



Report to Parliament on proposed disposal of shares in UK Green Investment Bank plc

Presented to Parliament
by the Secretary of State for Business, Innovation & Skills
by Command of Her Majesty

March 2016



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Introduction

1. The Government believes the time is right to move UK Green Investment Bank plc (GIB) into private ownership. The company has proved itself a successful commercial enterprise and its business model is established and proven. The company's Board fully supports this move and has made clear it considers this key to enabling the company to deliver its ambitious green business plan and have a greater impact on green investment.
2. The Government first announced it was exploring options for bringing private capital into GIB in the autumn statement 2013. It was subsequently confirmed in both the 2014 Autumn Statement and 2015 budget debate that work was progressing on this matter. The Secretary of State then set out firm proposals to move GIB into private ownership in a written ministerial statement of 25 June 2015.
3. On 15 October 2015, the Secretary of State made a further written ministerial statement in order to provide an update on work to implement the proposals and the need to repeal legislation relating to GIB. On 18 November, the Government published a detailed policy document on the future of GIB setting out the case for moving the company into private ownership. The detailed case for the Government's proposals was further set out in the Government's response to the Environmental Audit Committee's December 2015 report on the future of GIB.
4. The current Enterprise Bill contains a transitional provision which provides that the Secretary of State must lay a report before both Houses of Parliament setting out the details of any proposed disposal of shares in GIB before the remaining provisions relating to GIB can be brought into effect. These provisions include amendments to the Enterprise and Regulatory Reform Act 2013, including the repeal of sections 1 and 3.

5. While this transitional provision has yet to enter into force, the Government has nevertheless committed to Parliament that it will report on any proposed disposal of shares in GIB, and this report fulfils that requirement. It sets out details of (i) the kind of disposal intended, (ii) the expected time-scale for the disposal, and (iii) the Secretary of State's objectives for the disposal. The report includes information on the creation of a special share by GIB as part of the sale process which will have the right to approve or reject any proposed changes to the green purposes of GIB as set out in the company's Articles of Association.
6. We are confident the process set out in this report provides a robust framework for undertaking a sale and will ensure the Government secures best value for money for the UK taxpayer. In taking forward this process, the Government is fully reflecting the National Audit Office's recommendations on how Government should approach such asset sales (see **Annex A** for details). This includes preparing a full business case and undertaking a robust valuation process.
7. A copy of this report will be sent to Ministers of the devolved administrations.

The kind of disposal intended

Government plans to sell GIB through a two stage sale auction process. The company is growing rapidly and will require significant new capital annually, necessitating regular cash calls from investors. GIB is not yet at a scale that makes it suitable for shares to be offered through an Initial Public Offering.

Competitive sale auction process

8. The Government's aim is to generate interest in acquiring GIB from the widest possible number of credible potential investors to create a rigorous, competitive dynamic in the sale process and ensure we secure best value from a sale.
9. To this end, BIS has conducted an extensive pre-marketing exercise with long term institutional investors, pension funds, insurance funds, sovereign wealth funds and others based in the UK, Europe, North America, the Middle East and Asia. Investors may bid on their own or form consortia with other investors.
10. The sale process is being designed to attract the most diverse and relevant group of potential investors. The Government is today announcing launch of the sale process and inviting potential bidders to come forward. A Bidder Information Form has been published on the gov.uk website (a copy is provided for reference at **Annex B**). Interested parties will register their interest in the process by completing the Bidder Information Form.
11. Parties that meet the qualifying requirements set out in the Bidder Information Form will be required to execute a confidentiality agreement before being invited to participate in the first round of the sale process. At this stage they will be sent a confidential Information Memorandum with further information on GIB's business and also a process letter that explains how the sale process will be conducted.

12. The sale process will involve two separate rounds. In the first round, bidders will be asked to submit non-binding initial bids based on the confidential Information Memorandum. The proposals received will be evaluated and selected parties will be invited to proceed to the second round of the process. At this stage, potential bidders will be provided with additional information to enable them to carry out due diligence on GIB. They will be given access to confidential data with further detailed due diligence reports, transaction documents and will receive presentations about the business from GIB's management team. Following due diligence, interested parties will be invited to submit formal, final and binding offers.
13. Given the commercially sensitive nature of the sale auction process, the Government will not disclose details of our engagement with potential bidders. As indicated above, bidders will be required to sign confidentiality agreements and these will place strict restrictions on the disclosure of information that will apply both to bidders and the Government.

Size of Stake to be sold

14. Decisions on the size of stake in GIB to be sold will depend on the outcome of confidential commercial discussions with investors and will be driven by what best achieves our primary objectives for the sale and is in the best interest of the taxpayer. We need the flexibility to reach decisions on the basis of what delivers the best outcome taking account of the full range of factors including price and future funding requirements. We do not consider a continued Government shareholding in GIB is somehow necessary or beneficial in its own right such that retaining a stake should be a matter of policy.

Expected time-scale for the disposal

Government expects to complete a transaction during financial year 2016/17.

Likely timetable

15. The Government intends to proceed with a sale as soon as practicable to achieve the benefits that the introduction of private capital will bring. The opportunity to move the company into private ownership is available now. We have a strong company with a high quality management team and robust portfolio of investments. There is strong interest from a range of large scale and long term investors like infrastructure funds, pension funds, insurance funds as well as strategic investors. The formal sale process is being launched today, 3 March 2016, with expressions of interest being invited from potential bidders. We expect a transaction to be completed during financial year 2016/17.

The Secretary of State's objectives for the disposal

The Government's primary objectives for a sale are to achieve value for money for the UK taxpayer and reclassification of GIB to the private sector.

Securing value for money

16. The sale process we are implementing is designed to encourage the greatest number of relevant potential investors to participate with the aim of creating competitive tension and securing best value for money for HMG. As the Government has sought to make clear, our assessment of value for money will include a range of relevant factors covering both the quantifiable financial value of an option as well as policy impacts such as continuing to achieve the demonstration effect in relation to other investors and governments. The actual price that is offered by potential investors for GIB will reflect their view of the value of the company's existing assets as well as of its management team and forward pipeline of planned investments.

Ensuring GIB can be re-classified to the private sector

17. The Government's intention is for GIB to be able to continue operating as it does now but in the private sector. To achieve this outcome, it is essential that following a sale, GIB can be re-classified by the Office for National Statistics (ONS) for the purposes of the UK's national accounts as a private sector enterprise rather than remaining classified as a Government controlled public sector body.

18. As the Government has previously sought to explain, the decision on whether an organisation is classified to the public or private sector is made by the ONS and is considered in accordance with EU-wide regulations, set out principally in the European System of Accounts 2010 (ESA 2010) and supplemented by guidance in the accompanying “Manual on Government Deficit and Debt” (MGDD). One of the key questions to address in determining whether an organisation is classified to the public or private sector in this context is whether the government exercises significant control over the general corporate policy of that organisation.
19. Were the Government to retain a majority of shares in the company or to retain a special share, or if specific controls over GIB were provided for in legislation, this could prevent GIB from being re-classified to the private sector¹.
20. The Government is satisfied that investors in GIB would have strong commercial reasons to want GIB to continue operating on the basis of its current green business model. Green investment is where the company’s value lies and investors will be buying into GIB precisely because of that green specialism and its green forward business plan. It would make no sense to buy the company only to move it away from this focus. There are plenty of alternative investments that could be made if investors wished to go into areas other than green investment.
21. However, in response to Parliament’s concerns on this issue, the Government has identified ways to secure effective protection of GIB’s green purposes following a sale and the planned repeal of parts of the current legislation on GIB while ensuring GIB can still be re-classified to the private sector. These are set out below.

Commitments on maintaining GIB’s green values

22. GIB’s Articles of Association include an Objects clause that requires GIB to invest only in a way that achieves at least one of five specified green purposes:

¹ Further information on the classification issue and on other relevant policy considerations can be found in the Government’s November 2015 policy statement on the future of GIB as well as in the Government’s February 2016 response to the Environmental Audit Committee’s December 2015 report on this issue.

- The reduction of greenhouse gas emissions;
- The advancement of efficiency in the use of natural resources;
- The protection or enhancement of the natural environment;
- The protection or enhancement of biodiversity;
- The promotion of environmental sustainability.

These are the same five green purposes as are set out in section 1 of the Enterprise and Regulatory Reform Act 2013 and which have formed part of the Articles of Association of GIB since its launch.

23. The Objects clause provides the overall framework within which GIB operates and sets the company's high level strategic direction. At present, the Enterprise and Regulatory Reform Act 2013 provides that GIB must obtain the approval of both the Secretary of State and Parliament if it ever wished to amend or revoke the Objects clause. The Government is in the process of amending the relevant legislation so that, once a sale has taken place, this power to approve any proposed change to the Objects clause will fall away. As explained above, removing this state control over GIB is key to enabling the company to be re-classified to the private sector following a sale.
24. The Government has previously sought to make clear that the main form of protection of GIB's green remit arises from the commercial reality that GIB has been established as a green infrastructure investment company and that is where its value lies. In addition to these strong commercial reasons for investors to maintain GIB's green focus and values, the Government intends, as a key part of the sale discussions, to ask potential investors to confirm their commitment to GIB's green values and investment principles and to set out how they propose to protect them. We envisage this would involve new shareholders agreeing to:
- (i) Retain the green objectives in GIB's Articles of Association;
 - (ii) Ensure GIB continues to invest in a way that achieves a positive green impact; and
 - (iii) Maintain GIB's existing standards for reporting on its green investment performance as well as continue providing for independent assurance of this.

25. The confidential Information Memorandum that will be issued to prospective investors includes text on this matter. The relevant section of draft text from that document is attached at **Annex C**.
26. We expect all bidders will be willing to make such commitments and that this will be effective in securing an effective commitment to maintaining GIB's green values from GIB's new shareholders. The precise form of the commitments cannot be specified in advance – we need the flexibility to explore the matter fully with investors.

Special Share arrangements

27. As explained above, it is not open to the Government to impose binding conditions on the future GIB requiring it to act in a particular way, or otherwise to provide that the Government has special rights over the company. The Government cannot continue to control the company after the disposal of its stake.
28. The Government has, however, concluded that a special share arrangement could be put in place by GIB on a non-statutory basis as part of the sale process without this amounting to continued state control or preventing the company's re-classification to the private sector. In view of this, and following discussions with ONS, the Government has announced plans to create a special share which would grant the holder of the share the right to approve or reject any change to the green purposes of GIB, as set out in the objects clause of GIB's Articles of Association.
29. The special share will be held by a separate company created specifically for this purpose and that is independent of both GIB and Government (including Parliament). The special shareholder's role will be to approve or reject proposals to amend GIB's green purposes in its objects clause, should such proposals ever be brought forward, and such a change will be considered by the special shareholder in the context of GIB's existing green purpose. The special shareholder will have no other role or rights in relation to GIB's business. The confidential Information Memorandum that will be issued to prospective investors will include text on this matter. The relevant section of draft text from that document is attached at **Annex D**.

30. The Government will ensure there is no gap between the protection of GIB's green purposes in legislation, and the protection provided through the special share. To achieve this, the repeal of the statutory provisions will only be brought into effect after or at the same time as GIB issues the special share.

Annex A: National Audit Office (NAO) recommendations on asset sales

The NAO’s report on the sale of the Government’s shares in Eurostar made a number of recommendations on future asset sales by Government. The NAO recommendations, and the Government’s actions in meeting these in relation to a sale of shares in GIB, are set out below.

Recommendation	Government Actions
Sale preparation	
<p>Consider how they can encourage the widest possible number of credible bidders for all assets they are selling</p>	<p>Government, GIB, and their respective advisers have met a significant number of potential investors, and types of investors, over the last 12-18 months, to assess and encourage market interest.</p>
<p>Give due prominence, in business cases for asset sales, to the relationship between the timing of the sale and the marketability to investors (including a consideration of the track record and future prospects)</p>	<p>Government agrees with the importance of this recommendation and is accordingly maintaining a watching brief on the levels of demand in the market. Demand is currently considered to be high due to the market and GIB’s successful track record over the last three years. Government’s preparation to date is allowing it to move quickly to respond to such demand.</p>
Sale process	
<p>Use sale processes that exhibit the right balance of rigour and discipline, but sufficient flexibility</p>	<p>Government intends to conduct a sale process over two rounds, with preliminary bids being assessed in round one before taking successful bidders through to a more in-depth process in round two. Using our advisers and the Shareholder Executive, Government will rigorously assess investor proposals whilst maintaining a degree of flexibility to accommodate differences in proposals.</p>

Recommendation	Government Actions
<p>Ensure deal teams contain the right balance of internal staff and external advisers. Where external advisers are appointed, continue to place downward pressure on all costs, while acknowledging that the lowest price will not always provide best value</p>	<p>The deal is being led by the Shareholder Executive, with advice from Bank of America Merrill Lynch (BofAML) and Herbert Smith Freehills, both of whom were appointed using a competitive process. GIB and their advisers (UBS and Slaughter and May) are also providing significant and closely coordinated support.</p>
Valuation	
<p>Apply a range of valuation methods, and use market-based assumptions, as a rigorous cross-check alongside the Green Book methodology to ensure that ‘hold’ valuations are informed by the prices that may be achieved in competitive and negotiated deals in the prevailing market conditions</p>	<p>Since being appointed in January 2015, our financial advisers (BofAML) have provided valuation analysis related to the company based on Business Plans provided by the Company. The Government’s business case has considered a number of options, including the “hold” scenario, as part of value for money considerations. Government intends to use competitive tension to help to maximise the price achieved for our stake in GIB.</p>
<p>Consider whether the additional assurance on valuation that may be provided by an independent valuation expert would be strengthened if this expert had no prior knowledge of existing valuations</p>	<p>Government is keenly aware of its obligations to achieve appropriate value for money and the likelihood of external assessment of the transaction after it has been completed, and will consider any additional assurance in due course should it prove necessary.</p>

Annex B: Bidder Information Form requesting expressions of interest

To potential bidders,

3 March 2016

Proposed sale of the UK Government's stake in the UK Green Investment Bank plc – Bidder Information Form

This Bidder Information Form is being issued following the announcement made by the UK Government on 3 March 2016 about the proposed privatisation or part privatisation of the UK Green Investment Bank plc ("**GIB**") (the "**Proposed Transaction**").

The Secretary of State for Business, Innovation and Skills ("**SoS**") has retained Merrill Lynch International ("**BofAML**") and GIB has retained UBS Limited ("**UBS**") as their respective financial advisers in connection with the Proposed Transaction.

On behalf of SoS, we would like to invite you to express your interest in the Proposed Transaction. You are invited to submit responses to the questions below as soon as possible to dq.project.moore.submissions@baml.com. Your responses will be used by SoS and its adviser to evaluate your interest in, and capacity for, participating in the sale process. Upon receipt of your responses, SoS and its adviser may raise further questions to assist with this evaluation

Approved parties will be required to execute a Confidentiality Agreement and in accordance with the Proposed Transaction announcement, these selected parties will be invited to participate in the first round of the sale process. Additional confidential information on GIB will be made available to the selected parties from 10 March 2016. You are therefore requested to submit your responses and subsequently the executed Confidentiality Agreement as

soon as possible in advance of 10 March 2016 in order to maximise the time available to you in the first round of the sale process.

Your answers should address the following items as a minimum, presented in the sequence set out below. Note that where you would expect to participate in the Proposed Transaction through a consortium, the below information and confirmations should be provided in respect of each member of the consortium individually.

- a) Bidder identity: please give the name of the bidder entity, its ultimate parent and identify whether you intend to work alone or as part of a consortium (and if so, please identify the members of the consortium). You should also confirm that you comply with the fit and proper person test in Annex 1 of this Bidder Information Form;
- b) Confirmation of bidder criteria: you should confirm that you do not fall within any of the grounds for exclusion listed in Annex 2 of this Bidder Information Form;
- c) Conflict of interests: you should confirm that you have no actual or potential conflicts of interest; or identify any actual or potential conflicts of interest that may arise from your participation in the sale process, together with an outline of how you envisage handling such conflicts of interest. This should include, but not be limited to, information regarding ownership of, or participation in, businesses either related to or competing with GIB;
- d) Approvals: confirmation that you have all the required approvals to respond to this Bidder Information Form and participate in the sale process, and that your decision-making authority has reviewed and consented to the content of your confirmation and the information included;
- e) Other relevant information: any other information which you consider relevant for evaluating your interest in participating in the Proposed Transaction.

Should you have any questions, please contact BofAML at the address given above. All questions and information requests regarding the proposed transaction and/or sale process should be directed to BofAML.

Under no circumstances should the management, employees, representatives, customers or suppliers of GIB be contacted directly about any aspect of the Proposed Transaction and/or the sale process without the prior written consent of SoS.

Please note the grounds for exclusion from participation set out in Annex 2. Your attention is also drawn to the information set out in Annex 3.

On behalf of SoS, we would like to thank you for your interest in the Proposed Transaction.

Yours sincerely,

Merrill Lynch International

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Fit and Proper Person Test

The proposed transferee or purchaser shall be a fit and proper person. A person is not a fit and proper person if:

- a) it or any of its statutory officers or representatives have been convicted of a criminal offence which is material in the context of the Proposed Transaction; or

- b) it is incorporated or domiciled in, or controlled from, a country which is, or it is otherwise, the subject of economic or security sanctions imposed by the United Kingdom.

Grounds for exclusion of an interested party from further participation in the sale process

Note: This list is not exhaustive and SoS reserves the right to consider other factors in determining which parties are selected to participate in the sale process as well as the right to select any party notwithstanding that the grounds for exclusions below may apply to that party.

The grounds for exclusion from the sale process include that:

- a) the interested party has limited experience in relevant investments or is not able to demonstrate that it is able to procure such experience in the context of its participation in the sale process (in the case of investment funds with no relevant experience, the broader experience of the investment fund managers and key employees will also be taken into consideration);
- b) the interested party is not able to invest at least GBP 50 million of equity;
- c) the interested party has not received all required approvals to respond to this Bidder Information Form and participate in the process;
- d) the interested party has made any misrepresentation in providing information to SoS or their adviser in connection with the Proposed Transaction;
- e) the interested party is unlikely to be able to complete the sale within a reasonable period
- f) the interested party should be excluded on the grounds of national security;
- g) the interested party's participation would be likely to distort, delay or otherwise have a material adverse effect on the competitive sale process;
- h) the interested party or its advisers have contacted the management, employees, customers or suppliers of GIB Group directly in relation to any aspect of the Proposed Transaction or the sale process after the date of this Bidder Information Form without the prior written consent of SoS;

- i) the interested party, or any of its ultimate beneficial owners, is classified as a UK public sector body as defined by the Office for National Statistics: <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-391260> such that participating in the Proposed Transaction by the interested party would be likely to result in GIB continuing to be classified as a public sector body;
- j) the interested party has not complied with, or is not able to comply with, any conditions or requirements established by SoS for participation in the Proposed Transaction.

Other matters

For the purposes of this Bidder Information Form:

"HMG Parties" means SoS, HMG (including the Shareholder Executive and any other UK Government department and United Kingdom Government Investments Limited ("**UKGI**")), or any of the directors, officers, employees, representatives, consultants, shareholders or advisers of the foregoing;

"GIB Parties" means GIB, any other member of the "**GIB Group**" (which shall mean GIB, its subsidiaries, its holding company (if any) and joint ventures), or any of the directors, officers, employees, representatives, consultants, shareholders or advisers of the foregoing;

"BofAML Parties" means **BofAML**, any other member of the "**BofAML Group**" (which shall mean Bank of America Corporation and any subsidiary, branch or affiliate of Bank of America Corporation), or any of the directors, officers, employees, representatives, consultants, shareholders or advisers of the foregoing; and

"UBS Parties" means UBS Limited ("**UBS**"), any other member of the "**UBS Group**" (which shall mean UBS Group AG and any subsidiary, branch or affiliate of UBS Group AG), or any of the directors, officers, employees, representatives, consultants, shareholders or advisers of the foregoing.

This Bidder Information Form and any related materials do not, and shall not be construed as, a solicitation, an invitation or an offer to buy or sell securities, or form basis or be relied upon in any decision to enter into any sale or commercial agreement or a transaction of any sort, and do not create any commitment or obligation of any sort on the part of SoS or GIB Group.

The distribution of this Bidder Information Form and any related materials in jurisdictions other than the United Kingdom may be restricted by law. This Bidder Information Form and related materials are not directed at any person in any jurisdiction where such distribution would constitute a contravention of such law. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction. By accepting this Bidder Information Form and/or by continuing to participate in the sale process you are deemed to represent and warrant that you are able to receive this Bidder Information Form and materials without contravention of any legal or regulatory requirement or restrictions in the jurisdiction in which you reside or conduct business. None of the HMG Parties, GIB Parties, BofAML Parties or UBS Parties accepts any liability to any person in relation to the distribution or

possession of this Bidder Information Form or related materials in any jurisdiction.

This Bidder Information Form is only distributed to and directed at persons in the United Kingdom who (a) have professional experience in matters relating to investments who fall within the definition of “investment professionals” as defined in the Financial Services and Markets Act 2000 (as amended) (Financial Promotion) Order 2005 (as amended or replaced) (the “**Order**”); or (b) are high net worth entities or other persons to whom they may otherwise lawfully be communicated in accordance with the Order, and in all cases are capable of being categorised as a per se “professional client” or an “eligible counterparty” for the purposes of the FCA conduct of business rules (all such persons together being referred to as “**Relevant Persons**”). This Bidder Information Form must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which these materials relate are available only to Relevant Persons and will be engaged in only with Relevant Persons. Nothing in this Bidder Information Form constitutes investment advice and any recommendations that may be contained herein have not been based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient.

This Bidder Information Form is not directed at persons located in the United States other than “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). GIB’s securities (or that of its holding company, if applicable) have not been, and will not be, registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, delivered or otherwise transferred in or into the United States absent registration or pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act, and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of GIB’s securities (or that of its holding company) in the United States.

Subject to applicable law, SoS reserves the right to amend or terminate the procedures and/or change the timings outlined in this Bidder Information Form, to consider factors other than those outlined in this Bidder Information Form, to terminate discussions with any or all interested parties, to follow different procedures for different interested parties and to enter into discussions with any one or more parties in a manner and to a timetable other than that outlined above. None of the HMG Parties, GIB Parties, BofAML Parties or UBS Parties will be liable for any costs or expenses incurred by interested parties or their affiliates in connection with their evaluation or investigation of the Proposed Transaction or with their review of any of the information provided or disclosed.

You acknowledge that public bodies, including SoS and GIB, are subject to legal duties which may require the release of information under the Freedom of Information Act 2000 (“**FoIA**”) and/or the Environmental Information Regulations 2004 and/or any other applicable legislation, regulatory requirements or codes of practice governing access to information (together the “**Access Laws**”). Such information may include information supplied by you or matters relating to or arising out of or under information supplied by you. In the event that a public body, including SoS or GIB, receives a request for information under any Access Law, then you agree that any obligation of confidentiality, whether arising out of any agreement with you, implied by the general law or otherwise, shall not apply to any information (in whatever form) that the relevant public body is required to disclose to respond to the request in accordance with the relevant Access Law.

When considering a request under the Access Laws, the relevant public body may, where appropriate, consider whether the information is commercially sensitive. If you consider that information you are providing is commercially sensitive you should clearly identify it as such at the time that you provide it. It shall remain in the sole discretion of the party in receipt of the Access Law request to determine whether or not to make a disclosure in accordance with its obligations under the relevant Access Law.

You further acknowledge that public bodies, including SoS and GIB, may be subject to public sector audits and /or enquiries, which may be conducted before, during or following the Proposed Transaction, including (without limitation) those which may be conducted by the National Audit Office, or the Public Accounts Committee. You shall use your reasonable endeavours to cooperate with SoS, GIB and/or any other public body in responding to such audits / enquiries.

This Bidder Information Form, any matter or dispute (whether contractual or non-contractual) arising out of this letter, the relationship between you and the HMG Parties, GIB Parties, BofAML Parties and UBS Parties and the conduct of this process and the Proposed Transaction shall be governed by, and construed in accordance with, English law, and you irrevocably submit to the exclusive jurisdiction of the courts of England for the purposes of any dispute arising out of or in connection with any of the foregoing.

BIS/16/129

Annex C: Draft IM text on green commitments

GIB's continuing commitment to green investment

It is the intention of the UK Government that the GIB Group should continue to focus on green sectors, mobilising more private capital and further accelerating the UK's transition to a more sustainable low-carbon economy.

It is important to the UK Government to identify credible investors who will make a commitment to upholding GIB's green focus and values and to its established approach to green investments and reporting standards.

As a key part of any sale discussions, potential investors will be asked to confirm their commitment to these values and to set out how they propose to protect them. Bidders' stated intentions will be taken into account in the overall assessment of bids.

As part of this, the UK Government envisages that the new shareholder(s) will confirm their agreement to the continuing inclusion of the Green Objective in the articles of GIB Group companies, and to the maintenance of GIB's green focus and values as exemplified by its Green Investment Principles.

The UK Government also expects new shareholders will commit to maintain GIB's existing standards for reporting on its green investment performance as well as continue providing for independent assurance of this. It is envisaged that these provisions would be in new shareholding arrangements. Furthermore, as part of the sale process, GIB's Articles will be amended to provide for the issue of a special share.

Annex D: Draft IM text on Special Share

Special Share

As part of the sale process, GIB's Articles will be amended to provide for the issue of a special share (the "**Special Share**"). The approval of the holder of the special share (the "**Special Shareholder**") will be required for any change to the green purposes in the objects of GIB's Articles. The Special Shareholder will be a UK-registered private company limited by guarantee, which may also be a registered charity.

The Special Shareholder will be established, and its members/trustees will be appointed, through a process to ensure that it is not controlled by the UK Government or GIB. The appointments will be made by an independent nominations committee. The UK Government and GIB will have no role in making the appointment selections.

The Special Share is intended only to provide protection of the 'green purposes' in place of the provisions in sections 1 and 3 of the Enterprise Regulatory Reform Act 2013, which the Government intends to repeal to allow GIB to be re-classified as a private sector body post-sale. The Special Share will not confer any economic interest in GIB nor any other rights or powers to prescribe the governance of GIB or how it conducts its activities. Its powers would be triggered only on a proposal to change the 'green purposes' in the objects of GIB's Articles.

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