



Defence Nuclear
Organisation

AWE PLC: FRAMEWORK DOCUMENT

July 2021



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Acronyms and other terms that are used in this document are listed in Annex E.

1. INTRODUCTION

This framework document has been drawn up by UK Government Investments (UKGI) and the Ministry of Defence (“MOD” or “the Department”), in consultation with AWE PLC (“AWE” or “the Company”).

This document sets out (either in detail or by way of reference to other documents) the parameters within which AWE is expected to operate, the obligations it is expected to fulfil and the freedoms delegated to it to enable efficient and effective delivery of its strategic objectives. It also sets out the agreed terms of the relationship between MOD and AWE and how this will be conducted in accordance with the principles of good corporate governance.

The document does not convey any legal powers or responsibilities.

Copies of the document (by the Department and AWE) and any subsequent amendments will be made available to members of the public on the AWE website¹ and the Department’s GOV.UK website².

2. BACKGROUND

AWE PLC is the legal entity which was set up in 1992 to operate the Atomic Weapons Establishment following the enactment of the Atomic Weapons Establishment Act 1991. The Company was incorporated as a Government Owned Contractor Operated (GOCO) Company, responsible for the operation of the Atomic Weapons Establishment. Its management was contracted out to private sector organisations which also held all ordinary shares in the Company. Figure 1 sets out how AWE sat within the Nuclear Enterprise as at 30 June 2021, when the private sector organisation holding the ordinary shares in the Company was AWE Management Limited.

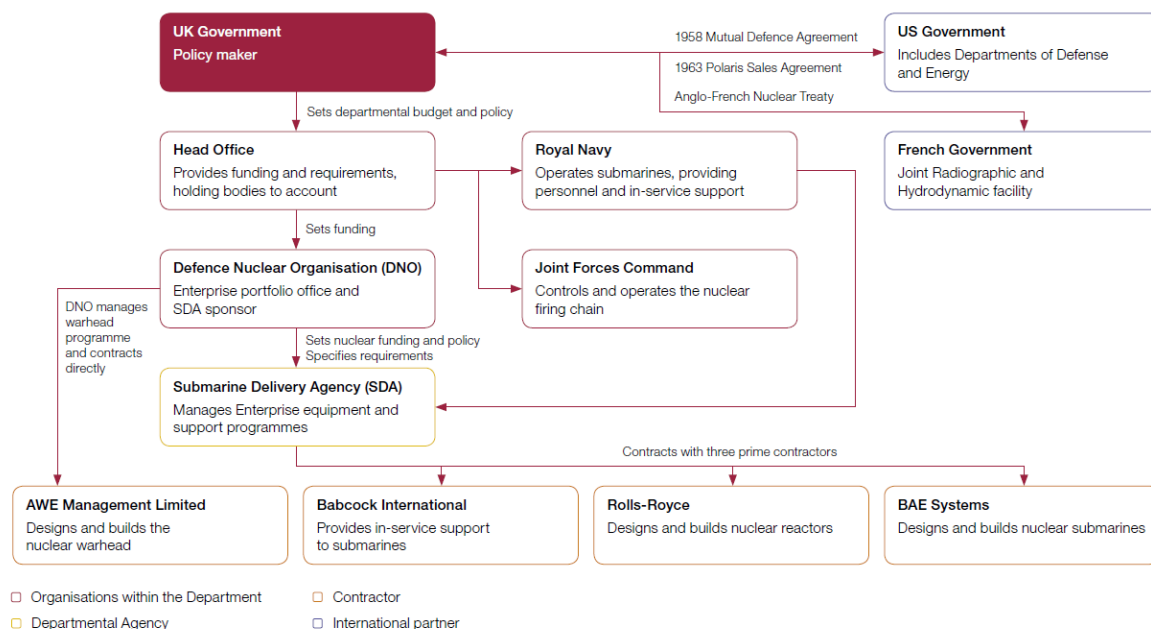


Figure: 1 Nuclear Enterprise Organisations working alongside AWE (source: NAO, pre-Transition)

¹ [AWE website](#)
² [MOD website](#)

Following termination of the private sector contract on 30 June 2021, MOD acquired all the ordinary shares in the authorised and issued share capital of the Company. As a Government Company wholly owned by MOD from 1 July 2021, AWE immediately became subject to administrative arrangements applicable to all Government bodies. However, because of the importance of AWE to national security and the unique context/position in which it operates, the Company is granted a range of freedoms to effectively manage its operations and affairs. These are detailed later.

AWE is expected to be classified as a Central Government Body by the ONS. Exemptions may be agreed with regard to the consequential impacts of such a classification, in line with the unique context in which AWE operates. It has been administratively classified by the Cabinet Office as a Non-Departmental Public Body (NDPB).

FRAMEWORK UPDATE

As a result of this change (the 'Transition'), AWE's position in the Nuclear Enterprise will evolve and AWE will move from being a 'Contractor' to an 'Arm's Length Body' operating as a Non-Departmental Public Body (see Figure 1). AWE PLC will however retain its corporate identity as a public limited company and will continue to contract with the Department.

Arrangements relating to the management, governance and operation of AWE post Transition will be developed over the period to 31 March 2022. Up to and including this date, the Company will apply this Framework and continue to draw on pre-existing governance arrangements, with an AWE PLC Board building on responsibilities previously held by the AWE Management Limited Board, in addition to the AWE PLC Board's existing responsibilities.

AWE will enter into a set of contract and programme commitments with MOD (collectively the 'Successor Contract') which will replace the contract which was in place up to 30 June 2021 between the MOD and AWE Management Limited. The other contracts which AWE has with MOD and other entities continue in force as they did prior to Transition. The Successor Contract provides the principal mechanism through which AWE is funded to deliver a programme of work agreed with the SRO.

MOD engagement with AWE as described in this Framework, is carried out by the Defence Nuclear Organisation (DNO), which has responsibility for the entirety of the defence nuclear enterprise within the MOD on behalf of the UK Government, alongside a joint MOD / UKGI (Defence) Shareholder Team. MOD and AWE are committed to working together to refine these arrangements. AWE will work:

- with Director Warhead, the Senior Responsible Owner (SRO) to provide a deliverable, affordable nuclear warhead programme that meets UK Government and Customer requirements;
- collaboratively to manage risks, costs, time and performance to provide value for money on a sustainable basis for the UK Government;
- to provide cost-effective, evidence-based options to MOD at the levels defined in the approved delegations; and
- to optimise the value of AWE - using its expertise to provide wider support to the UK's national security priorities and scientific interests where this can be done without detriment to core mission.

AWE and the MOD Permanent Secretary (“Permanent Secretary”) commit to keeping the governance arrangements set out in this Framework Document under review and will take stock of them in line with AWE’s strategy, performance, and role in delivering Departmental priorities. Any updates agreed during the period to 31 March 2022 will be reflected in the next iteration of this Framework. A summary of matters which MOD and AWE will seek to incorporate in an updated iteration of this Framework on or before 31 March 2022 is specified in Annex C.. Following 31 March 2022, this Framework will be reviewed by MOD and AWE no less often than once every three years or following any material change.

This Framework complements:

- All legal and regulatory requirements applicable to AWE, including but not limited to the Nuclear Installations Act 1965 under which AWE holds nuclear site licences to carry out regulated activities at certain of its sites;
- AWE Delegations (Annex D) and AWE Accounting Officer (AO) and annual Chair letters from MOD to the Chair of AWE;
- The Successor Contract between the Secretary of State for Defence and AWE;
- Programme Management arrangements as applicable to SRO requirements
- AWE internal policies, procedures and guidance;
- Managing Public Money (MPM)³ and other relevant HM Treasury (HMT) guidance, as may be amended from time to time; and
- Other instructions, to the extent applicable, issued to non-departmental public bodies by the Cabinet Office (CO) and/or HMT.

3. THE PURPOSE OF AWE AND ROLE IN THE NUCLEAR ENTERPRISE

3.1. AWE Mission

The Atomic Weapons Establishment Act 1991 provides for a company to carry out designated activities relating to the development, production and maintenance of nuclear devices, or with research into such devices or their effects, on behalf of the Secretary of State (SoS) for Defence. AWE PLC is this company and its mission is to:

deliver nuclear warheads for the UK’s deterrent, and use its expertise to support national security.

3.2. AWE’s Purpose and Function

Its purpose and function are to design, manufacture, maintain and when required, safely disassemble the nuclear warhead; an essential element of the Continuous At Sea Deterrent (CASD)⁴ and national nuclear capability. AWE is one element of a wider Nuclear Enterprise (see Figure 1), all

³ [Managing Public Money \(MPM\)](#)

⁴ [Continuous At Sea Deterrent](#)

of which supports UK National Nuclear Security in the area of nuclear threat reduction. The Enterprise includes Defence Nuclear Organisation (DNO), Navy and UK Strategic Commands, the Submarine Delivery Agency (SDA) and a range of prime and sub-contracting organisations.

AWE works across the entire life cycle of warhead production – from initial concept and design, to manufacture and assembly, in-service support, and decommissioning; safely carrying out the mission for the protection of National Security.

As an NDPB, AWE supports the Department but, as public servants rather than Crown servants, AWE does not act on behalf of, nor represent the Government on any International Treaties that may apply during the course of work undertaken.

AWE's role includes holding the site licences granted by the Office for Nuclear Regulation (ONR), employing the staff and entering into contracts as required to fulfil these activities.

3.3. Relationship between AWE and the Shareholder

The MOD will appoint a Shareholder team, which is distinct from the SRO and Customer Team to undertake sponsorship of AWE. The Shareholder and AWE will have an open and honest, trust-based partnership adhering to the principles set out in the [Partnerships between Departments and Arm's Length Bodies: Code of Good Practice](#)⁵.

The Shareholder team will be the Department's primary contact for AWE on matters relating to the corporate health, effectiveness and efficiency of the organisation. They are the main source of advice to the Responsible Minister (the Minister with delegated responsibility from the Secretary of State for Defence; normally the Minister for Defence Procurement) on the discharge of his or her responsibilities in respect of these aspects of AWE's operation. They also support the Principal Accounting Officer (PAO) with his or her responsibilities towards AWE, focussing on holding the Board to account, ensuring AWE follows best practice Corporate Governance, and providing oversight and constructive challenge to overall corporate performance.

3.4. Relationship between AWE and the SRO and Customer

The SRO is appointed by the MOD Permanent Secretary to deliver the Nuclear Warhead Capability Sustainment Programme, the Replacement Warhead Programme and the programmes and projects within them. The SRO controls the strategy, priorities and overall direction for all the work in the warhead programme. In doing so, the SRO supported by an MOD Customer Team sets the requirements, agrees the programme definition and by dint the associated resources, sets programme governance and engagement arrangements which AWE PLC will undertake under the Successor Contract, represents the MOD's interests in that contract and will monitor performance of AWE against the agreed programme of work. Any changes to the programme will proceed through a change control process set out in the Successor Contract.

⁵ [Partnerships between Departments and Arm's Length Bodies: Code of Good Practice](#)

The SRO and Customer team will also provide Government Furnished Equipment (GFX) to AWE which the MOD Customer provides through international treaties and other programmes that they manage and lead. They will also undertake certain approval and permissioning activities at AWE, conducted as part of their MOD role. The SRO will also conduct reviews supported by bodies such as NRAC as required which are funded by MOD.

4. GOVERNANCE AND ACCOUNTABILITY

4.1. AWE's Role

To fulfil this purpose, AWE's role is to:

- develop and maintain the manufacturing capabilities required to produce and support the current and future stockpiles;
- manufacture, maintain, assure and assist in the disposal of nuclear warheads and components according to the demand of the UK's deterrent programme;
- provide a sustainable and capable nuclear weapons research and production facility; carry out science and engineering research and development to understand the performance of nuclear warheads in order to design and assess the safety, security and effectiveness of the stockpile, in the absence of 'live' testing;
- undertake tasks to support national security where the expertise resides within AWE, as required by UK Government policy and as long as within delegated limits (e.g. nuclear emergency response, technical support to arms control, etc);
- recruit, develop and sustain Suitably Qualified and Experienced Personnel (SQEP) to carry out the purpose of the enterprise, contributing to the UK's enduring sovereign capability as a nuclear weapons state;
- sustain appropriate site licences and other regulatory approvals to enable the purpose of the enterprise;
- subject to proliferation and classification controls, and the primacy of the warhead programme, support the prosperity of the UK by exploiting intellectual property and physical assets invested in by the State, provided this does not deflect from delivery of AWEs core mission.

4.2. Key roles in each organisation

Figure 2 sets out the key Governance roles in place to support AWE in its mission and Table 1 sets out the key responsibilities for each role.

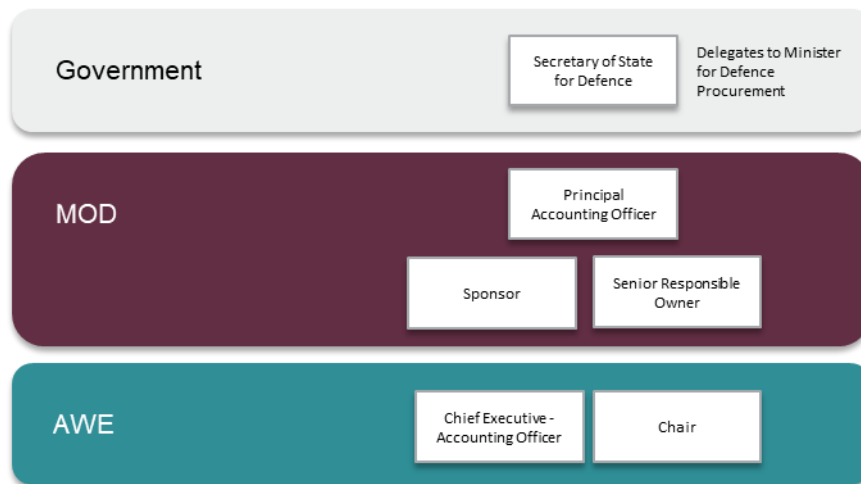


Figure 2: Key Governance roles

4.3. Key Governance roles

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
Secretary of State for Defence (SoS)	<p>The SoS for Defence is accountable to Parliament for all aspects of the Company's performance, including its strategy, operation, performance and the effectiveness of its corporate governance arrangements.</p> <p>The SoS delegates the day-to-day ministerial ownership responsibilities for the Company to the Minister for Defence Procurement (Min(DP), the Responsible Minister), but remains ultimately accountable to Parliament.</p>	<ul style="list-style-type: none"> • Approving AWE's Corporate Plan and the objectives within it; • Appointing the AWE Chair and consenting to the appointment of other Board members, including the Chief Executive Officer ("CEO"); • Holding the CEO to account for the delivery of the Corporate Plan, supported by the Shareholder Team and AWE Board • Being satisfied that the Board is working effectively and flagging the need for solutions in any instances where there are concerns or inadequacies regarding Board effectiveness • Within Departmental delegations, approving plans, programmes and projects that exceed AWE's delegated powers. <p>The SoS delegates the day-to-day ministerial ownership responsibilities for the Company to the Minister for Defence Procurement (Min(DP), the Responsible Minister), but remains ultimately accountable to Parliament notwithstanding such delegation .</p>	

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
<p>MOD Permanent Secretary and Principal Accounting Officer</p>	<p>The MOD Permanent Secretary is the senior civilian adviser across defence and MOD's Principal Accounting Officer (PAO).</p> <p>The PAO is accountable to Parliament for issues concerning AWE and must satisfy themselves that the resources authorised by Parliament are used for the purposes intended. The PAO must be satisfied that AWE is operating in full compliance with the guidance in MPM.</p>	<p>The PAO advises the Responsible Minister on:</p> <ul style="list-style-type: none"> • an appropriate framework of objectives and targets for AWE in the light of the Department's wider strategic aims and priorities; • an appropriate budget for AWE in the light of the Department's overall public expenditure priorities; and • how well AWE is achieving its strategic objectives and whether it is delivering value for money. <p>The PAO is also responsible for ensuring arrangements are in place in order to:</p> <ul style="list-style-type: none"> • monitor AWE's activities; • address significant problems within AWE, making such interventions as are judged necessary; • periodically carry out an assessment of the risks both to the Department and to AWE's objectives and activities; • inform AWE of relevant government policy in a timely manner; and 	<p>The Permanent Secretary in their role as PAO, appoints the CEO as the Accounting Officer (AO) for AWE.</p> <p>A description of how AWE is captured by the PAO's wider departmental responsibilities will be captured in the MOD's Accounting Officer Systems Statement.</p> <p>Respective responsibilities of the PAO and the AWE Accounting Officer are set out in more detail in Chapter 3 of Managing Public Money</p>

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
		<ul style="list-style-type: none"> bring concerns about the activities of AWE to the full AWE board; requiring explanations and assurances that appropriate action has been taken. 	
Director General Nuclear	The Director General Nuclear (DG(Nuc)) is responsible for leading the Defence Nuclear Organisation, which acts as the focal point and sponsor for the Defence Nuclear Enterprise, from strategy to delivery.	The principal function of Defence Nuclear is to ensure an effective national nuclear deterrent capability and support the delivery of the continuous at sea deterrent (CASD) posture keeping safe and capable submarines at sea today and in the future providing the UK's strategic nuclear deterrent and supporting global security.	
Sponsor/ Shareholder	<p>As part of MOD being the Sponsoring Department, the Shareholder Team (which reports to Director General Nuclear), is the nominated sponsor for AWE. The Shareholder will be responsible for developing a partnership which adheres to the principles set out in the Partnerships between Departments and Arm's Length Bodies: Code of Good Practice.</p> <p>The sponsor will also promote effective and efficient processes and</p>	<p>They are responsible for establishing and maintaining an appropriate and effective corporate governance foundations which cover the company and its relationship with MOD on corporate issues.</p> <p>They will promote effective leadership (high quality boards and senior management)</p> <p>They will promote effective objectives and business planning and liaise regularly with company officials to review performance against Corporate and Business Plans, achievement against targets and expenditure.</p> <p>The initial focus of the Sponsor will be to embed the new Board to drive performance; working with the</p>	

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
	<p>systems to support effective governance activities in AWE.</p> <p>The sponsor is represented on the AWE PLC board by the Shareholder representative NEDs.</p>	<p>Chair and Non-Executive Directors (NEDs) to refine the management information being provided to the Board.</p> <p>In the longer term, the Sponsor will support the Board and sub committees to deliver on their responsibilities (Annex B).</p> <p>They will promote effective relationships between AWE and MOD and will have regular engagements with the SRO/Customer to ensure that their views are fed into board meetings and discussions of corporate performance as required.</p> <p>The Shareholder Team is the main source of advice to the Responsible Minister regarding the discharge of their responsibilities in respect of the company and provides support to the PAO in execution of their responsibilities.</p>	
Senior Responsible Owner (SRO) and DNO Customer Team	The SRO's responsibilities go much wider than their relationship with AWE, but they are the primary contact for AWE in agreeing a programme of work, the budget for that programme, programme milestones and programme management arrangements. The SRO will advise the PAO and	<p>Delegates a budget against an agreed programme of work and sets the programme governance and management arrangements with AWE as per the SRO delegation</p> <p>The SRO will advise the PAO and Government on whether AWE is delivering the programme to agreed scope, cost and time.</p>	<p>The SRO will conduct an annual SRO review of the health of the programme and its delivery which will be copied to the PAO.</p> <p>The SRO will provide monthly updates on programme performance to the IPA and DPAS as now.</p>

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
	Government on whether AWE is delivering the programme required to the agreed scope, time and cost.		The SRO will hold monthly meetings with AWE to check performance in delivery of the agreed programme of work and milestones.
Chief Executive Officer (incl. role as Accounting Officer)	<p>The Permanent Secretary as PAO has designated the CEO of AWE as the AO for AWE. As AO, the CEO is personally responsible for safeguarding the public funds for which they have charge; ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and providing assurances of high standards in AWE governance, decision-making and financial management when considering, promoting and safeguarding affordability, sustainability, risk and value for money in and money across the public sector; and for the day to day operations and management of AWE.</p> <p>Respective responsibilities of the PAO and the AWE Accounting Officer are set out in more detail in Chapter 3 of Managing Public Money</p>	<p>General responsibilities of the AO</p> <p>The AO is personally responsible for:</p> <ul style="list-style-type: none"> • operational delivery of AWE plans as agreed by the Board • ensuring the smooth running of the AWE organisation as a whole; • establishing a Corporate Plan and objectives aimed at improving performance and which reflect the Department’s wider strategic aims and agreed priorities; • ensuring that timely forecasts and monitoring information on progress to deliver objectives, performance and finance are provided to the Department; that significant problems, financial or otherwise are notified to the Department in a timely fashion; • leading and motivating the AWE Executive team and other staff; • safeguarding the public funds and any assets for which the AO has charge; • ensuring that effective systems of corporate governance are in place including adequate systems for internal and financial control and effective measures against fraud and theft; and • directing the day-to-day operations and management of AWE. <p>The CEO is the principal point of contact for the Office for Nuclear Regulation in relation to the two nuclear site licences held by AWE, as well as AWE’s other statutory regulators. The CEO is</p>	

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
		<p>additionally personally responsible as the authorisee in respect of the authorisations issued by the Defence Nuclear Safety Regulator</p> <p>In addition, the AO should ensure that AWE as a whole is run on the basis of the standards, in terms of governance, for decision-making and financial management that are set out in Box 3.1 of Managing Public Money guidance.</p> <p>Responsibilities for accounting to Parliament</p> <p>The AO's accountabilities to Parliament include:</p> <ul style="list-style-type: none"> • signing the accounts, ensuring that proper records are kept relating to any financial data for consolidation, and that the accounts are properly prepared and presented in accordance with any directions issued by the SoS; • providing a statement of AO responsibilities and a governance statement regarding the system of internal control; • preparing and signing a Governance Statement 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 AWE are established and made widely known within AWE; • acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, HM Treasury and the Cabinet Office; 	

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
		<ul style="list-style-type: none"> • giving evidence, normally with the PAO of the MOD, when summoned before the Public Accounts Committee (PAC) or Defence Select Committee on AWE’s stewardship of public funds. <p>Responsibilities to the AWE board</p> <p>The AO is responsible for:</p> <ul style="list-style-type: none"> • advising the board on the discharge of the AWE’s responsibilities as set out in this document; • advising the board on AWE’s performance compared with its aims, objectives and plans; • ensuring the provision of information to allow the Board to take account of financial considerations in reaching and providing its advice; • ensuring that decisions sought from the Board and its Standing Committees are presented in a way that all financial, regularity and propriety implications are fully addressed to assist decision taking; • taking action as set out in chapter 3 of “Managing Public Money”⁶ if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive 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; • developing and implementing robust and tested Business Continuity and Disaster Recovery Plans to ensure that disruption to the delivery of AWE’s services and operations are minimised, regularly assuring the Board on this. 	

⁶ [Managing Public Money \(MPM\)](#)

Role Title	Summary	Responsibilities	Interfaces / Other Commitments
		<p>As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control in accordance with Government guidance. This review shall be informed by the work of the internal auditors and by the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework. This is augmented with advice from the NAO.</p> <p>For the avoidance of doubt, if the AO believes an action being considered by the AWE Board is contrary to the rules, principles or guidance in MPM, or against AWE’s regulatory obligations including as to safety, they are required to vote against and seek to prevent or alter such proposals.</p> <p>Responsibility to the SRO/Customer</p> <ul style="list-style-type: none"> • The CEO is accountable to the SRO/Customer for the delivery of the agreed programme of work to time and cost to meet the requirement set by the Customer. <p>Responsibilities to the Department</p> <ul style="list-style-type: none"> • notifying the Department in a timely fashion of any significant problems or risks, whether financial or otherwise and whether detected by internal audit or by other means; and, • setting a culture of transparency and partnership between AWE and the Department. 	

Table 1 Roles and Responsibilities

4.4. The AWE Board

AWE will have a Board which will operate in line with good standards of corporate governance and in particular the Financial Reporting Council’s UK Corporate Governance Code⁷. Figure 3 sets out the Key Governance Forums, including composition, of AWE, and Table 2 sets out the key responsibilities for each role. Further detail on roles can be found at Annex A and full details of sub-committees can be found at Annex B.

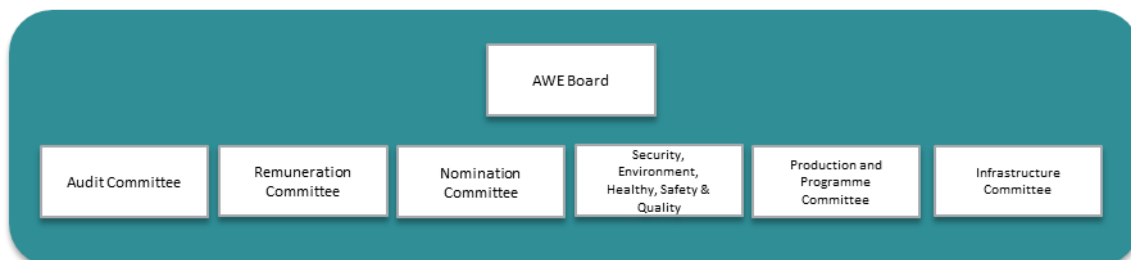


Figure 3: Key Governance Forums

4.5. Key responsibilities (summary)

Role	Responsibility
Chair	The Chair is responsible for leading the Board. They are directly responsible and accountable to the Secretary of State. Communications between the AWE Board and the Responsible Minister should be through the Chair. The Chair is responsible for ensuring that extant corporate policies and actions support the Responsible Minister’s and the Government’s wider strategic policies and that the AWE Board’s affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout AWE.
Board members	Board members are responsible for the overseeing and challenging the management of AWE and setting the strategy for the Company. As individuals the members must ensure compliance with the Code of Conduct for Board Members of Public Bodies ⁸ and AWE Board Terms of Reference (TOR) as well as their obligations under company law
Non-Executive Directors (Independent NEDs and Shareholder NEDs)	NEDs are responsible for bringing independent judgement to bear on a wide range of issues – from strategy and performance to resourcing, key appointments and standards of conduct. Under the Articles of Association, the Shareholder has the right to appoint and remove any person as a director of the company by notice in writing.

⁷ [Directors | Corporate Governance and Stewardship | UK Corporate Governance Code | Financial Reporting Council \(frc.org.uk\)](#)

⁸ [Code of Conduct for Board members of Public Bodies June 2019](#)

Role	Responsibility
	The NEDs of the Company include one or more individuals appointed to represent the Shareholder and one or more individuals who are independent of the Shareholder.

Table 2 Governance Roles

The terms and conditions of the AWE Chair and independent NEDs on the Board are set out in their individual appointment contracts. Whilst they are paid by AWE, they are not public servants or AWE employees.

AWE will ensure that all its Board members are Suitably Qualified and Experienced Personnel (SQEP) and that each will receive an appropriate induction and the support to enable them to contribute effectively to the Board's activities. If a NED has a direct or indirect interest in any proposed discussion, they have a duty to declare both the nature and extent of that interest to the other Board members. All Board members are required to update their declarations of interest as and when they change.

4.6. Board Responsibilities

Table 3 sets out the responsibilities and composition of the AWE Board.

Forum title	Responsibilities	Composition and Commitments
The Board	<p>The AWE Board is accountable to the Responsible Minister, for all aspects of AWE’s activities and performance including responsibility for:</p> <ul style="list-style-type: none"> • Providing effective leadership of AWE and setting the standards and values within a framework of prudent and effective controls; • Proposing AWE’s Strategy, and Corporate Plan and Business Plans for approval by the Secretary of State; • Establishing and taking forward the strategic aims and objectives of AWE consistent with its overall strategic direction and within the policy framework and resources determined by the SoS; • Ensuring that the SoS is kept informed of any significant changes which are likely to impact on the strategic direction of AWE or on the attainability of its targets, and determining the steps needed to deal with such changes; • Ensuring that the AWE Board operates within the limits of the delegated authority agreed with MOD, and in accordance with any other conditions relating to the use of public funds and that, in reaching decisions, AWE Board takes into account guidance issued by HMG as notified to it by MOD; • Reviewing regular financial and other relevant information concerning the management of AWE ensuring it is informed in a timely manner about any material concerns about the activities of AWE, and provides positive 	<p>The Board will consist of:</p> <ul style="list-style-type: none"> • a Chair; • two or more executive members (Chief Executive Officer and Chief Financial Officer - and such other executive directors whose appointment is approved by the AWE Board from time to time in accordance with its Articles of Association); • At least one non-executive director (“NED”) appointed to represent the Shareholder; and • sufficient independent non-executive directors that they together have a balance of skills and experience appropriate to overseeing AWE’s business. <p>The size and composition of the Board will be agreed with the Shareholder from time to time, having regard to guidance and best practice on other boards in the public and private sectors, in order to ensure the right balance of skills, experience and challenge. However, the majority of Board members will be independent.</p> <p>The AWE CEO is appointed by the Board following written approval from the Responsible Minister and PAO</p>

Forum title	Responsibilities	Composition and Commitments
	<p>assurance to the Shareholder that appropriate action has been taken on such concerns;</p> <ul style="list-style-type: none"> • Ensuring that effective arrangements are in place to provide assurance on AWE’s major projects, programmes and procurements, risk management, governance, health, environment, safety and security, finance and internal controls, alongside ensuring the effective performance of AWE generally; • Ensuring AWE has the necessary financial and human resources are in place for AWE to meet its objectives; • Reviewing management performance in light of AWE’s strategic aims, objectives, Corporate and Business Plans and budgets; • Setting a culture of partnership and transparency between MOD and AWE. <p>The AWE Board shall operate in accordance with the Terms of Reference for the AWE Board as well as with the individual and collective obligations of the Board members in law and under the Articles of Association.</p> <p>The AWE Board shall appoint the Chief Executive Officer and Chief Financial Officer (and any other executive whom the Board has determined should be appointed to the AWE Board) to the AWE Board on the executive appointment of each such role holder, subject to the prior consent of the Shareholder in accordance with the Articles of Association.</p> <p>Other oversight responsibilities of the Board include:</p> <ul style="list-style-type: none"> • Demonstrating high standards of corporate governance at all times including the use of an Audit and Risk Assurance Committee (ARAC) to help address key financial and other risks; 	<p>(supported by the Shareholder – who will support the Board in running the recruitment competition). The AWE Board will, in consultation with MOD, set performance objectives and remuneration terms linked to the objectives for the AWE CEO which give due weight to the proper management and use and utilisation of public resources.</p> <p>Other executive appointments are the responsibility of the AWE CEO subject to the approval of the Nominations Committee where appropriate, and subject to prior Shareholder consent for the appointment of the CFO.</p> <p>In discharging its role and responsibilities, the Board will delegate some activities to committees of the Board. These will include the Security, Environment, Safety, Health and Quality; Audit and Risk Assurance, Remuneration and Nomination Committees. The Chair will ensure that the Board receives adequate and timely feedback on the work of these committees and that it is able to consider their recommendations.</p>

Forum title	Responsibilities	Composition and Commitments
	<ul style="list-style-type: none"> • Reviewing the experience, skills and competency of the AWE executive to carry out their role; • Undertaking reviews of the succession plans for both non-executive and executive members of AWE Board and wider AWE executive teams; and • Providing appropriate levels of support and challenge to the AWE executive team, ensuring they are focused and incentivised to deliver against AWE’s mission and purpose. <p>The AWE Board may make use of its subcommittees to assist it in discharging these responsibilities.</p>	

All Board sub-committees will be chaired by an independent Non-Executives with relevant experience and qualification(s) and all committees are subject to committee specific TORs. Refer to Annex B for details of Board sub-committees including associated mechanics, including timings and appointments.

The AWE Board, its committees, the AWE Chair, and individual directors will be evaluated internally on an annual basis, and there will be independent review at least once every three years.

5. ANNUAL REPORT AND ACCOUNTS

The AWE Chief Executive Officer as Accounting Officer is responsible for ensuring AWE publishes an Annual Report of its activities together with its audited accounts at the end of each financial year; in accordance with Companies Act and relevant guidance from HM Treasury, and the National Audit Office (NAO). AWE will share a draft with the Department (the Shareholder) for review before it is signed off by the Board.

Once endorsed by the AWE Board and signed off by the AO, the Annual Report and Accounts will be consolidated into the Department's accounts, laid before Parliament, and made available on AWE's website.

AWE's annual report must:

- cover any corporate, subsidiary or joint ventures under AWE's control;
- comply with the HM Treasury's Financial Reporting Manual (FRoM); and
- outline main activities and performance during the previous financial year and set out, in summary, its forward plans.

Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. Targets may be reworded or redacted in published versions as appropriate if they relate to National Security matters. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FRoM.

AWE is required to operate within the Department's corporate governance system and is required to provide a full Annual Assurance Report as a separate organisation to the MOD. The Accounting Officer should draw to DNO's attention any relevant issues that, though not deemed to be "significant", would inform reporting on corporate governance within the MOD as a whole.

The Accounting Officer must ensure that proper records are kept relating to any financial data for consolidation and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State. The Accounting Officer must provide a statement of Accounting Officer responsibilities and a governance statement regarding the system of internal control.

Beyond publication of the Annual Report and Accounts, AWE will provide transparency and publication of information relevant to the public interest wherever practicable and not prejudicial to National Security, data sensitivity or optimal operation of the business or contrary to any legal requirements, or any requirements arising from international arrangements.

5.1. Internal Audit

The Government Internal Audit Agency (“GIAA”) is responsible for conducting AWE’s internal audit activities. GIAA will work with AWE’s own internal audit team and Defence Internal Audit (DIA) to carry out audits on AWE PLC. GIAA or, as appropriate, DIA should have continuous unrestricted access to all records, personnel, property and operations of the MOD including its Arm’s Length Bodies (ALBs), with strict responsibility for confidentiality and safekeeping, and compliance with all statutory instruments relating to the use, retention and disclosure of data. GIAA or DIA, as appropriate, may attend the Audit and Risk Assurance Committee meetings as observers. AWE shall:

- ensure that the internal audit service has unfettered access to the information necessary for it to carry out its responsibilities, this includes a right of access between Head of Internal Audit and Chair of the Audit and Risk Assurance Committee;
- establish and maintain arrangements for internal audit in accordance with HM Treasury’s Public Sector Internal Audit Standards (PSIAS)⁹;
- ensure that GIAA is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
- set up an annual internal audit programme;
- keep records of, prepare and forward to the Department an annual report on fraud and theft suffered by AWE and notify the Department of any unusual or major incidents as soon as possible.

5.2. External Audit

The Comptroller & Auditor General (C&AG) audits the AWE annual accounts and passes the audited accounts, together with the C&AG’s report, to the SoS who will lay them before Parliament. The Board of AWE shall additionally ensure that copies of AWE’s Annual Report and Accounts are prepared and filed as required by the Companies Act.

The C&AG:

- will consult the MOD and AWE on who – the NAO or a commercial auditor - shall undertake the audit(s), though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including in certain circumstances under the Government Resources and Accounts Act 2000¹⁰, those held by another party in receipt of payments or grants from AWE;
- will share with the Department information identified during the audit process and the audit report (together with any other outputs) at the end of the audit on issues impacting the Department’s responsibilities in relation to financial systems within AWE; and

⁹ [Public Sector Internal Audit Standards](#)

¹⁰ [Government Resources and Accounts Act 2000](#)

- will, where asked, provide MOD and other relevant bodies with Regulatory Compliance Reports and other similar reports which MOD may request at the commencement of the audit and which are compatible with the independent auditor's role.

The C&AG may carry out examinations into the economy, efficiency and effectiveness with which AWE has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, AWE shall provide, in conditions to grants and contracts, for the C&AG to exercise such access as is for under that section to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

The appointment of the C&AG will not extend to AWE Pension Trustees Limited, a company owned between AWE PLC and the Department whose sole purpose is to act as the corporate trustees for AWE PLC's defined benefit pension scheme. The auditor of that company will continue to be appointed in accordance with the pension scheme rules. In the event that at any point AWE has set up and controls any other subsidiary companies, AWE will ensure that the C&AG is appointed auditor of those subsidiary companies that it controls and/or whose accounts are consolidated within its own accounts. AWE shall discuss with MOD the procedures for appointing the C&AG as auditor of the subsidiary companies. AWE does not have delegated authority to establish any subsidiary companies without prior written agreement from MOD.

6. MANAGEMENT AND FINANCIAL RESPONSIBILITIES

6.1. Managing Public Money and other government-wide corporate guidance and instructions

Unless agreed by the Department and, as necessary, HM Treasury, AWE shall follow the principles set out in MPM seeking exemptions where required by law or necessary to enable AWE to comply with its regulatory obligations (and, in extremis, escalating to the Shareholder where there is an irreconcilable conflict), and comply with Cabinet Office controls (unless exemptions have been formally agreed) as set out in the letter to the AO. AWE shall discuss with the Shareholder any issues that arise including escalation of any cases where AWE may require a potential bid for exemption.

6.2. Procurement

Goods, services and works should be acquired by competition and based on a full option appraisal and value for money, i.e. the optimum combination and whole life costs and quality (fitness for purpose). Proposals to let single-tender or restricted contracts shall be limited and exceptional, and a quarterly report explaining those exceptions should be sent to the Department.

The specialised nature of certain of AWE's procurement activities, and the requirement to minimise the risk to national security, or any publication contrary to the UK's essential security interests (e.g. arms, munitions, war materials (as defined by the procurement regulations)), each inform the need for such exceptions. AWE should ensure they have gone through a rigorous, evidence based make or buy process to ensure that the taxpayer is getting best VFM. A make or buy process is already in place and should be followed.

AWE shall:

- ensure that its procurement policies are aligned with and comply with any relevant UK, EU or other international procurement rules and in particular the Public Contracts Regulations 2015¹¹ and the Defence and Security Public Contracts Regulations (DSPCR) 2011¹²;
- establish its procurement policies and document these in a Procurement Policy and Procedures Manual;
- engage fully with Department and Government wide procurement initiatives that seek to achieve VfM from collaborative projects including: compliance with all relevant Procurement Policy Notes issued by CO for procurements covered by the applicable procurement regulations, co-operating with initiatives to improve the availability of procurement data to facilitate the achievement of VfM, attendance by procurement staff at the Department's Commercial ALB Forum;
- comply with the Commercial¹³ and Grants Standards¹⁴. These standards apply to the planning, delivery and management of government commercial activity, including management of grants in all departments and ALBs, regardless of commercial approach used, and form part of a suite of functional standards that set expectations for management within government.

6.3. Cabinet Office spending controls

Cabinet Office spend controls¹⁵ aim to save money, encourage a smarter, cross-government approach to spend and implement specific government policies. The controls apply to the Department and Arm's Length Bodies funded by the Department. AWE shall comply with these controls unless any specific exemptions or delegations have been agreed as set out in the Letter of Authority issued by the Department to the Accounting Officer of AWE PLC.

6.4. Corporate Governance

Details of board appointments are found at Annex A and the composition of the board is in Table 3.

6.5. Risk Management

The AWE Risk Management Framework shall be subject to review by the Department on an annual basis and approved by the Board on the same basis. The Successor Contract sets out the arrangements for the monitoring and management of risks to the programme in line with Infrastructure and Projects Authority (IPA) best programme management practice.

¹¹ [The Public Contracts Regulations 2015](#)

¹² [The Defence and Security Public Contracts Regulations 2011](#)

¹³ [Commercial Operating Standard for Government](#)

¹⁴ [Grants Standards](#)

¹⁵ [Cabinet Office Controls Policy](#)

AWE shall:

- ensure that the risks it faces are dealt with in accordance with relevant aspects of best practice in corporate governance and develop a risk management strategy in accordance with HM Treasury guidance;¹⁶
- adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the HM Treasury's guidance on tackling fraud¹⁷. It should also take all reasonable steps to appraise the financial standing of any organisation with which it intends to enter a contract;
- as a minimum, share detail of its strategic risks with the Department on a quarterly basis to inform the Department's Risk Management process;
- ensure adherence to Government Counter-Fraud standards¹⁸ and Managing Public Money Annex 4.9 as part of their overall risk management strategy to safeguard itself against fraud and theft.
- 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
- keep records of and prepare and forward to the department an annual report on any fraud and theft suffered by AWE and notify MOD of any unusual or major incidents as soon as possible.
- report detected 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 Standard

6.6. Reporting on legal risk and litigation

AWE acknowledges the importance of ensuring that legal risks are communicated appropriately to the Department in a timely manner. AWE shall provide a quarterly update to the Department on the existence of any material litigation and any threatened or reasonably anticipated material litigation.

In respect of any and each material piece of litigation involving AWE, the parties 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 in order to facilitate this. Until such time as a protocol is agreed, the parties 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;

¹⁶ [Management of Risk: Principles and Concepts](#)

¹⁷ [A Guide to Managing Fraud for Public Bodies](#)

¹⁸ [HM Government: GovS 013: Counter fraud](#)

- Individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect that legal privilege; and,
- Circulation of privileged information within HMG occurs only as necessary.

6.7. Corporate and Business Plans

Corporate and Business Plans will be addressed within the Framework Update (see section 3 of this document), as detailed in Annex C.

The Corporate Plan is a longer term strategic plan for the business, spanning no less than 3 years.

The Business Plan is a more detailed plan, spanning the next 12 month period.

6.8. Budgeting Procedures

Budgeting procedures will be addressed within the Framework Update (see section 3 of this document), as detailed in Annex C.

6.9. Grant-in-aid and any ring-fenced grants

Grant-in-aid and any ring-fenced grants will be addressed within the Framework Update (see section 3 of this document), as detailed in Annex C.

6.10. Reporting performance to the department

AWE's performance against programme activity, as set out in the Customer Statement of Work/Successor Contract, shall be reviewed monthly by the SRO Customer team and be subject to an annual deep dive (the SRO review). Corporate performance (as set out in the Corporate Plan, Business Plan and KPIs) will be overseen by the Board, and through the Shareholder function and Quarterly Shareholder Meetings. The Responsible Minister will meet the Chair and CEO at least once a year.

AWE shall:

- operate the management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the Programme Requirements, Corporate Plan and Business Plan;
- inform the Shareholder of any changes that make achievement of objectives more/less difficult. It shall report financial and non-financial performance, including performance in helping to deliver Ministers' policies and the achievements of key objectives annually;
- as a minimum, provide the Department and the Shareholder with information monthly that will enable the Department satisfactorily to monitor financial and strategic performance.

There will be additional reporting on performance to the Board, and the Shareholder will work with the Board to ensure this is capturing, inter alia, matters of importance to the Shareholder, and is doing so in a fashion that draws on a shared understanding of the underlying data. A key responsibility for the Board in this initial period, from 1 July 2021 to 31 March 2022, will be to design a robust and stretching set of KPIs to propose to MOD through the Shareholder. These should further inform Performance Related Pay arrangements.

6.11. Review of AWE Status

MOD will undertake a review of AWE at least once every three years in line with the Cabinet Office Review Programme, or in the event of a significant change in scope, direction of their statutory purpose and aims. The Department has a right of access to all AWE records, including to undertake such reviews, shareholder audits and other operational investigations subject to applicable law. The next review will be undertaken after the first year of AWE operating under MOD ownership.

These reviews ensure inter alia that the AWE is delivering effectively against their aims and objectives. The date of the next review will be in 2022.

6.12. Delegated authorities

Delegated authorities will be addressed within the Framework Update (see section 3 of this document), as detailed in Annex C.

6.13. Quarterly Shareholder Meetings (QSM)

The Shareholder team works with AWE to set the agenda for the quarterly formal QSM. These meetings supplement the Board by providing support and challenge on key strategic issues where either the Board or the Department feels there would be benefit in a more focussed conversation than has been possible at the Board. They are typically attended by the Chair, CEO, CFO, MOD Director General Finance and MOD Director General Nuclear, and chaired by the Shareholder NED. Programme performance and risk reviews will continue to be held by the SRO/Customer monthly.

6.14. Providing monitoring information to the department

AWE will assist the Department in fulfilment of its role by providing relevant information on requests including, but not limited to board papers, financial performance against plans and budgets, achievements against targets, capital expenditure and investment decisions and reports on key corporate risks. The Shareholder NED will work with AWE to resolve issues as necessary, escalating within the Department as required.

The Shareholder NED and team may use the information as necessary to properly exercise their role, on the understanding that due care will be taken in handling commercially sensitive and legally privileged information. More widely, the Board and CEO are responsible for creating a culture of

openness and transparency with the Shareholder NED and the Department as a whole to ensure effective flows of high-quality information and provision of early warning of potential issues.

6.15. Transparency and Freedom Of Information (FOI) requests

As a public body AWE has a general obligation to be transparent about its activities albeit given the nature of its work this will need to be appropriately balanced with the requirement to protect certain information on the grounds of National Security and under any other applicable exemptions.

The CEO is responsible to the SoS for ensuring that AWE complies with the requirements of the Freedom of Information Act 2000¹⁹, the Environmental Information Regulations 2004²⁰, the Data Protection Act 2018²¹ and the UK General Data Protection Regulation (GDPR). AWE and MOD will cooperate in accordance with agreed arrangements in responding to requests for information.

6.16. Dispute Resolution

Any disputes between the Department and AWE will be resolved in as timely a manner as possible. The Department and AWE will seek to resolve any disputes through an informal process in the first instance.

If this is not possible, then a formal process will be undertaken as follow:

- The Head(s) of the Shareholder Team will gather information from AWE and the Department to ensure a shared understanding of the issues and clear articulation of relevant facts
- If escalation is required then this will be to the Director General Nuclear in the first instance who will be informed by the advice of the Shareholder Team and, whenever it involves the programme and the delivery of outputs the SRO and Customer Team.
- The Director General Nuclear may choose to ask the Permanent Secretary to nominate a Non-Executive Director member of the MOD Board to review the dispute, mediate with both sides and reach an outcome in consultation with the Secretary of State.
- If resolution is not possible at that level then the dispute will be escalated to the Permanent Secretary. If this is needed there is a requirement for the AO of AWE to write to the Permanent Secretary outlining the issue.
- The Permanent Secretary will be informed by advice from the Shareholder Team and DG Nuclear, which will also (also whenever the dispute involves the programme and the delivery of outputs) reflect advice of the SRO and Customer Team who are responsible for the warhead programme.
- The Permanent Secretary has the ability to impose a solution, with due regard to the concerns of both AWE and the Department and any related impacts to safety, operational

¹⁹ [Freedom of Information Act 2000](#)

²⁰ [The Environmental Information Regulations 2004](#)

²¹ [Data Protection Act 2018](#)

delivery or finances. The relevant parties must comply with this solution. Programme issues may need to be taken by the SRO or DG Nuclear to the Prime Minister or Cabinet Office if they impact delivery of key nuclear capability.

- In rare instances the Permanent Secretary may seek Ministerial direction in coming to a solution if appropriate.

6.17. Information Sharing

The following provisions on information sharing are all subject to appropriate data handling in the context of national security and other sensitivities specific to the role of AWE in the UK nuclear enterprise

- The Department has the right of access to all Company records and personnel for any purpose including, for example, sponsorship audits and operational investigations.
- The Company shall provide the Sponsor Department with such information about its operations, performance, individual projects or other expenditure as the Sponsor Department may reasonably require.
- The Department and HM Treasury 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.
- As a minimum, the Company shall provide the Department with information monthly that will enable the Department satisfactorily to monitor:
 - the Company's cash management;
 - forecast outturn by resource headings;
 - other data required for the Online System for Central Accounting and Reporting (OSCAR).
 - data as required in respect of its compliance with any Cabinet Office Controls pipelines or required in order to meet any condition as set out in any settlement letter

7. STAFF

AWE PLC shall employ or contract with the staff engaged in the performance of its purpose as described in section 3.

Within the arrangements approved by the Responsible Minister, and HMT / CO as required, AWE operates a Human Resources framework in accordance with its own delegated freedoms and the reward framework agreed with HMT and CO. The CEO will enable AWE to recruit, retain, develop and motivate staff in the numbers and with the appropriate skills and expertise to deliver the programme of work set by the Department (Customer) and to meet its wider mission and purpose,

while effectively competing for talent as an Employer of Choice and sustaining a culture that is engaging, diverse, inclusive and well led.

AWE has accountability for the recruitment, retention, incentivisation and compensation of its staff and for all arrangements relating to pensions and other benefits for its staff. Pay arrangements will be subject to 'Guidance for approval of Senior Pay'²² published by HMT, save for any delegations or provisions separately agreed with HMT and CO.

7.1. Broad responsibilities for AWE staff

The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic origin, religion, disability, community background or age;
- the level and structure of staffing, including grading and staff numbers, are appropriate to its functions, regulatory obligations and the requirements of economy, efficiency and effectiveness;
- the performance of staff at all levels is satisfactorily appraised and AWE's performance measurement systems are reviewed from time to time;
- staff are required in accordance with licence conditions and the requirements of certain roles and job positions to acquire the appropriate professional, management and other expertise necessary to achieve AWE's objectives;
- appropriate engagement with staff takes place on key issues affecting them including the maintenance and development of relationships with recognised Trade Unions as described in recognition and collective bargaining agreements;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and a Code of Ethics which sets out the values of the company and behaviours expected of staff.

7.2. Staff costs

Subject to its delegated authorities and agreed frameworks, AWE shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

²² [Guidance for approval of senior pay: applicable from 1 January 2018](#)

7.3. Pay and conditions of service

AWE staff are subject to levels of remuneration and terms and conditions of service (including pensions) as managed by AWE PLC as the employer and, for those below senior leadership, agreed through collective bargaining with its recognised Trade Unions, subject to the fact that it must at all times operate within a general reward framework agreed by MOD, HMT and the Cabinet Office. These overarching principles apply to all aspects in the remainder of this section.

Given the unique commercial, skills and operational circumstances of AWE, agreement has been reached (through MOD) with HM Treasury and the Cabinet Office that AWE will sit outside the Civil Service Pay Remit Guidance.

A reward framework will therefore be developed by AWE, and agreed with MOD as the Sponsor Department, HMT and CO ahead of mid-2022. It will give due regard to AWE's unique work, the competitive recruitment environment in which AWE operates and the special and often scarce skills requirements, as well as having regard to wider public sector pay and terms, and guidance issued by CO and HMT. If any changes to terms and conditions potentially arise from this framework, AWE in executing its role as employer, will follow the process set out below.

It is agreed that:

- Terms and conditions of AWE staff will remain in line with the prevailing agreements reached between AWE, its staff and Trade Unions.
- Any proposed change to terms and conditions as part of any future reward framework will follow the collective bargaining process as per AWE's Recognition Agreement with its Trade Unions, or for those not covered by collective bargaining, the relevant contractual process for consultation and change.
- AWE shall continue to operate a performance-related pay scheme that shall form part of its collective bargaining arrangements. Such schemes will be included in the wider reward framework and will only confer payments where appropriate and agreed performance targets are met.
- For some staff at senior grades AWE will operate a performance-based Management Bonus and, where appropriate, a Long-Term Incentive Plan (LTIP) approved by the Remuneration Committee and in line with the prevailing terms and conditions of employment. Incentive schemes will operate within any agreed delegations and the appropriate HMT approvals.
- AWE shall abide by the relevant approvals process as detailed in Senior Pay Guidance and the Public Sector Pay and Terms guidance, except where an explicit exemption or delegation has been agreed by the sponsor Department, and HMT and/or the Cabinet Office, as appropriate.
- The travel expenses of Board members shall be tied to the rates allowed to all staff of AWE and in line with its expenses policy.
- AWE plc will retain accountability for compliance with legislation relating to the treatment of contract or other workers.

7.4. Pensions, redundancy, and compensation

AWE staff shall be eligible for a pension provided by membership of the AWE Defined Contribution Pension Scheme. Any major structural changes to the AWE Pension Scheme would be subject to approval by HM Treasury

AWE staff will be eligible for gardening leave or Payment In Lieu of Notice in certain circumstances, as stipulated in their contracts.

On redundancy and compensation AWE is free to make staff exit arrangements, in accordance with the terms of collective bargaining agreements in force from time to time, provided that where delegated limits are exceeded they comply with agreed parameters or receive individual prior approval from the Shareholder and are compliant with all prevailing Public Sector rules and with freedoms granted to AWE in this respect. Any proposals for special severance payments require separate agreement from HM Treasury/Cabinet Office.

7.5. Arrangements in the event that AWE is wound up

If AWE is to be abolished, the Department shall put in place arrangements to ensure the orderly winding up of AWE, in accordance with HM Treasury and Cabinet Office rules. In particular, it should ensure that the assets and liabilities of AWE are passed to any successor organisation and accounted for properly and in accordance with legal duties owed to employees, trustees of AWE's pension schemes, suppliers and other third parties. In the event that there is no successor organisation, the assets and liabilities should revert to the Department.

To this end, the Department shall:

- ensure that procedures are in place in AWE 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 AWE'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 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;
- arrange for the most appropriate person to sign the closing accounts and report. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the Department inherits the role, responsibilities, assets and liabilities, the Department's PAO should sign; and meet any abolition costs that AWE cannot meet within its remaining budget. More broadly, the Department and AWE should have a contingency plan in place, which sets out arrangements if AWE is unable to meet its payment obligations.

AWE shall provide the Department with full details of all agreements where AWE or its successors have a right to share in the financial gains of developers. It should also pass to the Department details of any other forms of claw-back due to AWE.

8. ANNEXES

Annex A: Key Roles and Responsibilities

Annex B: Board and Sub-Committees

Annex C: Updates to Corporate Governance

Annex D: List of Granted Freedoms & Letter of Authority

Annex E: Glossary of Key Terms

8.1. ANNEX A: KEY ROLES AND RESPONSIBILITIES

Role	Responsibility	Appointment	Interfaces / Other Commitments
Chair	<p>The Chair’s responsibilities are set out in their agreed terms of appointment and in the annual Chair’s letter issued by the PAO.</p> <p>In particular, the Chair shall:</p> <ul style="list-style-type: none"> • ensure that the Board has a balance of skills appropriate to directing the AWE business, as set out in the Government Code of Good Practice for Corporate Governance; • ensure that AWE Board members are fully briefed on terms of their appointment, duties, rights and responsibilities; • lead the Board in setting a culture of partnership and transparency between AWE and MOD; • together with the other AWE Board members, receive appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice; • assess the performance of individual Board members annually and when being considered for re-appointment; • ensure that the Responsible Minister is advised (in conjunction with the Shareholder) of AWE needs when board vacancies arise; 	<p>The Responsible Minister shall appoint the AWE Chair in accordance with the principles set out in the Governance Code on Public Appointments²⁴.</p> <p>The Chair will be appointed for a fixed term and may be reappointed for one or more subsequent terms, subject to meeting required performance standards. The total period of appointment should not normally exceed nine years. At all times the AWE Board will have a majority of independents.</p> <p>If AWE is placed on the Order in Council, the Chair appointment will be regulated by the Office for the Commissioner for Public Appointments and the process for appointment, including term length, will comply with the</p>	<p>The AWE Chair is responsible for annual performance appraisals of the non-executive AWE Board members;</p> <p>The AWE Chair is responsible for the performance appraisal of the CEO, after taking account of views from the non-executive members of the AWE Board and Shareholder.</p> <p>The Chair will ensure an appropriate written appraisal is completed to reflect the results of each annual assessment exercise.</p>

²⁴ [Governance Code on Public Appointments](#)

Role	Responsibility	Appointment	Interfaces / Other Commitments
	<ul style="list-style-type: none"> • ensure that there are Board Terms of Reference in place, setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance; • ensure that all Board members are aware of and comply with the Cabinet Office Code of Conduct for Board Members of Public Bodies²³ and that their roles are aligned with the agreed terms of appointment in the annual Chair’s letter, issued by the PAO. 	Cabinet Office’s Governance Code for Public Appointments.	
Individual board members	<p>All individual Board members shall:</p> <ul style="list-style-type: none"> • Oversee and challenge the management of AWE and help to set the strategy of the Company; • Ensure compliance with the Code of Conduct for Board Members of Public Bodies, obligations under company law and with the rules relating to the use of its funds and to conflicts of interest; • Not misuse information gained as part of their duties for personal gain or for political profit, nor seek to use the opportunity of their duties to promote their private interests or those of connected persons or organisations; 		

²³ [Code of Conduct for Board members of Public Bodies June 2019](#)

Role	Responsibility	Appointment	Interfaces / Other Commitments
	<ul style="list-style-type: none"> • Comply with the AWE Board’s rules on the acceptance of gifts and hospitality, and of business appointments; • Act in good faith and in the best interests of AWE and in particular in accordance with their obligations under the Companies Act; • Consider their responsibilities for maintaining high standards of quality, safety, security, environment and health. 		
Independent NED	<p>NEDs are appointed to the Board to bring independence, impartiality, breadth of experience and/or specialist knowledge, as well as fresh perspectives.</p> <p>All NEDs shall exercise their independent judgement on relevant issues</p>	<p>The AWE Board shall appoint the Independent NEDs on the advice of the Nominations Committee and subject to the prior written consent of the Shareholder. The Shareholder should be informed prior to any recruitment campaign and the request to the Shareholder for approval of the final appointment should be accompanied by a justification.</p> <p>The Nominations committee should ensure an open, fair and transparent process as agreed by the Shareholder NED and ensure</p>	<p>The Non-Executive Directors should meet (in the Nominations Committee or otherwise) without the Chair present at least annually to appraise the Chair’s performance.</p>

Role	Responsibility	Appointment	Interfaces / Other Commitments
		<p>that the assessment panel includes at least one independent member from outside of AWE and at least one of the Shareholder NEDs. The Independent NEDs will each be appointed for an initial fixed term, normally up to three years. NEDs can be reappointed for a second term subject to prior written consent of the Shareholder. Any request should be accompanied by a justification based in part upon successful appraisals. A NED should not serve more than 2 terms or longer 9 years other than in exceptional circumstances.</p> <p>Under the Articles of Association, the Shareholder has the right to appoint and remove any person as a director of the company by notice in writing</p>	

Role	Responsibility	Appointment	Interfaces / Other Commitments
Shareholder NED	Shareholder NEDs on the Board are intended to increase transparency and assist reporting. The Shareholder NEDs will be subject to the same duties as all other directors.	The initial AWE Board will include two NEDs acting as Shareholder NEDs on the behalf of MOD. One of these will be from the Department and the other will be from UK Government Investments (UKGI).	

8.2. ANNEX B: BOARD SUB-COMMITTEES

Note: All committees are subject to established AWE committee-specific TORs that will be agreed between the Board and its sub committees.

Forum title	Responsibilities	Composition and Commitments
Audit and Risk Assurance Committee	<p>The Committee will be responsible for reviewing the comprehensiveness, reliability and integrity of controls and reviewing the financial statements in accordance with the ARAC TORs.</p> <p>The Committee will advise the Board and Chair on:</p> <ul style="list-style-type: none"> • the strategic processes for risk, control and governance; • the accounting policies, accounts, and annual reports, including the process for review of the accounts prior to submission for audit, levels of error identified, and management’s letter of representation to auditors; • the planned activity and results of both internal and external audit; • adequacy of management response to issues identified by audit activity; • assurances relating to corporate governance requirements; • anti-fraud policies, whistle-blowing processes, and arrangements for special investigations. 	<p>The Committee does not have any executive responsibilities and is not authorised to make or endorse any executive decision. The committee will be chaired by an Independent NED with relevant experience and qualification(s).</p> <p>The Committee will comprise a minimum of three non-executive directors (including the Chair of the Committee and at least one Shareholder NED). The CEO and the Chief Financial Officer (CFO) will attend meetings to provide information and answer questions as required by the Audit and Risk Assurance Committee. Representatives from the National Audit Office (NAO) and Defence Internal Audit (DIA) may attend as observers.</p> <p>The Audit and Risk Assurance Committee will annually review its own effectiveness and report the results of that review to the Chair and to the Board.</p> <p>The Audit and Risk Assurance Committee will assure themselves of the controls in place and their adequacy.</p>
Remuneration Committee	Specific responsibilities for the Remuneration Committee include:	The Remuneration Committee will comprise a minimum of three non-executive directors (including the Chair of the Remuneration Committee and at least one MOD

Forum title	Responsibilities	Composition and Commitments
	<ul style="list-style-type: none"> • reviewing the Company's remuneration strategy to ensure that it is financially sustainable, contemplates the interests of the Trades Unions, takes into consideration the longer-term spending position and ensures the organisation retains control of its remuneration costs while remaining competitive in the wider skills and geographical market in which AWE operates; • reviewing the application and impact of remuneration freedoms granted to the Company; • reviewing and advising on the framework and details of the remuneration and conditions of employment for the directors, executives and other senior staff; • reviewing the objectives included as part of any incentive arrangements for the Executives, Directors and other senior staff; • supporting the agreement and implementation of any remuneration frameworks agreed with HMT and CO, including constructive engagement which reflects an appropriate balance between organisational capability, performance and protecting taxpayer value. • providing appropriately detailed commentary on remuneration approach, rationale and outcomes (including effectiveness of any freedoms) on an annual basis through the Remuneration Report section of the AWE Annual Report and Accounts • reviewing compensation commitments (including pension contributions and other benefits) that would apply on termination of the employment of directors, executives and other senior staff. 	<p>NED). The CEO and the Executive Director Human Resources and such other members of the Human Resources function as are required, will attend meetings to provide information and answer questions as required by the Remuneration Committee.</p>

Forum title	Responsibilities	Composition and Commitments
Nomination Committee	<p>The Nomination Committee will meet as necessary to advise the Board on appointment of directors, executives and other senior staff.</p> <p>Specific responsibilities for the Nomination Committee include:</p> <ul style="list-style-type: none"> • supporting the Chair to evaluate regularly the balance of skills, knowledge and experience of the Board and executives; and • succession planning for Directors and Executives. 	<p>The Nomination Committee will comprise a minimum of three members (including the Chair of the Nomination Committee and at least one Shareholder NED). It will be chaired by a Non-Executive with relevant experience</p> <p>The Nominations Committee should ensure an open, fair and transparent nominations process as agreed with a Shareholder NED.</p> <p>As a minimum for NED recruitment, any assessment panel must include at least one independent panel member and at least one of the Shareholder NEDs.</p>
Security, Environment, Safety, Health and Quality Committee	<p>The SESHQ committee will advise the Board and Chair on:</p>	<p>The membership of the Committee shall comprise at least three Non-Executive Directors, one of who must be the Shareholder NED, plus such additional members, as the Board shall determine. The committee will be chaired by an Independent NED with relevant experience.</p>

Forum title	Responsibilities	Composition and Commitments
	<ul style="list-style-type: none"> • the AWE PLC security, environment, safety, health and quality strategy and the progress being made in the implementation of that strategy; • major developments in relation to the specific (nuclear) regulatory environment as it applies to AWE; • AWE’s approach in relation to those of other nuclear and other high hazard operators in the UK to identify best practice and ensure learning is shared; • security, environment, safety, health and quality risk management as practised at AWE. • the management of compliance with the nuclear regulatory requirements as practised at AWE; • emerging issues (whether relating to themes or particular high potential or high consequence incidents) concerning security, environment, safety, health and quality. The Committee will ensure that these are understood and that mitigations are being appropriately pursued; and • attaining and maintaining practices in support of security, environmental, safety, health and quality risk management, and for the assurance of compliance with the requirements of AWE’s regulators. 	
Quarterly Shareholder Meetings (QSM)	These quarterly meetings supplement the Board by providing support and challenge on key strategic issues where either the Board or the Department feels there would be benefit in a more focussed conversation than has been possible at the Board.	Chaired by the Shareholder NED. They are typically attended by the Chair, CEO, CFO, MOD Director General Finance and MOD Director General Nuclear.

Forum title	Responsibilities	Composition and Commitments
	<p>Note: The QSM does not replace the Programme-specific Performance and Risk Reviews, which will continue to be held by the SRO/Customer and AWE as described in the contract and related documentation.</p>	<p>The Shareholder team works with AWE to set the agenda.</p>

8.3. ANNEX C: UPDATES TO CORPORATE GOVERNANCE

Up to 31 March 2022 the following will, as far as possible, remain consistent with Transition plans for minimal disruption to ways of working:

- management and financial responsibilities of AWE;
- corporate and business plan process of AWE;
- process for signing off plans;
- relationships between AWE and the Department, but with additional transparency and interfaces, including with the Shareholder Team, in order to facilitate a smooth transition to the new ownership structure;
- programme delivery as governed by the Successor Contract;
- delegations to AWE; and
- budget allocation, subject to the change control and other management mechanisms set out in its contract with the Customer Team and related documentation.

As set out in section 3 of the main body of this Framework, the role of the Company in the wider defence nuclear enterprise and its relationship with the Shareholder and Customer teams of MOD will evolve. This evolution may entail changes to the activities referred to above as well as to other ways of working between MOD and AWE and associated documentation.

8.4. ANNEX D: LIST OF GRANTED FREEDOMS & LETTER OF AUTHORITY

- Given the unique nature of the activities undertaken by AWE, certain freedoms and delegated authorities may be agreed between the parties to enable AWE to achieve a balance between costs and sound management of public money, and the need to manage risks to the enhanced delivery of the warhead programme. They will then be captured in updated copies of this annex.
- AWE and MOD will ensure that the application of the above freedoms will be done in accordance with the appropriate Letter of Authority. AWE will ensure that freedoms and delegations are exercised transparently, with relevant information and data provided to HMT and CO, as required.

8.5. ANNEX E: GLOSSARY OF KEY TERMS

In this document, unless otherwise stated, the following definitions shall apply:

"the Accounting Officer"	The Chief Executive Officer of the Arm's Length Body
"the Act"	The Atomic Weapons Establishment Act 1991
"ALB"	The generic name for an Arm's Length Body
"AWE" or "the Company"	AWE plc
"the Annual Report and Accounts"	The single document conforming with the requirements of the Companies Act and
"the Board"	The statutory directors of AWE appointed by the Shareholder
"the Chair"	The AWE member appointed by the Secretary of State to serve as a chairperson
"the Chief Executive"	The AWE member appointed to serve as the Chief Executive Officer by the Board, with agreement of the Secretary of State
"the Customer"	The DNO team led by the SRO
"the C&AG"	The Comptroller & Auditor General
"the Department" or "MOD"	The Ministry of Defence
"DG(Nuc)"	Director General Nuclear
"DNO"	Defence Nuclear Organisation
"the FReM"	Government Financial Reporting Manual
"the Government"	The UK Government
"the Minister"	The Minister for Defence Procurement
"the MOD"	The Ministry of Defence
"NED"	Non-Executive Director
"the PAO"	The Principal Accounting Officer is the Department's Permanent Secretary
"Parliament"	The UK Parliament
"the Secretary of State" or "SoS"	The Secretary of State for Defence
"the Shareholder"	The holder of the issued share capital in the Company, and the team which supports that holder
"SRO"	The Senior Responsible Owner
"Successor Contract"	"Successor Contract" means the management and operations contract pursuant to which the Company is required to deliver certain services to MOD and related documentation including the interface agreement and related programme documentation which together govern the main programme of work which AWE undertakes on behalf of the Customer
"TOR"	Terms of Reference

