemption has been agreed:

- Public sector pay and terms: guidance note, www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note
- Guidance for approval of senior pay: applicable from 1 January 2018, www.gov.uk/government/publications/senior-civil-service-pay-and-reward
- Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice, www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017
- Code of Conduct for Board Members of Public Bodies, www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies
- Code of Practice for Ministerial Appointments to Public Bodies, www.gov.uk/government/publications/code-of-practice-for-ministerial-appointments-to-public-bodies
- Managing Public Money (MPM), www.gov.uk/government/publications/managing-public-money
- Public Sector Internal Audit Standards, www.gov.uk/government/publications/public-sector-internal-audit-standards
- Management of Risk: Principles and Concepts – The Orange Book, www.gov.uk/government/publications/orange-book
- HM Treasury Guidance on Tackling Fraud, www.nao.org.uk/wp-content/uploads/2013/02/Tackling_External_Fraud.pdf
- The Parliamentary and Health Service Ombudsman’s Principles of Good Administration, www.ombudsman.org.uk/about-us/our-principles/principles-good-administration
- Guidance on annual reports and accounts (the financial reporting manual), www.gov.uk/government/collections/government-financial-reporting-manual-frem
- Any other relevant guidance, as issued in writing by the Shareholder, or Shareholder Representative. This may include the below:
 - Relevant Freedom of Information Act guidance and instructions issued by the Ministry of Justice
 - Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts
 - Instructions and guidance issued by the Shareholder and Cabinet Office
 - Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the government and relevant to the Company

Notwithstanding the above, the Shareholder recognises that it will take the Company time during and after the initial phase of operations to implement the full relevant set of policies and procedures set out above and will work with the Company to identify and clarify requirements and to prioritise key issues.

Appendix 2: Shareholder Representative role

The UKGI's role as Shareholder Representative consists of the activities set out below. In relation to these activities, UKGI will provide advice to the relevant ministers and Principal Accounting Officer, in consultation with HMT officials.

Establish and maintain appropriate and effective corporate governance foundations which govern the department-asset relationship

Work with HMT and the Company to establish and maintain appropriate corporate governance documents and systems, through up to date and fit for purpose governance documents, including Framework Document, Articles of Association where relevant, board Terms of Reference, Chair letter.

Promote effective objectives, business planning and performance against the Strategic Plan

Assess and challenge from an owner's perspective the Company's Strategic Plan, the clarity of the Company's objectives, the quality of the business plan and the financial, and where relevant commercial, strength underpinning it, and its effectiveness as a tool for the Company.

Monitor and challenge the Company and its board as to the performance against its Strategic Plan or equivalent document, in terms of how the Company is performing as an organisation (as opposed to monitoring the success of the policy delivery itself).

Challenge the Company's business cases, and other HMG approvals outside the Company's executive delegations, through that Shareholder Representative Director position on the Company's board *only* (this will be limited to the degree of challenge that any non-executive board member can provide. UKGI is not responsible for formally reviewing such business bases, providing advice to HMT and ministers, or obtaining HMG approval for business cases, unless explicitly agreed otherwise).

Promote strong corporate capability

Through the UKGI shareholder team, as well as through the Shareholder Representative Director, on the Company's board, promote the strength of the Company's governance systems which support organisational performance, by providing high level challenge to the Company (and its board) on:

- a) governance framework compliance – defined as the Company's view on its compliance with its governance framework (as set out in its Framework Document, delegated authorities, and any other specified governance documents); and
- b) the adequacy and strength of the Company's reporting to HMT on these issues.

Promote effective leadership (high quality boards and senior management)

Promote the effectiveness of the Company's leadership, specifically through:

- a) promoting high quality and diverse boards, challenging the board's capability and effectiveness, and monitoring the Company's succession planning;
- b) promoting the implementation of effective board composition, recruitment, remuneration and appointment processes;
- c) acting as the shareholder non-executive director on the Company's board; and
- d) giving a view on the Company's board level executive capability in relation to its responsibilities, and remuneration.

Promote effective relationships between HMT and the Company

Support effective relationships between HMT and the Company, including through:

- a) (UKGI) building effective relationships with the Company's board and senior management;
- b) promoting effective interfaces and communications between HMT and the Company, including through regular shareholder meetings; and
- c) maintaining an effective regular meeting 'rhythm' with the Company Chair, board and executive to ensure appropriate flow of information (management information) between the Company, UKGI and HMT, including effective reporting to HMT.

Supporting and supplementing the activities above by providing a Shareholder Representative Director on the Company's board

Act as government shareholder representative on the Company's board, through:

- a) providing an appropriate board member to carry out the non-executive director role effectively, drawing on the support and analysis from the UKGI shareholder team;
- b) being a member of the Company's Remuneration Committee, Audit and Risk Committee, Nominations Committee;
- c) acting as an interlocutor between the department and the Company's board; and
- d) providing a view to the department on the strength of the Company's board.