



OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS

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27 September 2017

BUSINESS APPOINTMENT APPLICATION: SIR DEREK JONES KCB

The Committee has been asked to consider an application from Sir Derek Jones KCB, former Permanent Secretary of the Welsh Government, who proposes to take up an appointment as a Non-executive Director on the board of IQE plc (IQE).

Application

IQE is a manufacturer of semiconductors, based in Wales. It is listed on the AIM sub-market of the London Stock Exchange.

Sir Derek has explained that his duties, as required by the Companies Act guidance, would be to contribute to good corporate governance and the strategic direction of the company; support and challenge the executive directors; and assess their performance.

This is a paid role, involving 1 or 2 days per month. Sir Derek has said that contact with Governments/ public agencies is possible, but not a necessary part of the role and if any did occur, it would be strictly within ACOBA requirements.

Sir Derek informed the Committee that the chief executive of the company, who Sir Derek has known for over 25 years, approached him informally about the role after it had been announced that he would shortly be leaving government. Sir Derek subsequently put a note on the record of the approach (in mid-November 2016) and asked that he saw no papers concerning the company for the remainder of his time in post.

After he had left the civil service, he subsequently met the chairman of the company and later received an offer of a non-executive role on the board, subject to advice from ACOBA.

Sir Derek states that he had no direct contractual dealings or any other type of official contact with IQE as Permanent Secretary. He notes that he has known several people involved in the company for some years. He first met representatives of the company in the late 1980s/early 1990s when he had responsibilities for industrial policy in the Welsh Office before devolution.

The Welsh Government has explained that various grants were awarded to IQE during this period that Sir Derek was Permanent Secretary. This included Open Innovation Development Award funding to help develop a culture of open innovation, which IQE applied for and was one of eight companies who succeeded in receiving support; and funding through Innovate UK to participate in a European programme to support a collaborative research and development project on nanoelectronics.

The Welsh Government is currently providing funding for the Institute for Compound Semiconductor Technology at Cardiff University. IQE has created the Compound Semiconductor Centre, which, along with the Institute, support a compound semiconductor cluster, but the Centre is not itself funded by the Welsh Government. The Welsh Government confirmed that Sir Derek would have received papers between October 2012 and Nov 2016 related to Cardiff University's partnership with IQE on the Institute for Compound Semiconductor Technology. He also received informal updates on its progress.

Shan Morgan, Permanent Secretary of the Welsh Government has considered this application and concluded that, as Sir Derek has had no involvement in dealings with IQE for a number of years and, since November 2016, has not seen any papers relating to it, she has no concerns that this appointment could be seen as improper.

The Committee's consideration

Under the Business Appointment Rules the Committee must consider the risk that an appointment might afford a company an unfair advantage. It has assessed the risk to be low in this case. The Committee noted that Sir Derek's last day in post was 3 February and that he does not propose to take up the post until 1 November, which is a 10-month gap since leaving office. Further, having been approached about a potential future role in November 2016 he deliberately put arrangements in place to ensure that he saw no papers concerning the company for the remainder of his time in post. This reduces the likelihood of him being aware of relevant sensitive information. In addition, the nature of his proposed role with IQE is to advise the company on governance and he has been very clear with it that his appointment would be subject to restrictions on lobbying and making use of contacts.

The Committee must also consider whether an appointment could be perceived as a reward for decisions made while in office. The Committee noted that Sir Derek is seeking to join a company that was in receipt of Government grants during the time that he was Permanent Secretary. It concluded that the risks suggested by this are significantly mitigated by the fact that he was not involved in the award of the grants and because he had no personal dealings with the company in his capacity as Permanent Secretary. The Committee also notes that any award of government funds should have been administered in line with established procedures in place in the Welsh Government and Innovate UK. Had there not been a long gap between Sir Derek leaving office and his intended start date in this role, a significant waiting period would have been appropriate, given the connections between the Welsh Government and the company.

Taking into account the specific facts of this application set out above, the Committee's advice to the First Minister is that, in accordance with the Government's Business Appointment Rules, the appointment should be subject to the following conditions:

- Sir Derek should not draw on (disclose or use for the benefit of himself or the organisation to which this advice refers) any privileged information available to him from his time in the Crown Service; and
- for two years from his last day in service, he should not become personally involved in lobbying the Welsh Government on behalf of IQE plc or its subsidiaries or partners,

or make use, directly or indirectly, of his contacts in Government and/or Crown service to influence policy or secure funding on behalf of IQE plc or its subsidiaries or partners.

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

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

I should be grateful if you would ensure that we are informed as soon as Sir Derek takes up this position, or if it is announced that he will do so (I enclose a form for this purpose). We shall otherwise not be able to deal with any enquiries, since we do not release information about appointments which have not been taken up or announced, and this could lead to a false assumption being made about whether he had complied with the Rules.

I should also be grateful if you would ask that Sir Derek informs us if he proposes to extend or otherwise change the nature of his role as, depending on the circumstances, it may be necessary for him to make a fresh application.

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

Yours sincerely

Nicola Richardson
Committee Secretariat