



UK Government
Investments

UK STEWARDSHIP CODE REPORT

UK Government Investments

October 2024



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Chair's introduction



Our Corporate Governance objective is to act as Shareholder Representative for, and lead the establishment of, arm's length bodies for the UK Government. We continue to challenge and support the governance, planning and performance of our Portfolio. Our Portfolio has remained consistent over the course of the year, as we have consolidated our role by focusing on where we can add the most value to our Clients. We are also working closely with the new government to consider how we can be most effective and supportive in the year to come.

The combination of public and private sector experience of UKGI colleagues is a valuable resource frequently called upon when advising our Clients. We continue to seek to share our expertise, providing governance advice to departments and contributing to government as it sets up new bodies to deliver policy priorities.

During the year, UKGI has continued to embed best practice stewardship across our Portfolio. We take our stewardship responsibility to our Clients, our Portfolio, and wider society very seriously. Most significantly, we are committed to engaging with, and learning lessons from, the Post Office Horizon Inquiry, on which we have continued to carefully reflect on our role since our Opening Statement to the Inquiry in October 2022. We continuously seek to refine and strengthen our processes, learning lessons from our experiences, as well as evolving best practice across private and public sector. Significant emphasis in this year's report is placed on the lessons we have learned to enhance our governance and financial expertise, and how we can deploy them to support our Clients.

I am particularly grateful to my Board colleagues, especially those who have joined us this year, for their ongoing insight and expertise, and extensive time commitment even outside Board and Committee meetings. I would like also to express my best wishes to those colleagues who completed their time on our Board this year, for the support and wisdom they have given to UKGI over the years. I am also thankful to the UKGI Leadership team for their professionalism and commitment in the face of a challenging operating environment.

This report builds on the submissions from the previous three years, demonstrating where we have refined our activities, and our priorities for the future. It has been reviewed and approved by both the members of our Audit and Risk Committee and the wider UKGI Board. I hope it will be of interest to our Clients, Portfolio, and wider stakeholders.



Vindi Banga

Chair

Chief Executive's foreword



UKGI's purpose is to create value for society from government's most complex commercial interests. We seek to combine the best of public and private sector expertise to support government as its centre of expertise for corporate governance and corporate finance. Reflecting this role, UKGI is pleased to present this submission to be a signatory to the Stewardship Code. We find this an extremely useful exercise to articulate our stewardship philosophy and activities to enable us to better support our Clients.

Over the past year, we have continued to secure our status with government departments as a trusted, objective adviser. We perform the Shareholder Representative function on behalf of nine government departments (up from seven in 2022/23 owing to machinery of government changes) for a Portfolio of 24 organisations (which remained unchanged from the previous year). Our Portfolio cumulatively employs over 164,000 people, generates around £33bn of gross income and manages over £1.3 trillion of assets.

This past year has been one of adapting our organisation to best suit our Clients' needs. The year started with a machinery of government change, which meant that several of our Client Departments were reorganised, and we found ourselves with a number of new stakeholders to introduce to our activities and to support. We set out to deliver our core objectives across the Portfolio, and to continue to offer expert advice to government departments and attractive development opportunities for our people.

UKGI is an organisation that seeks to learn from experience and draw lessons from across the Portfolio. We are committed to continuous improvement in our expertise and how we deliver support to departments. We take this very seriously in respect of our role in the Post Office Horizon Inquiry. We offered a comprehensive and reflective initial examination of UKGI's role in our opening statement to the Inquiry in October 2022. We continue to carefully review the position detailed in our institutional opening statement as the Inquiry progresses, in light of the evidence heard and further information which has become available to us.

As we continue to adapt our offering, we seek to build on the skills of our shareholder Non-Executive Directors and teams, engage in specific training for those performing core stewardship functions across our Portfolio, and bring in external expertise to inform our

thinking. At UKGI, our people are our greatest asset, and we see investing in their learning and development as an essential part of our commitment to good stewardship and to continuous improvement. We are grateful to have access to a network of experienced Chairs, Non-Executives and other governance practitioners who share insights they have learned throughout their varied careers to prompt our thinking.

Ongoing review and improvement are at the core of our stewardship responsibilities, allowing us to challenge and support the overall performance and sustainability of our Portfolio more effectively. Whilst we are proud of our achievements, we realise that there is still much reflection to be done. In the coming year we will be optimising our offering to support the priorities of the new government and to continue to meet the needs of our Clients.

A handwritten signature in black ink, appearing to read 'Charles Donald', with a horizontal line underneath it.

Charles Donald
Chief Executive

Executive summary

UK Government Investments (“UKGI”) is the government’s centre of expertise for corporate governance and corporate finance. We are committed to good stewardship practices including those in the Financial Reporting Council’s (“FRC”) revised 2020 UK Stewardship Code (the “Code”). Our response to the Code covers the FY2023/24 period. It outlines our stewardship values and approach, and how we strive to meet the needs of government departments and, ultimately, taxpayers and wider society (our beneficiaries).

The FRC defines stewardship as: *“the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, environment and society.”* The government, through departments, owns or part-owns arm’s length bodies (“ALBs”). Our stewardship role does not relate to the allocation of capital, as funding allocation decisions are taken by the relevant government department. Instead, the focus of our stewardship role is the management and oversight of the government’s interests in these ALBs.

We do not act as ‘Asset Owner’ or ‘Asset Manager’, rather we advise the government on the exercise of its rights and responsibilities as shareholder, thereby acting as “Shareholder Representative”. In line with our last three responses in preceding years, we have concentrated our response on our stewardship role as a service provider representing the government across a Portfolio of 24 ALBs that we provide services for (collectively, our “Portfolio”) on behalf of nine government departments (our “Clients”). In addition, we have now fully established our Contingent Liability Central Capability (the “CLCC”) unit. In this report we set out how the CLCC strengthens contingent liability expertise within government and improves how government manages its risk from contingent liabilities. This new capability helps government to effectively respond to market-wide and systemic risks to promote a well-functioning financial system.

We support and challenge governance and performance within our Portfolio to promote sustainable long-term success, as defined by the policy and objectives of government. We approach and work with the organisations in our Portfolio differently depending on the government’s shareholder relationship with them. At one end of our Portfolio we have NatWest Group plc (“NWG”), where government is part-owner and so we seek to follow best institutional shareholder practice and advise on a purely commercial basis. At the other end of our Portfolio we have ALBs such as the National Nuclear Laboratory, where we undertake a more involved Shareholder Representative role commensurate with full government ownership. Collectively, the organisations in our Portfolio employ over 164,000 people, generate approximately £33 billion of gross income, and manage gross assets of over £1.3 trillion.

We provide case studies and examples throughout the report to demonstrate our stewardship role and activities under each of the six Principles of the Code (each individually: a “Principle”), with emphasis on the period FY2023/24. A high-level summary of each Principle is provided below.

Principle 1: Signatories' purpose, strategy and culture enable them to promote effective stewardship

- Combining the best of public and private sector expertise, UKGI acts as the government's centre of expertise for corporate governance and corporate finance. UKGI creates value for society from government's most complex commercial interests. UKGI seeks to achieve the following objectives:
 - act as Shareholder Representative for, and lead establishment of, UK Government ALBs (promoting good governance of publicly owned businesses);
 - advise on all major UK Government corporate finance matters, including financial interventions into corporate structures and corporate finance negotiations;
 - analyse and advise on the UK Government's contingent liabilities; and
 - manage and execute the sale of all significant UK Government corporate assets.
- UKGI's strategy concentrates on finding solutions that optimise outcomes for its Client departments and seeking long term sustainable success for its Assets. UKGI's strategy can be divided into three strands:
 - i. to be able to respond to the demands of government departments for expertise in governance, corporate finance, contingent liabilities and transaction execution as they arise;
 - ii. to ensure that any assignment we undertake is clearly defined and falls within UKGI's risk appetite; and
 - iii. to deliver the services and outcomes sought by our Clients to the highest standards.
- Effective stewardship of the Portfolio is at the core of everything UKGI does. Whilst UKGI's Target Shareholder Model is unchanged from 2022/23, UKGI continually learns from the activities performed across its Portfolio, including appointing, reappointing, or extending Non-Executives (impacting 32 Non-Executive Directors ("NEDs") across the Portfolio in 2023/24) or updating the governance foundations of the Assets within the Portfolio. UKGI's Portfolio has remained consistent in 2023/24, totalling 24 Assets. Following the 2023 Machinery of Government changes UKGI performs the Shareholder Representative role on behalf of nine government departments, an increase from five departments as in 2022/23.
- UKGI has sought continuous improvement in the performance of our Shareholder Representative role through updated stewardship practices and building the skills of our Shareholder Representative NEDs and teams across our governance Portfolio, engaging in specialist training, and bringing in external expertise.
- UKGI works continually to strengthen its capability to offer specialist advice across government departments. Within the Portfolio, UKGI has embedded a data-driven approach to management information, allowing for the identification and analysis of key trends, outliers, and areas for improvement in its

activities and the performance of its shareholder Assets.

- UKGI continues to support government departments with governance matters outside of the UKGI Portfolio. We have maintained core strategic relationships across government including with the Department for Business and Trade (“DBT”) Corporate Governance, Audit Reform, and Shareholder Rights Team; the Cabinet Office Public Bodies Team; and through participation in the Cabinet Office’s Public Bodies Programme Board. This enables us to impact directly ALB governance policy.
- UKGI believes that a diverse and inclusive workforce, and its values-led, supportive and non-hierarchical culture are key to enabling the successful conduct of its Shareholder Representative roles. UKGI promotes effective stewardship by enabling its people to work at their best. By capturing a wide range of experience and perspectives to reflect in its work, UKGI gains a better understanding of the needs of its Clients and the wider public it serves. In 2023/24 UKGI continued to make strides to meet its targets, which includes 45% of senior management now being female, and 10% of senior management being from an ethnically diverse background.
- UKGI continues to embed its values into everything it does. They are the lens through which all its decisions and actions are considered, UKGI is:
 - supportive and inclusive
 - open and honest
 - expert and professional
 - collaborative and outcome-focused

- Clear definitions of purpose, strategy, values and culture are helpful in promoting effective stewardship. Ultimately, they contribute to a more cohesive organisation, which is able to adapt to the evolving demands and requirements of its Clients. UKGI’s collaborative culture enables Shareholder Teams to share best practice, disseminate knowledge and identify opportunities to improve the governance of its Assets.

Principle 2: Signatories’ governance, workforce, resources and incentives enable them to promote effective stewardship

- As the government’s centre of expertise for corporate governance, UKGI understands that the foundation of good stewardship begins with a clear governance framework, UKGI’s own Board of Directors and a specialist skilled workforce, all operating together. At UKGI, the governance structures ensure appropriate information is escalated from the Portfolio and dedicated specialist teams (such as UKGI’s in-house legal team or risk reviewers) up to senior management and where necessary, to the Board.
- In 2022/23 UKGI changed the structure of its senior management reporting, to establish an Operations Sub-Committee (“OpCo”) reporting to its existing Executive Committee (“ExCo”). This has continued in 2023/24 and has allowed ExCo to focus its time on strategic matters, including stewardship, and for OpCo to focus on the effective day-to-day running of UKGI.

- Complementing this, senior oversight of UKGI's stewardship activities is provided by the Board and senior executives through regular Portfolio Review processes and periodic 'deep dives'. Portfolio Reviews are undertaken by senior personnel from across the organisation, who form peer support and challenge panels. They provide internal review to Shareholder Teams on the performance of their role, as well as to assess consistency of stewardship and share best practice across the Portfolio.
- The UKGI Board provides strategic direction and ensures UKGI is equipped to perform its functions. The Board promotes UKGI's performance of its stewardship role by encouraging the development of a culture which allows UKGI to execute its strategy effectively and efficiently, equipping UKGI with sufficient resourcing, and the effective governance arrangements required to provide appropriate assurance of its activities. In line with the recommendations from an internal Board Effectiveness Review and the Board's succession plans, in FY2023/24, three independent Non-Executive Directors ("NEDs"), a Department for Business and Trade-appointed NED, and an alternate Shareholder Representative NED were appointed and inducted into the UKGI Board.
- UKGI's people are highly skilled professionals drawn from a range of backgrounds, combining Civil Service and private sector expertise. Shareholder Teams are resourced according to the skillsets and experience required to best serve UKGI's Clients and Assets, regularly drawing from colleagues across the organisation. Having colleagues on secondment from private and public sector organisations and the Civil Service, working alongside permanent staff, is particularly helpful in ensuring specialist knowledge, expertise and networks stay up to date and can flex according to Client requirements.
- A core part of UKGI's stewardship offering is to provide experienced resources for its Portfolio, including a Shareholder Representative Non-Executive to sit on an Asset's Board. UKGI continues to develop internal Shareholder Representative Non-Executive resource via its Shareholder Representative NED development programme, now in its second year. UKGI also has a Shareholder Representative NED succession process and development programme for aspiring NEDs to ensure an effective pipeline of talent that can be deployed effectively across its Portfolio.
- UKGI has an agreed remuneration structure with its shareholder, HM Treasury ("HMT"), for the pay of its permanent staff. This includes performance-related pay to reward exceptional organisational and individual performance. A component of organisation-wide performance is related to the performance of our stewardship activities, while performance ratings of individuals in Shareholder Teams are related to their performance in that team and adherence to the values set out above.

Principle 3: Signatories identify and manage conflicts of interest and put the best interests of clients first

- UKGI has a Code of Conduct which governs how it works. The principles it expects staff to abide by are: integrity; honesty; objectivity; impartiality; compliance with law and professional standards; respect; protecting UKGI's interests; and managing conflicts of interest. UKGI's Code of Conduct brings to life UKGI's values by setting out the responsibilities, duties and expected behaviours of its staff, who are all trained on and sign up to the Code of Conduct upon joining the organisation (whether on secondment or permanently).
- Given UKGI's role, it is incumbent on it to ensure that the interests of its Clients, Portfolio or other organisations that UKGI works with are not damaged by any conflicts of interest inherent within UKGI or arising between UKGI, or its staff, and those organisations. UKGI's Code of Conduct therefore includes guidance and well-defined procedures for avoiding, identifying, disclosing, reporting and managing conflicts of interest.
- To best support its Clients, UKGI performs its Shareholder Representative role as agreed in a Memorandum of Understanding with each Client, setting out how it will represent their best interests.

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

- UKGI's direct interactions with the financial system are rare and, to date, have principally related to the disposal programme for NatWest Group. However, a number of organisations in UKGI's Portfolio are involved in financial markets in other significant ways, for example the British Business Bank, UK Infrastructure Bank, and UK Export Finance. The stewardship of these ALBs contributes to the maintenance of orderly markets through their activities.
- In addition to UKGI's interactions with financial markets from a Portfolio perspective, UKGI has a number of specialist teams providing expert advice, best practice, and risk management assistance to government departments. These include UKGI's Special Situations Group ("SSG"), Inward M&A team, and Contingent Liability Central Capability ("CLCC"). UKGI also leads the Government Corporate Finance Profession ("GCFP" or "the Profession") and represents the UK at the OECD Working Party on State Ownership and Privatisation Practices.
- UKGI's CLCC published a complete view of the UK Government's exposure to financial guarantees, indemnities, contingent liabilities and provisions. The report allowed the UK Government to: (a) identify the scale of the contingent liability risk; (b) categorise this risk across the Portfolio; (c) determine whether the government was adequately charging for this risk and (d) consider

how to improve value for money across the Portfolio. This report highlighted that more than 90% of government risk (£491bn) is accounted for on its balance sheet. The report also quantified the remainder of the contingent liability risk (£23bn) for the first time based on a data collection exercise across government departments led by UKGI.

- UKGI identifies and responds to market-wide and systemic risk through a comprehensive and frequent Risk Review process reporting up to the UKGI Board. This process focuses on risks to UKGI's ability to deliver its Shareholder Representative mandate, as well as providing an overview of performance across defined metrics across the UKGI Portfolio. UKGI also conducts periodic risk deep dives, which included, in 2023/24, scrutiny of the quality of boards across the UKGI Portfolio.
- UKGI leads the GCFP with UKGI's Chief Executive as the Head of the Profession. The GCFP's purpose is to promote skills development, knowledge sharing, networking, collaboration and career development in corporate finance and currently has 220 members across government.
- UKGI is responding to the systemic risks caused by environmental issues and climate change through challenging and supporting its Assets' overall organisational performance and sustainability.

Principle 5: Signatories support clients' integration of stewardship and investment, taking into account material environmental, social and governance issues, and communicating what activities they have undertaken

- In 2023/24 UKGI's Clients across the whole of its remit (not solely for Shareholder Representative roles) included (but were not limited to):
 - HM Treasury
 - Cabinet Office
 - The Foreign, Commonwealth, and Development Office
 - The Ministry of Defence
 - The Department of Health and Social Care
 - The Department for Business and Trade
 - The Department for Digital, Culture, Media and Sport
 - The Department for Energy Security and Net Zero
 - The Department for Environment, Food & Rural Affairs
 - The Department for Levelling Up, Housing and Communities¹
 - The Department for Science, Innovation and Technology
 - The Department for Transport

¹ The Department for Levelling Up, Housing and Communities was changed to the Ministry for Housing, Communities and Local Government on 9 July 2024. This change has not been reflected throughout this document as it took place after 31st March 2024.

- UKGI has created a Target Shareholder Model which it applies to its Portfolio. The model sits alongside and is complementary to the work its Clients do to manage their policy and other interests in their ALBs. UKGI's close working relationship with its Clients is central to enabling it to receive honest and open feedback from them, which it takes on board to better support them. UKGI ensures interactions between its Clients and UKGI are conducted through professional, efficient, and trust-based discussion:
 - i. Professional: people engaged in discussion relevant to effectively providing UKGI's objectives, with commitments provided on time and to specification
 - ii. Efficient: both parties ensuring a joined-up approach amongst their respective constituent elements
 - iii. Trust-based: open discussions, based on a shared commitment to providing UKGI with the ability to realise its role effectively
 - UKGI incorporates Environmental, Social and Governance considerations into its stewardship activities. These allow UKGI to more effectively challenge and support the overall performance and sustainability of the Portfolio. For example:
 - to enable Shareholder Teams to challenge and support ALBs on their journey to net zero UKGI has equipped them with guidance, and provided a successful programme of events to establish a community of environmental leads across its Portfolio and wider government.
- The UKGI-led Cross-Government Environmental Considerations Working Group met four times during FY2023/24 to consider topical areas including regulatory and reporting updates on the Task Force on Climate-related Financial Disclosures and Taskforce on Nature-related Financial Disclosures, reflections from COP 28, and many more topics.
- During FY2023/24, we continued to support our Shareholder Teams develop the necessary skills and understanding to support the effective monitoring of organisational culture within our Portfolio. This included providing guidance material and in-house training which is mandatory for all Shareholder Teams.
 - as the centre of expertise for corporate governance, good governance and an emphasis on continuous improvement run through all the core strands of UKGI's stewardship activities.
- Over the course of FY2023/24 UKGI supported the appointment, re-appointment or extension of 32 board members, including Chairs. A key focus has been on encouraging a greater number of diverse applicants. Utilising external support, we have reviewed our relevant internal processes and have developed a better understanding of our appointment data and used this to drive plans bespoke to our Portfolio organisations.
 - UKGI communicates its activities through a range of media, for example the UKGI website and gov.uk. UKGI

disseminates best practice through a number of events that it holds for key stakeholders, within government guidance such as the Cabinet Office “*Arm’s length body sponsorship code of good practice*”, and through its publications, such as the 2020 report, “*UK Government arm’s length-bodies: a case for them in specialised delivery and how to optimise their use*”² UKGI also publishes an Annual Report and Accounts and an annual response to the Stewardship Code.

Principle 6: Signatories review their policies and assure their processes

- UKGI has a number of internal mechanisms in place to review its policies and assure its processes. UKGI’s Board and Executive Committee regularly conduct reviews of its core Shareholder Representative role, policies and processes and seek assurance as to their operation. UKGI strives for consistent, conscious and proactive reflection on how it delivers its Shareholder Representative role.
- UKGI is held accountable by the government departments for which it conducts an agreed role (as well as overall, by HMT as its shareholder) and is subject to audit by the Government Internal Audit Agency (“GIAA”). The GIAA may review UKGI’s role in the stewardship of our Portfolio on behalf of our Client departments, or review our own internal processes. In FY2023/24, the GIAA performed an external review of the Portfolio Review process.

GIAA presented a small number of recommendations which have all been implemented successfully and in a timely manner by the team.

- At the time of publication, responsibility to account for the activities of UKGI in Parliament sits with the Economic Secretary to the Treasury. UKGI’s Chief Executive, as Accounting Officer, has specific personal responsibility to account to Parliament, including giving evidence to Parliamentary Committees, on UKGI’s stewardship of UK Government assets and public funds.
- UKGI welcomes the scrutiny it is subject to as a public body, not least as an opportunity to regularly review and assure its processes and activities, and account for itself.

2 UKGI Publication: https://www.ukgi.org.uk/wp-content/uploads/2020/03/UK-Government-Arms-Length-Bodies-A-View-from-Practitioners-January-2020_WEB.pdf

Principle 1: Purpose, strategy and culture



Purpose, strategy and culture

Principle 1: Signatories' purpose, strategy and culture enable them to promote effective stewardship

Introduction

In this section we cover the following:

- **What is UK Government Investments (“UKGI”) and what is our purpose:** combining the best of public and private sector experience, we are the government’s centre of expertise for corporate governance and corporate finance. We create value for society from government’s most complex commercial interests
- **Our strategy:** we work with different government departments to find solutions that optimise outcomes. Our annual strategy is aligned to achieving this
- **Government as ‘shareholder’ and our stewardship services:** we promote effective stewardship through our role as Shareholder Representative on behalf of government departments
- **Our Portfolio:** we represent the government as Shareholder Representative across a Portfolio of 24 arm’s length bodies (“ALBs”) (collectively referred to as our “Portfolio”) and nine government departments (our “Clients” or “Client Departments”)
- **Our values and how we embed them in our culture:** the organisational culture in UKGI goes from strength to strength and we have continued to embed the UKGI values internally and externally
- **How our strategy, values and culture enable us to promote effective stewardship:** in line with our strategy, values and culture, we provide specialist and current expertise, portfolio knowledge and experience, senior and experienced resource, and strong networks
- **How effective we have been in supporting our Clients:** each year UKGI assesses its performance through a Board approved survey of feedback from key stakeholders; through measurement against Key Performance Indicators (“KPIs”); and through a review of achievements against its objectives, all of which is subject to challenge and endorsement by its Board. Client feedback was gathered by UKGI’s Chair and CEO, including from departmental Permanent Secretaries and Asset Chairs, and a review of the achievements and challenges of each role we perform. In FY2023/24 the Board agreed that UKGI met the KPIs for the year and endorsed areas of improvement for the year ahead
- **Our future:** we promote continuous improvement in our work and across our Portfolio as we deliver our role as the centre of expertise for corporate governance in government

What is UKGI and what is our purpose?

UKGI creates value for society from government's most complex commercial interests. We provide advice and solutions that inform the government's decisions so they can be translated into effective outcomes in the national interest.

UKGI is a company wholly owned by HM Treasury ("HMT") and acts as the government's centre of expertise for corporate governance and corporate finance. It has an agreed Framework Document with HMT which sets out the broad framework within which UKGI operates. This can be found on our

website.³ UKGI seeks to achieve the following objectives:

- i. act as Shareholder Representative for, and lead establishment of, UK Government's most complex and commercial ALBs on behalf of sponsor departments;
- ii. advise on major UK Government corporate finance matters, including financial interventions into corporate structures and corporate finance negotiations;
- iii. advise on and analyse the UK Government's contingent liabilities; and
- iv. manage and execute the sale or purchase of significant corporate assets for the UK Government.

UKGI's wider expertise

Our Shareholder Representative role is one part of UKGI's overall activity, which also includes Government Corporate Transactions, analysing and advising on the UK Government's contingent liabilities, and supporting effective responses and contingency planning by the government to financially distressed corporate situations. Although these activities are not directly related to stewardship in the context of the 2020 UK Stewardship Code's definition and our Shareholder Representative role, this specialist expertise is available to our Shareholder Teams who can then apply it in the context of our Portfolio. This broadens the support we offer our Clients and Portfolio. We have therefore provided detail of this work under Principle 4 where we view these additional services as being most relevant.

Our strategy

We work with different government departments to find solutions that optimise outcomes. Our core strategy has three parts:

- i. to be able to respond to the demands of government departments for expertise in governance, corporate finance,
- ii. contingent liabilities and transaction execution as they arise;
- iii. to ensure that any assignment we undertake is clearly defined and falls within UKGI's risk appetite; and
- iii. to deliver the services and outcomes sought by our Clients to the highest standards.

³ UKGI's website: <https://www.ukgi.org.uk/>

In contrast to the private sector, we cannot always choose what we work on and therefore we need to remain agile to respond to changing government priorities. We will ensure we have the mix of skills

to deliver our corporate objectives and to respond to the needs of our Clients as they arise. We maintain and develop our culture to ensure that we can attract and retain the people required to undertake this work.

Case Study: Adapting our proposition

This case study illustrates how UKGI's strategy enables us to promote effective stewardship

For UKGI, this past year has been one of adapting our proposition by continuously improving our Portfolio expertise and building internal capability. In response to the Machinery of Government changes in 2023, our core Client base expanded from five to nine government departments, and our Portfolio remained at twenty-four ALBs.

In the governance space we have sought continuous improvement in the performance of our Shareholder Representative role through updated Portfolio practices and building the skills of our Shareholder Representative Non-Executive Directors ("NEDs") and teams across our governance Portfolio, engaging in specialist training, and bringing in external expertise to inform our thinking. Our 18 existing guidance notes, which provide practical advice to Shareholder Teams on how to undertake elements of our Target Shareholder Role (detailed on page 85), were updated and three new pieces of guidance on topics including 'the role of UKGI in ALB sponsorship' were added.

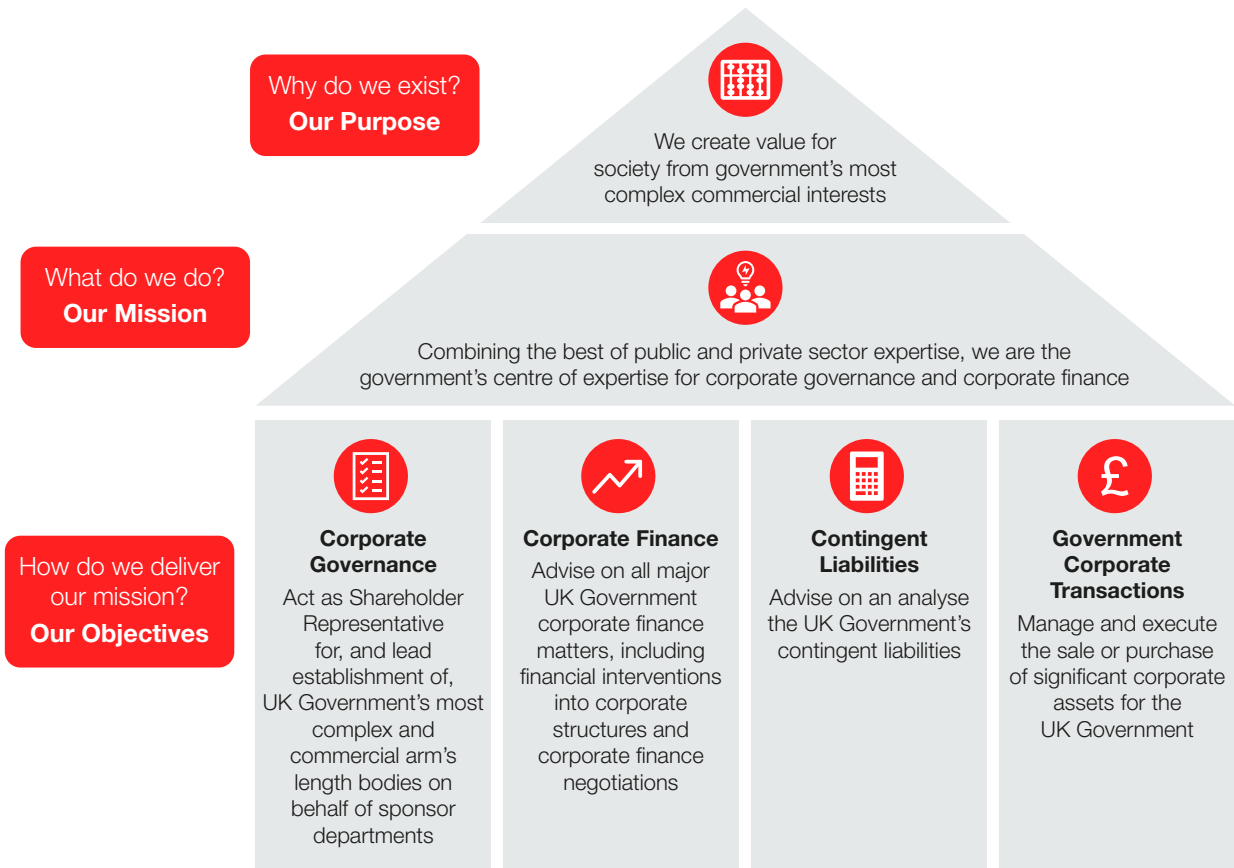


We delivered training to Shareholder Representative Non-Executive Directors, including on 'Assessing the board', 'Culture and crises' and 'Optimising your legal skillset and navigating head-hunter relationships'. The group interacted with seven FTSE-100 Chairs to gain insights from their expertise. In addition, forums and peer support groups enabled sharing of best practice and challenges. The aspiring Shareholder Representative NEDs joined development days and a Trustee matching scheme to gain external board experience.

In the past year we enhanced our profile and reputation by providing departments with governance advice. We have maintained core strategic relationships across government including with the Department for Business and Trade (“DBT”) Corporate Governance, Audit Reform, and Shareholder Rights Team; the Cabinet Office Public Bodies Team; and through participation in the Cabinet Office’s Public Bodies Programme Board. This enables us to impact directly ALB governance policy, for example including UKGI best practice and practical know-how in the publication of the May 2022 Cabinet Office “Arm’s length body sponsorship code of good practice”, and the development, in the past year, of the Public Bodies Review Programme, which has been rolled out across all ALBs, including those within and outside of the UKGI Portfolio.

We have also provided ad hoc governance support to a variety of departments outside of those for whom we perform a Shareholder Representative role. For example in January, UKGI joined a programme board of Foreign, Commonwealth and Development Office to consider the governance of its ALBs, following the merger of the Foreign and Commonwealth Office and the Department for International Development. Through this work in adapting our proposition, UKGI’s Corporate Governance and Portfolio Management (“CG&PM”) Programme has continued to embed stewardship best practice across our Portfolio and engage across Whitehall to promote effective governance.

Figure 1: Our purpose, mission and objectives hierarchy



Government as ‘shareholder’ and our stewardship services

Government-owned businesses and organisations, or ALBs, play an important role in the provision of public services and projects. They encompass non-Ministerial bodies, non-departmental public bodies, executive agencies, and other public bodies such as public corporations.

The government has a number of different relationships with each of its ALBs, which can include customer, policy setter, funder, regulator and owner (or ‘shareholder’); and for each of the relationships, the government will have different responsibilities, ultimately all to ensure that public resources are used appropriately.

The government’s responsibility as owner (or ‘shareholder’) is to seek to have ALBs which are high performing organisations – and it has several areas it can concentrate on to support the achievement of this. See Figures 2 and 3.

Figure 2: The government’s different sponsor responsibilities for its ALBs

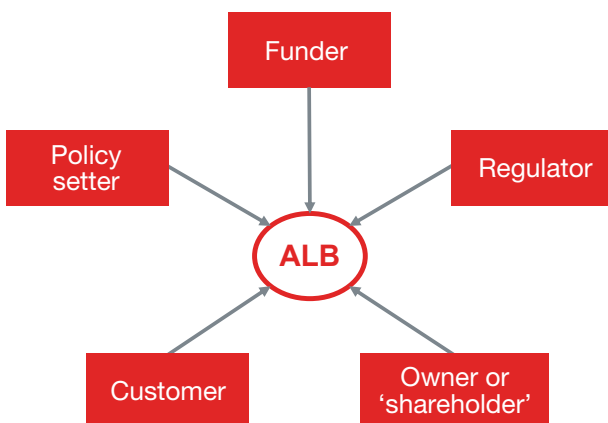


Figure 3: Government’s priorities in its shareholder role



UKGI’s stewardship role

UKGI’s stewardship role is as a service provider, representing the government’s shareholder responsibilities across a Portfolio of 24 ALBs, as of 31 March 2024. We act on behalf of the nine government departments that are responsible for these ALBs. These are primarily ALBs which have a significant commercial element, significant private sector interface and/or material governance complexities.

We promote the sustainable long-term success (as defined by government policy and objectives) of our ALBs by supporting and challenging their governance and performance. Throughout this document this is what we mean when we refer to our ‘Shareholder Representative role’ and ‘acting as Shareholder Representative’.

Our services are not always undertaken to encourage ALBs to provide a financial return to government, but to support them to deliver value for money for taxpayers in a way that leads to sustainable benefits for

the economy, environment and society. Our Clients are those government departments that own or part-own the assets we work with (forming our Portfolio) and our ultimate beneficiaries are taxpayers and wider society. UKGI's Shareholder Representative role in relation to government-owned ALBs is referenced in Managing Public Money ("MPM"). It confirms the importance of the government properly fulfilling its shareholder responsibilities, and explicitly highlights the central role of UKGI in this context. MPM requires that government departments should seek UKGI's advice on the set-up of certain types of ALB and consider whether UKGI should carry out the Shareholder Representative role for such bodies.

How we carry out our stewardship services

We work on behalf of our Clients, performing our Shareholder Representative role as agreed in a Memorandum of Understanding and Framework Document, with a regular level of engagement maintained with both our Clients and our ALBs. We primarily do this across five core areas of activity, framed by the governance levers that the government has as a shareholder:

- i. establish and maintain an appropriate and effective corporate governance foundation which governs the department-ALB relationship;
- ii. promote effective objectives, business planning and performance against the business plan;
- iii. promote strong corporate capability;
- iv. promote effective leadership (high quality boards and senior management); and

- v. promote effective relationships between the government department and the ALB.

We work with management teams across our Portfolio to promote high organisational performance across our five core areas through regular meetings and detailed reporting requirements (including KPIs), to enable government's effective exercise of its shareholder levers. In most circumstances, the activities above are provided through the appointment of an experienced UKGI Shareholder Representative Non-Executive Director ("UKGI Shareholder Representative NED") to our Asset's board, usually supported by a Shareholder Team.

The size of each Shareholder Team varies, ranging between the equivalent of fewer than one to more than five full time employees at any one time. Our average Shareholder Team contains two full-time equivalent team members. Further detail on how we perform these activities in practice is provided under Principle 5.

The role of the UKGI Shareholder Representative NED is to:

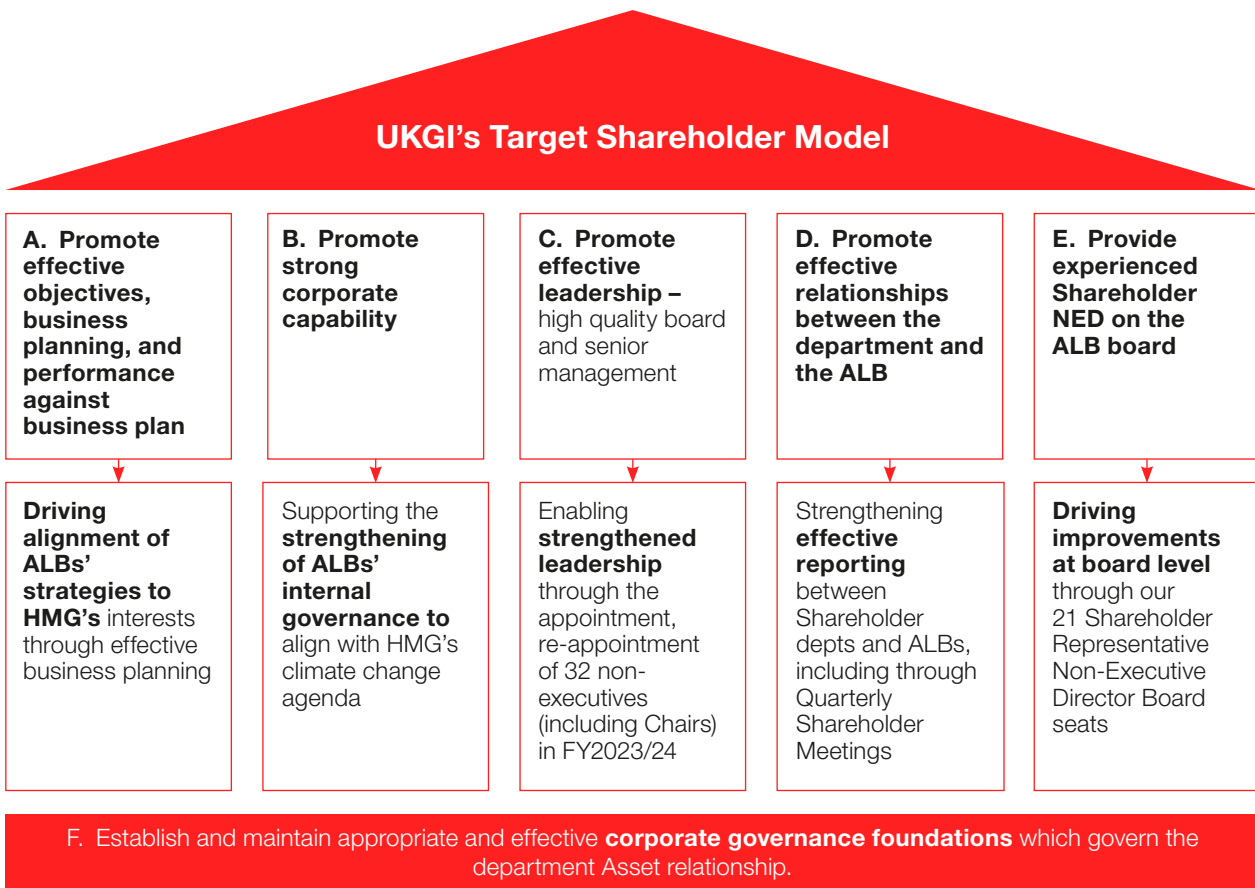
- i. fulfil the relevant statutory and/or fiduciary duties of a Director, acting in a way which is most likely to promote the success of the ALB for the benefit of its shareholder(s) whilst having appropriate regard to other stakeholder interests;
- ii. contribute to the overall strength of the board by bringing appropriate skills and expertise;
- iii. contribute expertise in best practice corporate and government governance; and
- iv. by virtue of their unique position, facilitate the relationship and

understanding between the government department and the ALB, including:

- conveying the context of the department’s objectives and perspective (established through regular meetings with departmental officials and, when appropriate, Ministers to discuss ALB developments and relevant departmental/Ministerial interests) to the board to aid its decision-making;
- whilst fulfilling their duties of confidentiality as a board member, providing a direct line of sight to the department on ALB developments and the quality of the board and management in the performance of their functions; and
- supporting wider relevant government stakeholder relationships.

Figure 4: Our stewardship services

The below figure details the six elements of the UKGI Target Shareholder Model in boxes A – F



There are certain activities UKGI does not do, including: setting government policy; assuring satisfaction of policy objectives; mediating between government departments on policy conflicts; assuring or approving business cases; assuring

or approving procurement activity; and determining funding allocation or funding strategy.

Our Shareholder Teams are supported by our CG&PM Programme, which we outline on page 41-42. Our CG&PM enables the

sharing of our specialist expertise across government and our Portfolio in applying governance disciplines in a government setting, which is central to how we promote effective stewardship.

Our Portfolio

At UKGI we perform the Shareholder Representative role for a broad and diverse Portfolio. The Portfolio consists of a range of structures from non-Ministerial departments⁴ through to limited companies. The Assets cover a range of sectors, with the main activities being finance, communications, transport, energy, defence, manufacturing and property and land.

In FY2022/23 we responded to government requirements and increased our Portfolio to twenty-four ALBs with new roles on Sizewell C and a monitoring role on BBC Commercial. We also successfully completed our role with the UK Green Investment Platform, with the corporate vehicle being liquidated following the successful disposal of its remaining entities. In FY2023/24, our Portfolio size remained constant, comprising of twenty-four ALBs. During the year, OneWeb was merged with Eutelsat Communications SA and we now provide a Permanent Representative and a small team to support the Secretary of State for Science, Innovation and Technology (“DSIT”) in their capacity as a corporate director on the Board of Eutelsat. Collectively, our Portfolio employs over 164,000 people, generates approximately £33bn of gross income and manages gross assets of over £1.3 trillion.

We approach and work with our Portfolio differently depending on the government’s

shareholder relationship with them and on the legal, regulatory, and contractual framework the ALB operates within. The reason for these differences, particularly whether or not UKGI holds a board seat, is largely related to how and when the Asset came into government control, and what was considered feasible and appropriate for the Asset and the government at the time. At one end of this spectrum, for example, are Channel 4 (“C4C”) and NatWest Group (“NWG”). We do not hold seats on the C4C Board or NWG Board, which are responsible for strategic and management decisions. At the other end of the spectrum, there are ALBs such as the British Business Bank (“BBB”) or The Royal Mint, of which the government is a 100% shareholder. In relation to these ALBs, UKGI has significant engagement with the ALB and undertakes a more involved Shareholder Representative role, including having an experienced UKGI Executive on the board of the ALB as a UKGI Shareholder Representative Non-Executive Director.

While we are not responsible for policy-setting for our Portfolio, our role is to agree clear objectives and performance targets including KPIs for our ALBs with ongoing performance monitoring. Table 1 demonstrates the spectrum of how we implement our Shareholder Representative model.

⁴ A non-Ministerial department is a government department in its own right but does not have its own Minister. However, it is accountable to Parliament through its sponsoring Ministers. A non-Ministerial department is staffed by civil servants and usually has a high degree of financial autonomy (including its own estimate and accounts).

Figure 5: Our Portfolio by sector



Table 1: Our Portfolio (as of 31 March 2024)

Asset	Government Shareholding	Client Department†	Cabinet Office Classification	Board Seat	Non-Executive Appointments‡
Atomic Weapons Establishment	100%	MoD	Non-Departmental Public Body	Yes	UKGI lead Chair appointment NomCo leads other NED appointments
BBC Commercial	0%*	DCMS	Public Corporation	No	NomCo lead with 2 NEDs appointed from the BBC Board
BIS (Postal Services Act 2011) Company Ltd	100%	DBT	Unclassified	Yes	UKGI lead
British Business Bank	100%	DBT	Unclassified	Yes	UKGI lead Chair appointment – NomCo leads other NED appointments
Channel 4	100%	DCMS	Public Corporation	No	UKGI supports DCMS and Ofcom who undertake the appointments
Defence Equipment & Support	100%	MoD	Executive Agency	Yes	UKGI lead
Eutelsat (Formerly OneWeb)	11%	DSIT	Unclassified‡	Yes	UKGI leads appointment of 2 NEDs – NomCo leads other NED appointments
Government Property Agency	100%	CO	Executive Agency	Yes	UKGI lead
HM Land Registry	100%	DLUHC	Non-Ministerial Department	Yes	UKGI lead

† Departments as at 31st March 2024: HM Treasury (“HMT”); The Department for Business and Trade (“DBT”); The Department for Digital, Culture, Media and Sport (“DCMS”); The Department for Energy Security and Net Zero (“DESNZ”); The Department for Levelling Up, Housing and Communities (“DLUHC”); the Department for Science, Innovation and Technology (“DSIT”); the Ministry of Defence (“MoD”); the Department for Transport (“DfT”); Cabinet Office (“CO”). DLUHC’s name was changed to the Ministry for Housing, Communities and Local Government (“MHCLG”) on 9 July 2024. This change has not been reflected throughout this document as it took place after 31st March 2024.

‡ UKGI’s involvement and oversight over appointments varies from Asset to Asset and often involves other parties, including Ministerial approvals as final decision-makers. We follow the Governance Code for Public Appointments in respect of all regulated appointments, this can be found at: www.gov.uk/government/publications/governance-code-for-public-appointments.

* BBC Commercial Holdings Ltd is a private company wholly-owned by the British Broadcasting Corporation

± Unclassified – Assets classified to central government by the Office for National Statistics, but not yet classified as an ALB by the Cabinet Office

Asset	Government Shareholding	Client Department†	Cabinet Office Classification	Board Seat	Non-Executive Appointments ^α
National Highways	100%	DfT	Non-Departmental Public Body	Yes	DfT lead
National Nuclear Laboratory	100%	DESNZ	Public Corporation	Yes	UKGI lead
NatWest Group	29%	HMT	Public Financial Corporation	No	Asset NomCo leads
Network Rail[~]	100%	DfT	Non-Departmental Public Body	Yes	DfT lead
Nuclear Decommissioning Authority	100%	DESNZ	Non-Departmental Public Body	Yes	UKGI lead
Ordnance Survey	100%	DSIT	Public Corporation	Yes	UKGI lead Chair appointment – NomCo leads other NED appointments
Post Office	100%	DBT	Public Corporation	Yes	UKGI lead Chair appointment – NomCo leads other NED appointments
Reclaim Fund	100%	HMT	Non-Departmental Public Body	Yes	UKGI lead Chair appointment – NomCo leads other NED appointments
Sheffield Forgemasters International Limited	100%	MoD	Public Corporation	Yes	UKGI lead Chair appointment – NomCo leads other NED appointments
Sizewell C	73%	DESNZ	Unclassified	Yes (at HoldCo)	Asset Nom&RemCo leads
The Royal Mint	100%	HMT	Public Corporation	Yes	UKGI lead Chair appointment – NomCo leads other NED appointments
UK Asset Resolution	100%	HMT	Central Government as a publicly owned company	Yes	UKGI appoints the Chair and 2 NEDs

~ UKGI does not perform a Shareholder Representative role for Network Rail. Our role is to provide and support a Director as a Board member.

Asset	Government Shareholding	Client Department†	Cabinet Office Classification	Board Seat	Non-Executive Appointments‡
UK Export Finance	100%	N/A§	Ministerial Department	Yes	UKGI lead
UK Infrastructure Bank	100%	HMT	Non-Departmental Public Body	Yes	UKGI and HMT joint lead
URENCO	33%	DESNZ	Non-public sector	Yes	Appoint 2 Shareholder NEDs and lead appointment of Chair

§ UKEF is a Ministerial Department reporting to Ministers at the Department for Business and Trade

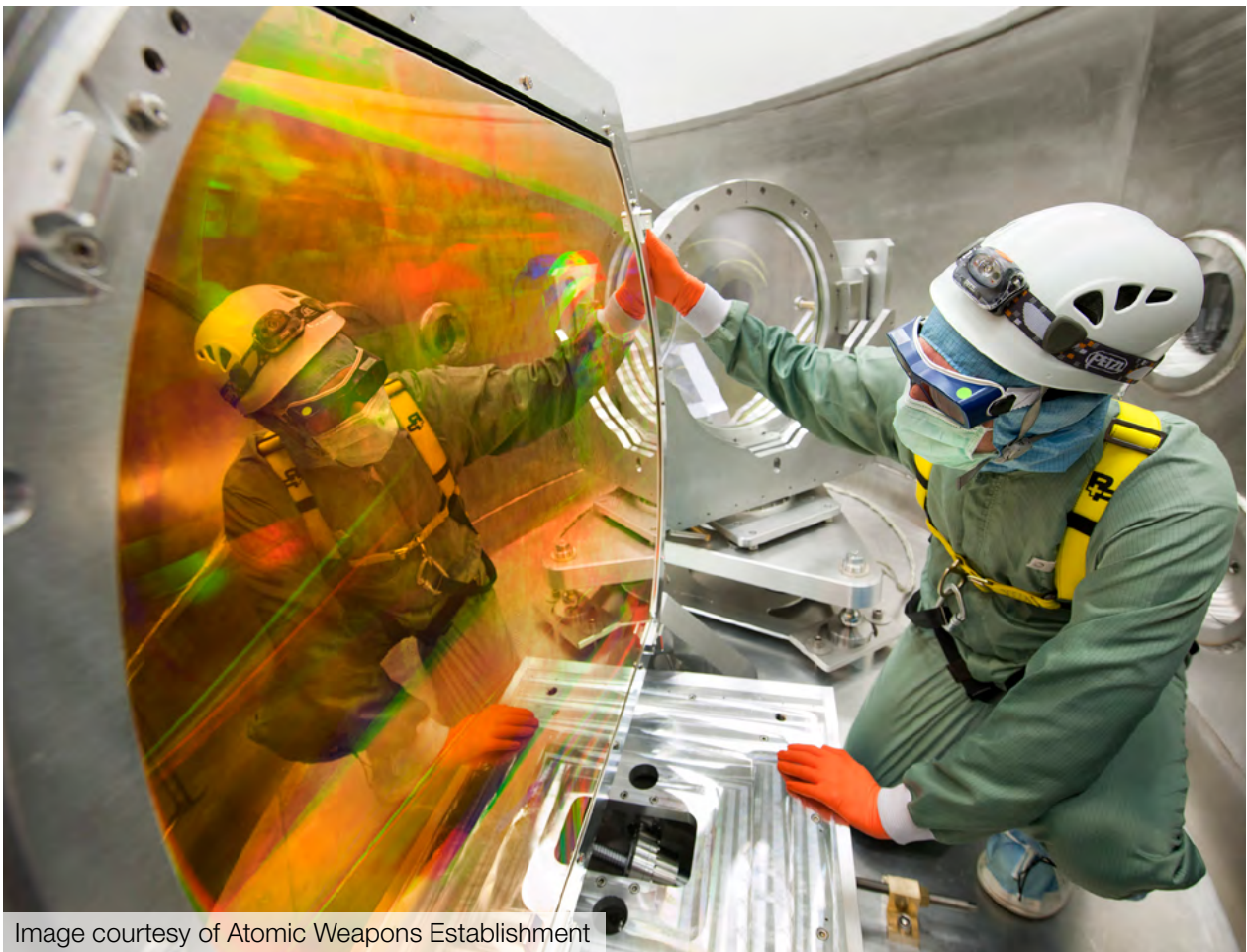


Image courtesy of Atomic Weapons Establishment

Case Study: His Majesty's Land Registry ("HMLR")



This case study illustrates how UKGI supported HMLR's move of sponsorship from the Department of Business and Trade ("DBT") to the Department for Levelling Up, Housing and Communities ("DLUHC") in June 2023.*

**DLUHC's name was changed to the Ministry for Housing, Communities and Local Government ("MHCLG") on 9 July 2024. This change has not been reflected throughout this document as it took place after 31 March 2024.*

HMLR is a non-Ministerial department and a partner body of the Department for Levelling Up, Housing and Communities ("DLUHC"). UKGI acts as an agent of DLUHC, carrying out aspects of the sponsor role and representing the government's interest in its governance and performance. A UKGI Executive Director also sits on the HMLR Board as the Shareholder Representative Non-Executive Director.

On 23 May 2023, the Prime Minister announced that sponsorship of HMLR and its associated bodies would move from DBT to DLUHC, effective from 1 June 2023. UKGI facilitated a range of introductory meetings at Ministerial, senior official and working levels to develop DLUHC's understanding of HMLR's work. We outlined the existing rhythm of HMLR performance reporting as established with DBT

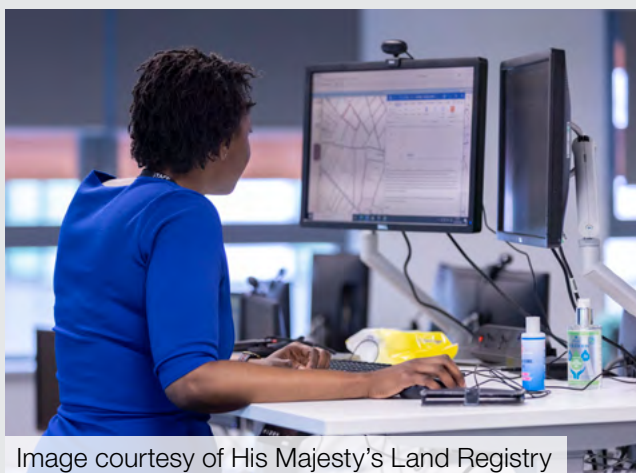


Image courtesy of His Majesty's Land Registry

and worked with DLUHC officials to tailor this to ensure DLUHC could regularly review and analyse HMLR's performance against its set goals and objectives.

Shortly after this machinery of government change, UKGI led the drafting of several governance documents that sought to embed the new sponsorship arrangements between DLUHC, UKGI and HMLR. These arrangements are underpinned by a Framework Document that is in the process of being updated:

- UKGI led the drafting and coordination process for the first Chair's Letter under DLUHC's sponsorship, setting out key sponsorship priorities for the year and UKGI's expectations of the Chair from a corporate governance perspective
- UKGI agreed the Terms of Reference for Quarterly Sponsorship Meetings with DLUHC and HMLR and chairs these meetings on an ongoing basis to challenge HMLR's performance on behalf of government

UKGI also secured early approval from the DLUHC Secretary of State to launch a recruitment campaign for four new Non-Executive Board Members, with the UKGI Board member leading the advisory assessment panel for these appointments.

Our values and how we embed them through our culture

UKGI's culture is led by our values, developed by colleagues across our organisation, reflecting the people who work for us and the ways in which we want to work.

At UKGI, we are:

Supportive and Inclusive

- Provide the opportunity for and enable others to achieve
- Feel comfortable to ask about each other's wellbeing and what we can do to help
- Create a sense of community built on respect for all diverse backgrounds
- Foster a culture where you can bring your whole self to work
- Behave with respect, consideration and good humour

Open and Honest

- Proactively share information and keep people informed
- Welcome and facilitate challenge by encouraging everyone to speak up
- Acknowledge when things don't go to plan and learn from experience
- Provide regular feedback to help development of others

Expert and Professional

- Present quality, objective, independent advice based on evidence
- Enjoy the challenge of applying expertise to help clients manage complex issues
- Earn trust through respecting confidentiality and behaving with integrity
- Ensure effective stewardship of public resources

Collaborative and Outcome-focused

- Build strong relationships, bring stakeholders together and facilitate solutions
- Are conscientious in meeting commitments and observing deadlines
- Focus on results and use process as a means, not an end
- Recognise, value and reward outcomes
- Achieve satisfaction from persevering and innovating to deliver good outcomes

We make best use of our people and resources by working within a team-led, non-hierarchical culture, with our team members chosen for the skillset and expertise they can bring. UKGI operates a matrix resource model where individuals typically work across two to three workstreams at a time. Working in this way maximises knowledge and best practice sharing across the organisation, and helps eliminate siloed thinking. An increasing level of thought is being given to each staff member's work allocation to facilitate this activity. We are collaborative and inclusive, building strong relationships and bringing stakeholders together to develop solutions informed by our corporate finance and corporate governance knowledge and expertise.

Following the refresh of UKGI's values in FY2021/22, we have moved to embedding these values into the fabric of the organisation. In FY2023/24, UKGI's values were incorporated into the staff appraisal programme, which provides an opportunity to assess how staff align to our values and to further integrate our values to ensure they remain at the core of the culture of the organisation.

Our values are the lens through which our decisions and actions should be viewed. At UKGI, our values guide the work of our colleagues, including our Board which observes these values in its tasks. We are cognisant of the particular expectations and responsibilities placed upon us and our Board, given our public sector role and our

stewardship of public funds. To that end, we follow the “Principles of Public Life”, commonly known as the “Nolan Principles” in everything we do. UKGI’s Board Terms of Reference provides guidance to Board members about the culture and value of the Board and is reviewed annually. The Board Terms of Reference explicitly outline that the Board is responsible for ensuring that appropriate values, ethics, and behaviours are agreed. They also require that appropriate procedures are in place to ensure that our values are observed throughout UKGI, and that reward and assessment include measurement against our values. Our values are also used in evaluating the effectiveness of the Board and contribution of all Board members. The Board Terms of Reference clearly outline that our values should be at the heart of every action of the UKGI Board and its members, and of every decision taken by the Board.

Supporting our culture through building a diverse and inclusive workplace

Diversity and Inclusion (“D&I”) remains a strategic area of attention for UKGI. We aim to create an organisation with a diverse and inclusive workforce, where everyone feels comfortable to work and has a sense of belonging, and which brings together a diverse range of talents as we seek to serve our Clients across government and, ultimately, the wider public.

In the last 24-months UKGI has changed significantly and now has an even more diverse staff, from a variety of backgrounds, who bring a broad range of perspectives. Some of the significant achievements in

addition to those reported in previous Stewardship Code submissions include:

- We have exceeded our formal gender diversity target with 45% of senior management (Executive Director and above) now female, against the Women in Finance target of 40%. UKGI’s median gender pay gap composition over the past five years has gradually shifted from 28.7% (31 March 2019) through our commitment to D&I and the initiatives outlined above; and we are pleased to have made a significant change from 16.7% to 5.3% over the past year.
- We also met our target to have 10% of the senior management cadre identifying from an ethnically diverse background.
- Whilst not a formal target, we continue to enable diversity of thought with a significant proportion of staff from an international background.
- We have successfully launched a graduate programme providing a direct entry route in to UKGI. This has enabled us to benefit from fresh perspectives and a greater diversity of thought. The first four graduates are now well embedded in the organisation and are flourishing in their roles. We have been successful in hiring more diverse candidates across the business and in widening the range of specialist skills within UKGI including actuaries and data analysts.
- In the recent staff survey, UKGI scored highly on inclusivity at 92% (up from 88% in 2022/23), and the feedback shows that our people enjoy being part of UKGI.

Gender pay reporting

As of 31 March 2024, our mean gender pay gap was 13.6% (31 March 2023: 6.6%), and our median gender pay gap was 5.3% (31 March 2023 16.7%). Our mean and median bonus gap was 23.5% and 26% respectively (31 March 2023: 19% and 34%).

We believe that a diverse and inclusive workforce enables us to provide our Shareholder Representative role and promote effective stewardship by capturing a wide range of experience and perspectives. This means we can better understand the needs of our Clients and of the wider public we serve, ultimately enabling us to more effectively meet those needs.

How our strategy, culture and values enable us to promote effective stewardship

In line with our strategy, culture and values, we promote effective stewardship through our Shareholder Representative role on behalf of government departments by providing:

- Specialist expertise in applying private sector governance disciplines to a government setting, typically in relation to some of the government's most challenging and complex commercial tasks.
- Portfolio knowledge and experience gained from working across government on multiple ALBs, enabling us to share learnings of cross-departmental perspectives and issues, and act as a consultation point for best practice corporate governance across government. UKGI offers an understanding of stewardship of complex ALBs which is unique in the government environment.

- Senior and experienced resource from the private sector and the Civil Service, combining financial, commercial and portfolio management expertise, with public and private sector board experience. As part of our strategy, we plan and allocate our shareholder resources in an agile way to help the government respond to some of the most challenging issues that arise in corporate governance in the public sector.
- Expertise which is kept current within the rapidly evolving field of corporate governance, through bespoke training programmes and seminars as well as via a secondment programme, bringing in relevant private sector and government expertise.
- Strong networks within government and across the private sector including ALB Chairs, board members and management teams, as well as with specialist advisers.

The effective stewardship of our Portfolio is supported by our assurance functions in the form of our CG&PM Programme, our Risk function and our commitment to Learning and Development – further detail of which is provided under Principle 2.

Clearly defining our purpose, strategy, values and culture, and embedding these within our work, helps us to promote effective stewardship. It also ultimately makes us a more cohesive organisation,

which is able to adapt to the evolving demands and requirements of our Clients. Our culture of collaboration enables our Shareholder Teams to share best practice, disseminate knowledge and identify opportunities to improve the governance of our Assets. By being open and honest, we are able to identify shortcomings in the services we provide and correct them to ensure that we continue to meet the high standards that we have set ourselves as an organisation.

How effective have we been in serving the best interests of our Clients?

During FY2023/24, UKGI has continued to serve the best interests of our Clients, providing an active Shareholder Representative role across our Portfolio.

Amongst other measures, UKGI assesses its performance through a process of feedback from key stakeholders, including departmental Permanent Secretaries and Chairs of Portfolio entities; through measurement against performance metrics; and through a review of achievements against its objectives, which is subject to challenge and endorsement by its Board. Against all these measures, UKGI met its objectives for 2023-2024.

Our future

In FY2024/25 we will look to adapt to the changing landscape in which we deliver and ensure we continue to learn so we can effectively manage our Portfolio and other governance activities to deliver excellent stewardship on behalf of government departments.

As the Post Office Horizon Inquiry has progressed and further evidence has been

heard, and more information has become available to us, we continue to review carefully the preliminary observations on UKGI's role that we made to the Inquiry in October 2022. Further hearings are due to take place and we will also learn from those. Additionally, in the run up to the General Election and subsequent change in government in July 2024, UKGI engaged in work to explore manifesto commitments to prepare and ensure the organisation was agile and prepared for new asks of its capabilities. Since the Election, UKGI has been working to ensure it can be effective in supporting the new government.

UKGI's working culture enables colleagues to choose the best workplace for their and their team's priorities. In November 2023, following broader Civil Service practice, UKGI announced it was moving from an expectation that employees would spend 50% of their working time in an office (including the offices of our ALBs/Clients) to 60%, with up to 40% of time spent working at home.

UKGI's office move from 1 Victoria Street to 100 Parliament Street over the summer of 2023 was a great success. Colleagues have settled in the new office space and are enjoying the many benefits of co-locating with colleagues from HMT and other Client departments, as demonstrated by the high average daily occupancy.

Case Study: Transitioning UKGI's Shareholder Representative role from OneWeb to Eutelsat Group



Having supported the UK Government's decision making and execution of the OneWeb/Eutelsat merger, UKGI took on the Shareholder Representative role on behalf of the Department for Science, Innovation and Technology ("DSIT") in Eutelsat Group (the public company) while handing back OneWeb responsibilities to the department.

Eutelsat Group is a French public company (listed in London and Paris) in the satellite communications sector, delivering video and connectivity services around the globe. The UK Government became a c. 11% shareholder in Eutelsat Group following the merger of OneWeb with Eutelsat S.A. in 2023. Since then, UKGI has performed the Shareholder Representative role on



Image courtesy of Eutelsat

behalf of DSIT, supporting decision-making in respect of the shareholding and the role of the Secretary of State as Shareholder Representative Non-Executive Director on the Eutelsat Group Board.

The Eutelsat/OneWeb merger was a highly complex transaction, subject to approval from shareholders and regulators around the globe. UKGI represented the UK Government's interests throughout the merger process through their Shareholder Representative role on OneWeb and presence on the OneWeb Board (alongside two other UK Government representatives).

In preparation for merger completion, UKGI supported DSIT's engagement with the company and other major shareholders in the design of the merged entity's governance. Supported by external legal advice, new constitutional documents and governance arrangements were agreed. UKGI also helped the DSIT shareholder take on its new role in the French public company, including representing the Secretary of State on the Board.



Principle 2: Governance, resources and incentives

Governance, resources and incentives

Principle 2: Signatories' governance, workforce, resources and incentives enable them to promote effective stewardship

Introduction

In this section we cover the following:

- **Our governance:** details of our governance structure and processes and how these promote effective stewardship, including: Framework Document; shareholder relationship with HM Treasury (“HMT”); and UK Government Investments (“UKGI”) Board and Committees
- **Our people:** bringing together the effective combination of both Civil Service and private sector expertise
- **Learning and Development:** our UKGI learning and development (“L&D”) programme which is an essential part of our commitment to good stewardship
- **Incentives:** while bound by rules on public sector pay, we have agreed incentive structures with HMT, subject to the available budget, to encourage and reward exceptional performance
- **Fees:** we are funded by government and do not generate profit from our services

Our governance

We believe that the foundation of good stewardship begins with a clear governance framework, our own Board and a specialist skilled workforce. Our internal governance framework provides for timely review of our policies and assurance of our stewardship activities and processes.

Our shareholder relationship

We are a company wholly owned by HMT. UKGI has a Framework Document⁵ with HMT which outlines UKGI's purpose, objectives, governance and accountability, shareholder relationship, Board and Committee responsibilities, annual report

and accounts process, management and financial responsibilities, and staffing.

As a non-listed, government-owned entity, UKGI is not required to apply the UK Corporate Governance Code, but draws on it as a source of best practice in reporting and governance arrangements. UKGI does not hold an annual general meeting, but instead maintains regular interactions and a close relationship with its shareholder HMT, who also is represented on the Board.

Our relationship with our sole shareholder is underpinned by the principles of the UK Corporate Governance Code, in so far as is applicable. The UKGI Board provides

5 Available on our website: www.ukgi.org.uk (under ‘Transparency’)

strategic oversight of UKGI on behalf of HMT as the shareholder. Subject to our Framework Document, any decisions taken by the UKGI Board (or any Committee of the Board) are taken in accordance with the Directors' statutory, common law and fiduciary duties.

UKGI operates a corporate governance structure that provides a relationship between our Board and HMT which, so far as practicable and in light of the provisions of our Framework Document or as otherwise agreed with HMT, accords with best corporate governance practice.

HMT, in consultation with UKGI, is entitled to reports or other information to enable our performance to be assessed, and as part of HMT's broader oversight of UKGI. UKGI regularly reports financial and non-financial performance, including performance in helping to support Ministers' policies, and the achievement of UKGI's objectives – for example, through Quarterly Shareholder Meetings between UKGI and HMT, and regular engagement between UKGI and its sponsor team in HMT.

Our Board

UKGI's Board has oversight of all our Shareholder Representative roles, as well as our Corporate Governance and Portfolio Management ("CG&PM") Programme which is outlined on page 41-42. On page 29 we describe our Board's Terms of Reference ("ToR") and how they seek to enshrine our culture and values in every decision taken by the Board. The ToR further outline the Board's purpose and role and how the Board should discharge its responsibilities – it is reviewed, updated and approved by the Board at least annually, with any changes over the year reflected as necessary. Our Board provides strategic

direction and supports UKGI to perform its stewardship activities, including enabling a culture which allows us to execute our strategy, maintain sufficient resourcing and have effective arrangements in place to provide appropriate assurance of our stewardship activities.

The extensive knowledge, dedication and time commitment provided by our Board enables UKGI to be a stable and well-led organisation that is well-placed to support government and promote the effective stewardship of the organisations in our Portfolio. The UKGI Board membership brings together private and public sector leadership experience, drawing together private sector specialists from investment banking, energy and geospatial backgrounds and Senior Civil Servants.

As at 31 March 2024, our Board comprised 11 members. This year we recruited three new Non-Executive Directors ("NEDs"). In addition, the Permanent Secretary of the Department for Business and Trade ("DBT"), which is one of the successor departments to the Department for Business, Energy and Industrial Strategy, has joined the UKGI Board to provide further direct views and challenge from the perspective of our Clients. This arrangement provides an essential line of sight to our Board from key government departments on whose behalf we operate.

The remainder of our Board members, NEDs who do not work for government departments, are assigned one or more sponsorship oversight roles from our Portfolio. This provides our NEDs with a deeper insight into our work and provides the opportunity for UKGI's NEDs to contribute more directly to the work that UKGI does for its Clients.

Our Board meets at least six times per year and our Committees meet as regularly as required. In May 2023 an internally facilitated review of the Board’s effectiveness took place and recommendations included:

- Improving the Board’s ‘hardware’ (i.e., administration and support);
- Continuing to enable the Board to operate more cohesively; and
- Enabling management’s improved understanding of NED roles and capabilities.

In order to improve the Board’s “hardware”, the Company Secretariat team streamlined the 2024 calendar, whilst incorporating regular events outside the boardroom, including with the Executive Committee. The quality and quantity of Board and Committee papers were reviewed; and a handbook was introduced for the internal Company Secretariat function. For more information on this review, see pages 85–86.

The Board receives extensive data allowing it to make informed judgements and reach decisions. Data received by the Board at each meeting includes, but is not limited to:

- A dashboard providing narrative and quantitative data on each current Project or organisation within UKGI’s Portfolio;
- An update on UKGI’s financial position, including spend to date, forecasts against budget and headcount;
- A Risk Heatmap setting out the risks to our services and reputation for each UKGI organisation; and
- A regular paper from a chosen organisation providing an overview and highlighting key issues the organisation is facing.

The Board is responsible for:

- Reviewing and approving the UKGI Business Plan each year, which includes our Corporate Governance and Portfolio Management Programme’s strategy across our Portfolio;
- Undertaking a performance assessment on our governance activities each year which includes an assessment against our shareholder objectives, informed by feedback from stakeholders and an assessment of performance against pre-agreed performance indicators for each of the organisations in our Portfolio;
- Challenging Shareholder Teams annually to evidence where they have made a difference and added value; and
- Commissioning lessons learned exercises in relation to elements of our stewardship activities.

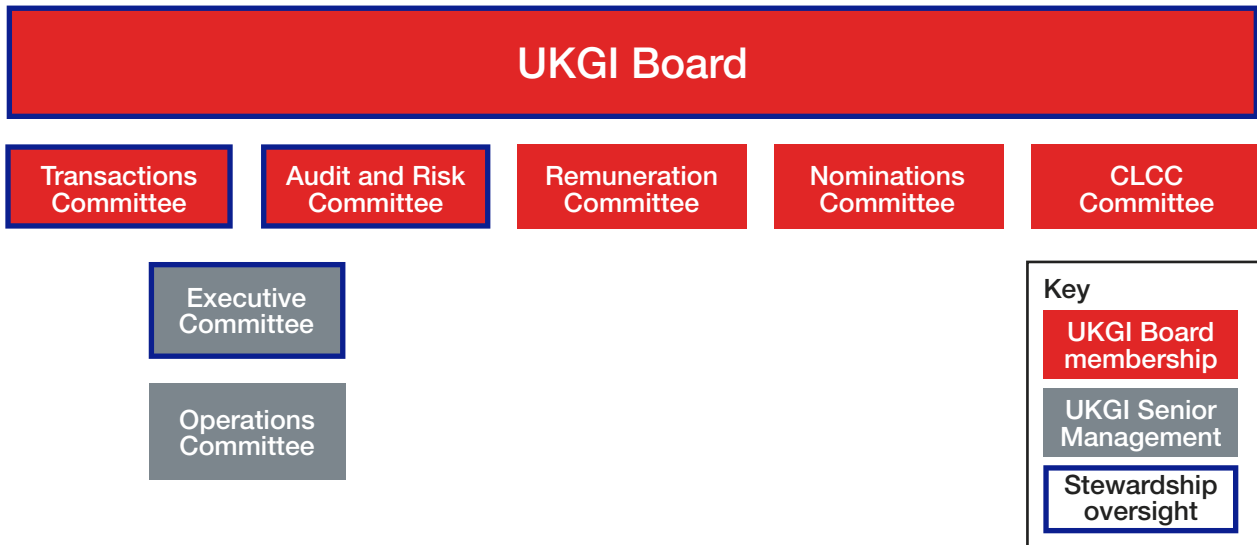
Board agendas are developed and informed by management’s risk assessment, which itself is reviewed at each board meeting. Projects or Portfolio organisations with the highest risk rating must update the Board at each meeting. Those that retain the highest risk rating for multiple reporting periods benefit from a periodic deep dive review. At the end of each meeting the Board agrees the forward look and any required deep dives, with the draft agenda provided for the next two to three meetings. The Audit and Risk Committee (“ARC”) has delegated responsibility for satisfying itself that management’s systems and processes for identifying, reporting and managing risks are comprehensive.

For further detail on our Board members and their experience, please refer to our Annual Report and Accounts.⁶

6 UK Government Investments Annual Report and Accounts 2023/24: <https://www.ukgi.org.uk/2024/07/26/uk-government-investments-annual-report-and-accounts-2023-24/>

Our Committees

Figure 7: Board and Executive oversight of stewardship activities



To provide further oversight of our stewardship activities, our Board is supported by the ARC and the Transactions Committee, in addition to our Executive Committee and Operations Sub-Committee (see figure 7).

Transactions Committee (Board Committee)

The role of the Transactions Committee is to oversee the preparation and execution of transactions where UKGI provides advice to Ministers and Accounting Officers, and to oversee the stewardship of certain financial sector assets which the government has determined it has no policy reason to retain. Specifically, the Transactions Committee provides oversight solely for UKGI’s work on managing HMT’s shareholding in NatWest Group plc (“NWG”) and UK Asset Resolution Limited (“UKAR”). For the rest of UKGI’s Portfolio, oversight is provided directly by the UKGI Board.

Audit and Risk Committee (Board Committee)

The aim of the ARC is to support the Board and Chief Executive as Accounting Officer

on matters relating to risk, internal control and governance. At least two meetings of the ARC are scheduled annually. The ARC applies the principles of good practice as set out in HMT’s Audit and Risk Assurance Committee Handbook. Accordingly, the ARC has agreed ToR which defines its scope as follows:

Financial reporting

- Establishing and maintaining appropriate accounting policies, implementing and monitoring the maintenance of adequate accounting and other records and systems of planning and internal control in respect of the Company.

Framework of internal control

- Critically challenging and reviewing the adequacy and effectiveness of the Company’s framework of internal control, including, but not limited to, financial, governance, operations, compliance and information systems.
- Periodically reviewing the Company’s business continuity plan.

Risk management

- Understanding the risk management framework and the assignment of responsibilities.
- Whilst it will be for the Board to consider the content of risk management reporting, the Board will rely on the Committee to critically challenge and review the risk management framework, and to evaluate how well the arrangements are actively working in the Company.
- “Risk” includes risks accruing directly to the Company through its activities, and risks which indirectly accrue by virtue of the governance and Shareholder Representative roles it performs, and the advice it provides on corporate finance, corporate governance and contingent liability matters.

External audit

- Overall responsibility for the relationship with the NAO.

Internal audit

- Approving and, where necessary, directing the Company’s internal audit programme and reviewing the performance of the GIAA’s service to UKGI.

Compliance

- Approving the Company’s compliance policies, in particular the compliance manual.
- Ensuring that the Company has appropriate whistleblowing procedures in place.

Further detail on the risk management framework is set out in the annual report.⁷

Remuneration Committee (Board Committee)

The responsibility of the Remuneration Committee centres around approving the pay of Director-level staff at UKGI, and of the performance-related pay award for UKGI as a whole. In 2023/2024, the Remuneration Committee focused on managing UKGI’s overall headcount in line with Public Sector fiscal constraints, whilst maintaining the quality of new recruits and retaining current talent via an appropriate remuneration structure with a focus on the broader employee value proposition of working within government.

Nominations Committee (Board Committee)

The responsibility of the Nominations Committee is to regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes necessary. The Committee periodically reviews the membership and chairmanship of the Board and its Committees, and has focused on identifying the required skills and experience for Board vacancies in 2024. The Committee considers succession planning for executive and non-executive Board members, taking into account the skills and expertise which will be needed by the company in the future. In FY2023/24, three independent Non-Executive Directors, a DBT appointed Non-Executive Director, and an alternate Shareholder Representative Non-Executive Director were appointed to the UKGI Board. Whilst the appointments of the Chair and the Chief Executive will be made by HMT, the Committee remains responsible for ensuring succession

⁷ UK Government Investments Annual Report and Accounts 2023/24: <https://www.ukgi.org.uk/2024/07/26/uk-government-investments-annual-report-and-accounts-2023-24/>

planning for the Chair, Chief Executive and NEDs is undertaken, and where appropriate, making recommendations to the Board or to HMT.

Contingent Liability Central Capability Committee (Board Committee)

The Contingent Liability Central Capability (“CLCC”) Committee has responsibility for strategic oversight of the contingent liabilities team’s activities. It oversees and reviews the team’s performance against its objectives, as agreed with HMT, and set out in the specific Memorandum of Understanding and Service Level Agreement between UKGI and HMT for CLCC.

The CLCC Committee Chair is an independent NED appointed by the UKGI Board. The Committee comprises no fewer than two independent NEDs of UKGI, the Chief Executive of UKGI, the CLCC Director and at least three external appointees. The external members have relevant experience which provides the Committee with a stronger knowledge base and allows for further depth of challenge. Specialists are invited to attend as required.

The CLCC Committee provides support and challenge to the team on matters including the approach to provision of advice and reporting (including an annual report on the review of government’s contingent liabilities), team resourcing and skills, and the management of risks to UKGI from the team’s activities. The Committee has focused on embedding the CLCC’s remit in alignment with HMT objectives, provided advice on the CLCC’s future reporting, including its Annual Report on the UK Governments Contingent Liabilities and the supporting cross-government data commission.

Executive Committee (Senior Management Committee)

The Executive Committee (“ExCo”) is responsible for UKGI’s overarching corporate strategy and developing an annual business plan for Board approval. It comprises the UKGI Chief Executive and all UKGI senior executives, including the Chief Financial Officer, General Counsel and Chief Operating Officer. ExCo meets fortnightly to discuss UKGI business, including the stewardship of our Portfolio.

The Chief Executive is also Accounting Officer under Managing Public Money, and so is responsible for maintaining a sound system of internal controls which supports the achievement of UKGI’s objectives whilst safeguarding public funds and departmental assets, in accordance with the Parliamentary accountability responsibilities assigned to him. Upon the recommendation of the ARC, the Board has adopted a formal risk appetite statement setting out the level of risk that UKGI is willing to bear.

In April 2023, the Operations Committee (“OpCo”) was established, as a sub-committee of ExCo. OpCo meets fortnightly and is responsible for the effective running of UKGI, with an emphasis on finance, people, procurement and remuneration issues. It comprises the CEO, COO, CFO, one permanent Director and occasional invited Directors. The COO provides a verbal report of the previous OpCo meeting to ExCo at the following meeting, with action points recorded in the minutes.

Throughout this year, as a result of the change, ExCo has become more efficient and the establishment of OpCo has enabled ExCo to focus its time on Portfolio priorities and emerging issues.

Case Study: Nuclear Decommissioning Authority (“NDA”) Framework Document update 2024



This case study provides an example of how we help to establish core corporate governance foundations for the organisations in our Portfolio leveraging our relationships with our Portfolio, departments, HM Treasury (“HMT”) and other stakeholders such as Devolved Administrations and regulators.

The NDA is charged with the mission to clean up the UK’s earliest nuclear sites safely, securely and cost effectively. UKGI performs the Shareholder Representative function for the NDA on behalf of the Department for Energy Security and Net Zero (“DESNZ”). The NDA is a complex Asset, governed by the Energy Act with responsibilities to the Secretary of State as well as to the Scottish Government. The NDA delivers its mission as a group via its operating companies, all of whom have their own governance arrangements, and some of whom are regulated by the Office for Nuclear Regulation (“ONR”). The NDA structure has developed significantly in recent years, as the NDA has brought its Operating Companies into NDA ownership as subsidiaries. As part of this the NDA has sought to update and codify its governance arrangements internally, and with government.

In 2023, in collaboration with the NDA and DESNZ, UKGI began to update the NDA’s Framework Document, the broad governance and management framework within which the NDA operates and interacts with government. The update focussed on recognising the NDA’s move to a group structure, and establishes a ‘golden thread’ of accountability from Ministers (both UK and Scottish), to the Principal Accounting Officer (DESNZ Permanent Secretary), the Accounting Officer (NDA Chief Executive), and the operating companies, while recognising the role of the NDA Board, Operating Company boards, the regulatory environment of the ONR, and other stakeholders. Furthermore, the update also brought the Framework Document into line with the latest standard format introduced by HMT in 2022, aimed at making Framework Documents more consistent across government for ease of use.



Image courtesy of the NDA

UKGI acted as key interlocutor with the NDA group on behalf of government, leading engagement with government colleagues in DESNZ, HMT, and the Scottish Government; whilst the NDA coordinated across its operating companies. The resulting Framework Document, drafted in 2023/24 but published following the General Election⁸ describes the NDA’s governance framework, brings the internal governance arrangements of the NDA, developed in coordination with its operating companies, into a government context, and sets out clear lines of accountability from the group into government.

8 <https://www.gov.uk/government/publications/nuclear-decommissioning-authority-framework-document>

Internal organisation

Corporate Governance and Portfolio Management Programme

UKGI's corporate governance strategic objective remains to "act as a Shareholder Representative for, and lead establishment of, UK Government's most complex and commercial arm's lengths bodies ("ALBs") on behalf of sponsor departments".

To support UKGI to undertake this role, the CG&PM Programme was established in 2018. Its purpose is "to drive UKGI as the centre of expertise in corporate governance in government".

To strengthen our position as the centre of expertise we made good progress against the FY2023/24 strategic stewardship areas of organisational culture, environmental, social and governance, and remuneration and appointments. We provided best practice advice for our teams and Assets on each of these areas.

Across the programme we have looked to incorporate areas for continuous improvement identified from regular feedback received from our senior department sponsors and ALB Chairs and will continue to build on the effective provision of our Shareholder Representative roles recognised by these stakeholders. After reflecting on feedback and the issues facing our portfolio, the Board and our Executive Team approved the FY2024/25 Programme priorities as:

- Improving the quality of leadership, both within our UKGI NED cadre and across our Portfolio Boards and Executives
- Strengthen our Portfolio management
- Enhanced management of high-risk situations

A key enabler within the programme for driving continuous improvement in corporate governance across UKGI is our tailored Learning and Development ("L&D") framework. Maintaining and sharing our knowledge and expertise through L&D will always be an essential part of our commitment to good stewardship and to continuous improvement in our CG&PM Programme. On pages 45–48, we provide detail on the training we have provided to colleagues and our Shareholder Representative Non-Executives over the past year.

Portfolio & Project Review Panels

The Director leading the CG&PM Programme also has responsibility for the ongoing review of the health and performance of the UKGI Portfolio. This review is principally conducted through the UKGI Portfolio Review process. For this process, Shareholder Teams meet with Review Panels 2-3 times a year for each organisation in the Portfolio. Shareholder Teams provide an overview of the status of the organisation and seek views from the Panel. Review Panels comprise a group of Directors and Senior Managers from across UKGI alongside the relevant UKGI Board Member. Review Panels are also supported by members of the Portfolio, legal and risk teams.

UKGI Portfolio Review Panels provide internal peer review to Shareholder Teams on the performance of their role, oversight on the consistency of stewardship and an opportunity to share best practice across our Portfolio.

In addition to the regular Portfolio Review cycle, Portfolio Review Panels may also be

consulted where Shareholder Teams wish to test the following types of activity:

- Advice likely to lead to real financial consequences for the ALB or government department (for example, new equity funding);
 - Advice which is expected to be controversial (for example, recommending against a course of action favoured by the Client);
 - Advice with significant reputational risk for UKGI (for example, very high public interest, for instance the removal of a high-profile staff member on UKGI advice);
 - Approach to external enquiries (for example, by the National Audit Office, or independent inquiries); and
 - Any other advice the team judges to be sufficiently material to merit panel challenge and discussion.
- avoid groupthink within the relevant teams and across the Portfolio;
 - consider the scope and definition of our role in relation to the Asset;
 - allow an objective view to be taken of risk grading and mitigations;
 - consider the capability and capacity of Shareholder Teams to ensure that resource is allocated appropriately and efficiently; and
 - consider whether we have appropriate departmental support to effectively provide these roles and are comfortable with the UKGI offering against our own best practice.

In addition, we use intelligence from other assets to help Shareholder Teams consider what global or industry-specific challenges could emerge in the short to medium term and help them to adapt approaches to emergent risks.

The Portfolio Review process is designed to provide quality control to identify and escalate issues from Shareholder Teams to our ExCo and the UKGI Board (including its ARC), in addition to facilitating the sharing of experience across our organisation and providing guidance, support and appropriate challenge to Shareholder Teams. For example, a theme emerging from Portfolio Reviews suggested an opportunity to improve succession planning across the Portfolio. In response the CG&PM team delivered training and support and worked with the Shareholder Representative Non-Executive Directors to influence organisations in our Portfolio to improve their succession plans.

As part of a feedback and improvement loop, Portfolio Review Panels promote information sharing between assets, share best practice and identify and advise on issues emergent within individual assets. For example, our Shareholder Teams carry out lessons learned exercises on the organisations in our Portfolio and disseminate those lessons across UKGI. The Portfolio Review process is additionally a mechanism to test that those lessons are being embedded by our Shareholder Teams across our Portfolio.

The Portfolio Review process also specifically helps us to:

In addition to our regular Portfolio Review process, we also conduct NextGen Portfolios, a development exercise to allow more junior members of UKGI staff to build corporate governance expertise. The process is a mirror of a standard

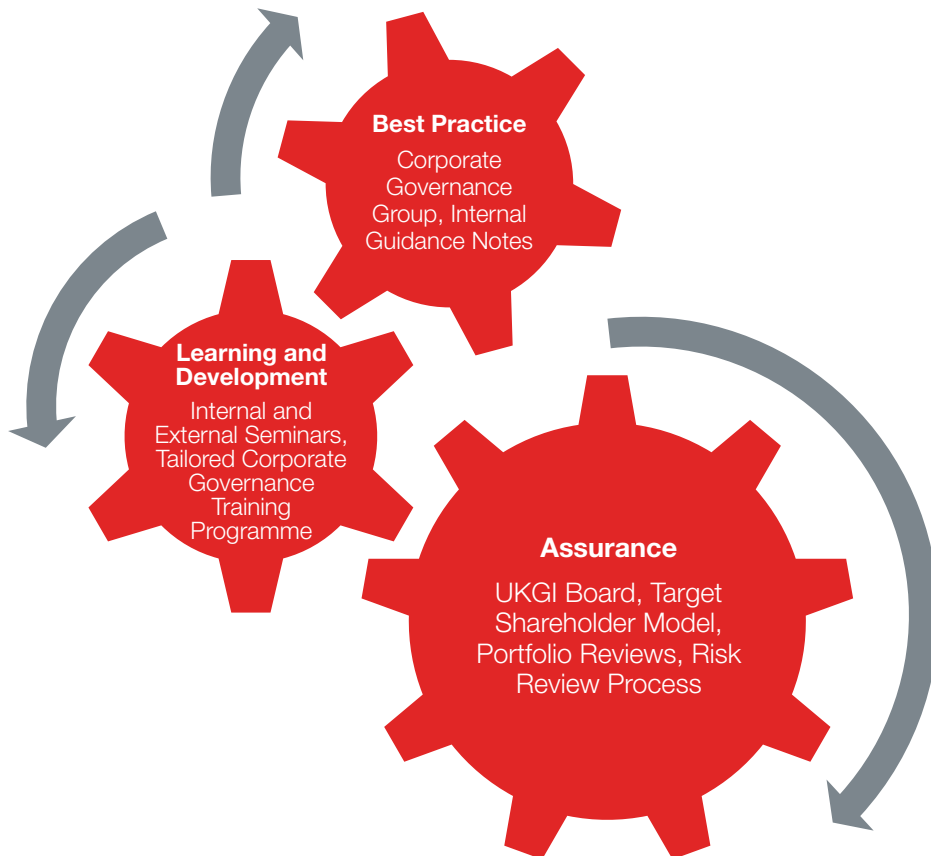
Portfolio Review, allowing junior members of staff to present on the Shareholder Team side and their peers to provide critical appraisal of corporate governance approaches. The readout and actions from NextGen reviews are provided to the regular Portfolio Review Panels so that they can learn from a diversity of opinions and to improve our overall governance offering.

In 2023/24 the Portfolio Review Team, alongside the Appointments and Remuneration Team, introduced annual extended portfolio reviews for each organisation in UKGI's Portfolio and its respective Shareholder Team. These extra sessions facilitate a deep dive discussion on the quality of each board in isolation between the Shareholder Team and the Panel. The additional information the Shareholder Team are asked to compile to facilitate these conversations also enable

the Shareholder Team to reflect objectively and assess the different aspects of the Board and its quality. Topics for discussion include strengths and weaknesses of ALBs' Boards, recommendations from their last Board Effectiveness Review and how they are being implemented and the status of succession planning. Having such discussions in the Portfolio Review setting allowed peer challenge and support from across UKGI's Portfolio and leveraged the expertise of UKGI in governance and Board effectiveness across our Portfolio.

The Portfolio Review Team introduced Peer Support sessions in FY2023/24, which can be requested by Shareholder Teams outside of the regular Portfolio Review schedule. Peer Review Sessions provide teams with an opportunity to take specific or pressing issues to a panel for discussion and advice.

Figure 8: How we challenge and support our UKGI Shareholder Teams



Our people

At UKGI, we bring together the powerful combination of both Civil Service and private sector expertise. Our people are professionals drawn from a range of backgrounds, including, but not limited to: banking, accountancy, insolvency and restructuring, actuarial, and legal, as well as the Civil Service. As of 31 March 2024, we had 166 employees providing a range of specialist skills including expertise in corporate governance, asset realisations, contingent liabilities, corporate finance and government engagement. UKGI Shareholder Teams are resourced according to the skillsets and experience required to best serve our Clients and Portfolio, drawing from colleagues across the organisation. UKGI operates a matrix resource model where individuals typically work across two to three workstreams at a time. Working in this way maximises knowledge sharing and sharing of best practice across the organisation, and helps to eliminate siloed thinking. An increasing level of thought is being given to individual portfolios to facilitate this activity.

In-house, we have the specialist commercial knowledge, expertise and credibility to give, understand and challenge advice on the use, disposal and maintenance of taxpayer-owned capital. This is combined with Civil Service skills in understanding government policy intentions, approval processes and effectively working within government. We are able to bring deep specialist expertise in applying private sector governance disciplines to a government setting, particularly at the challenging interface where the more complex or commercial ALBs typically operate. An example of this blend of private and public sector expertise can be seen in figure 9.

Our programme of secondments from government departments and private sector businesses enables us to keep our technical knowledge current and allows us to continue to learn from others. For example, our CLCC team comprises actuaries seconded from the Government Actuary's Department, credit risk experts, policy professionals and analysts – skillsets that can be used elsewhere in the organisation, offering those colleagues a chance to engage in enriching and varied work across a range of different projects. These carefully nurtured relationships are vital to our Shareholder Representative role, as they mean UKGI is able to access a vast range of expertise, at short notice and at good value to the taxpayer.

We have successfully launched a graduate programme providing a direct entry route into UKGI. This has enabled us to benefit from fresh perspectives and a greater diversity of thought. During FY2023/24 we were successful in hiring more diverse candidates across the business and in widening the range of specialist skills within UKGI including actuaries and data analysts. By bringing together these individuals, we can provide high-quality advice in undertaking our Shareholder Representative role to government departments.

Senior and experienced resource

In comparison to most parts of government, we have a higher ratio of senior to junior staff and greater longevity in Shareholder Teams. Our senior resourcing mix includes our Chief Executive, 10 Directors, 29 Executive Directors and 64 Assistant Directors (as of 31 March 2024). Our Shareholder Teams and Shareholder Representative Non-Executives bring a unique blend of specialist corporate governance and corporate

finance expertise, supported by senior resource and infrastructure.

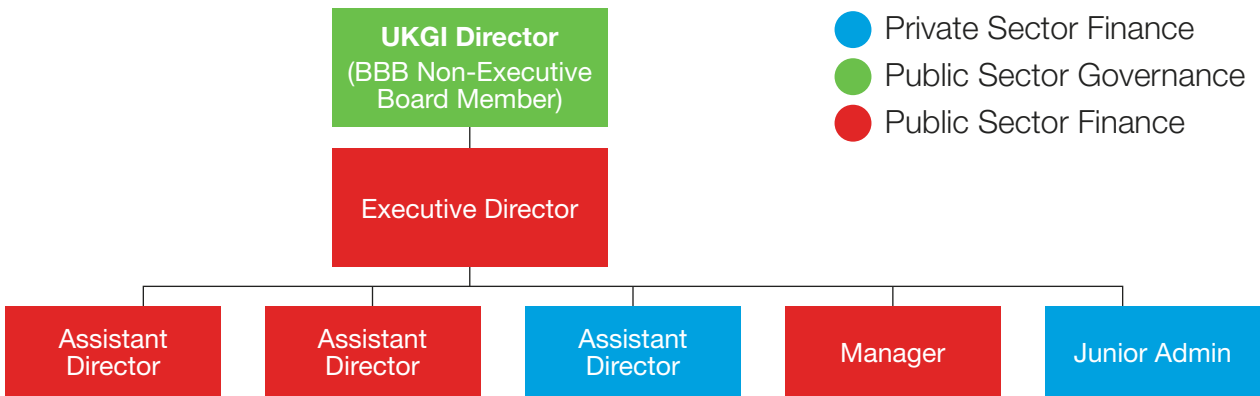
Our staff includes individuals with board experience gained in public and private sector organisations, and on average our Shareholder Representative Non-Executives have 7 years 6 months of board experience each (as of March 2024). In addition to their own experience, UKGI Shareholder Representative Non-Executives and Shareholder Teams have access to both UKGI’s training offering and the shared experience of UKGI’s senior leadership, which comprises over 160 years of board experience. We aim to maintain a consistent Shareholder Representative Non-Executive presence on Portfolio Boards

where possible and appropriate (for more information, see case study on page 45).

UKGI can mobilise swift and targeted assistance to our Clients both on ad hoc assignments as they arise, as well as longer term Shareholder Representative roles. Our ability to rapidly provide expert resource at sufficiently senior levels to address the needs of our Clients is central to our shareholder model, corporate structure and our values. Furthermore, UKGI’s shareholder model assumes and encourages staff in Shareholder Teams to spend time building expertise and relationships, in order to enhance future stewardship by maintaining a corporate memory.

Figure 9: British Business Bank Shareholder Team

This diagram provides an example of a Shareholder Team in UKGI and the mix of appropriate seniority and expertise.



Maintaining and sharing our knowledge and expertise

Our L&D offer

L&D is and will continue to be an essential part of our commitment to good stewardship and to continuous improvement in our CG&PM Programme. We have invested significantly in the training programme on offer and created multiple new programmes and courses to meet the needs of our people. Colleagues continue

to grow their technical corporate finance and governance expertise in addition to developing the skills necessary to apply that expertise effectively in a government context. Our L&D offering caters to both private and public sector: colleagues from a private sector background are able to develop a deep understanding of government finance and governance frameworks, whilst those from a Civil Service background can gain skills and expertise in corporate finance, governance

and commercial practice. This in turn promotes effective stewardship by enabling colleagues at all levels to support and strengthen the ability of our Clients to fulfil their function as owners of our Portfolio organisations.

In 2023/24 colleagues completed 2,800 Continuing Professional Development (“CPD”) hours, which is a 33% increase from 2022/23. This equates to, on average, 18 CPD hours per person and can be attributed to i) development conversations and employees being aware of what is available to them, ii) an increase in targeted training for Shareholder Teams and iii) significant increase in the promotion of training events through updating intranet pages and promoting events on the intranet, as well as sharing information at weekly huddles and newsletters.

This year, the L&D team facilitated 139 development conversations to discuss specific development areas and career aspirations with all employees, signposting either formal or on-the-job opportunities. The L&D team were able to offer everyone a place on their preferred training or offer a suitable alternative. Key themes were identified and courses were procured for delivery in-house. Each year we also conduct a skills survey to identify and assess the range of skills across UKGI. This self-assessment is verified with line managers and moderated across UKGI. We use the analysis from the skills survey to enable more informed resourcing and to identify the required learning and development for the next financial year.

We continue to expand our development offer based on the needs of our colleagues. Over the past year we have offered over 40 in-house courses and seminars

covering various topics including corporate finance, corporate governance, people management, well-being and self-development. Over the past year, the L&D team have been more strategic in the courses and seminars available, offering training that more specifically meets UKGI’s needs, such as the Corporate Governance strategic priorities. External development is also offered on a case by case basis, ensuring all training is adding value to UKGI and our employees. Training course topics from the past year have included:

- Role of the Director and the Board
- Environmental considerations in governance
- Accountability and governance of ALBs
- An introduction to accounting
- Lessons learnt
- Gaining board experience through a Trustee role
- Appointing a Non-Executive Director

Over the past year we have also held the following interactive seminars:

- Future of Boards Project
- Developing a principled approach to pay reviews
- Tales from the State-Owned Enterprise Governance Front Line
- National Security and Investment Regime in Practice
- Forming Arm’s Length Bodies: The Essential Guide and Case Studies
- Writing Submissions for Ministers

Figure 10: Learning and development delivered in 2023/24

Corporate Governance Development Framework

The Corporate Governance Development Framework supports the continuous professional development of our people. The framework clearly defines the variety of corporate governance development opportunities available to our employees at different stages within their career and outlines a potential development pathway for Shareholder Team members as they develop their careers. The development opportunities are available to all UKGI employees, where these form part of their development plan or future career aspirations. This development framework has received excellent feedback internally.

The framework begins with the foundation level training which offers new UKGI employees development in key governance topics and specific government training if required. This includes courses and seminars in areas such as accountability and governance for ALBs and UKGI's target operating model. Our colleagues with more experience can attend other available development opportunities, such as our Sharing Excellence seminars, lessons learned sessions, Portfolio Reviews and our

Corporate Governance Group meeting to share experiences.

Shareholder Representative Non-Executive Director development

Shareholder Representative Non-Executive Director development is essential to enable UKGI to continue to act as a responsible steward and is the final part of the Corporate Governance Development Framework. Shareholder Representative Non-Executives can access both UKGI's training offering and the shared experience of UKGI's senior leadership, which comprises over 160 years of board experience. Through this tailored development, we ensure UKGI maintains its expertise as a shareholder, inviting existing Shareholder Representative Non-Executives to attend professional development days hosted by industry experts within the public and private sector. This year we have continued with the 'View from the Chair' series – where various Chairs of significant private and public sector organisations were interviewed by the UKGI Chair and shared their experiences with UKGI colleagues, followed by a Q&A. This is in addition to targeted personal development and board coaching. The more informal development via our frequently held NED Forums

continues to be an excellent platform for our Shareholder Representative Non-Executives to share expertise and best practice. Shareholder Representative Non-Executives also attend peer-support groups where they discuss challenges and share best practice as colleagues. Through the entire development framework, a Shareholder Representative Non-Executive can expect an additional 36 hours of CPD a year to support them in their role.

In addition, the Corporate Governance Development Framework provides specific training, resources and personal development to support and upskill staff who are aspiring to be future UKGI Shareholder Representative Non-Executives, for either internal or external roles. The UKGI Aspiring Shareholder Representative Non-Executive Development Programme is a multi-year programme, which includes professional development days, attendance to NED Forums and View from the Chairs

panel and experiential learning equating to over 45 CPD hours per year.

As a part of the public sector, UKGI is in a unique position in comparison to many financial sector bodies to not only have access to the Institute of Directors standard training but also access to the best of training offered by the Civil Service, including the Future Leaders Scheme.

Sharing our knowledge

UKGI has a culture of knowledge sharing between colleagues within the organisation and has put in place mechanisms to facilitate this. These include a specific NED Forum, established as an opportunity for UKGI colleagues who have NED roles to get together periodically to share experience on some of the issues they face in this capacity; regular updates provided to all governance colleagues to raise awareness of key developments, helpful resources and best practice; and our internal guidance on a range of key governance topics.



Image courtesy of the Nuclear Decommissioning Authority

Case Study: Induction of new NEDs to the UKGI Board

This case study demonstrates how UKGI improved its own governance by developing the induction process for newly appointed Board members.

The Company Secretariat team at UKGI regularly review internal processes to ensure they are fit for purpose and to improve ways of working.

In FY2023/24, three independent Non-Executive Directors (“NEDs”), a Department for Business and Trade appointed NED, and an alternate Shareholder Representative NED were appointed to the UKGI Board. The catalyst for developing the induction process at this time was to implement recommendations from an internal Board Evaluation and to facilitate a smooth transition during a sizable change in UKGI’s Board composition.

The independent NEDs who do not work for government departments, are assigned one or more sponsorship oversight roles. To support the NEDs in their understanding of the Asset(s), deep-dive sessions were arranged with Shareholder Teams. Meetings were scheduled with the Senior Leadership team and existing Board members, including the Senior Independent NED, to help orientate them. In addition, the pre-reading materials shared were streamlined to provide the key information whilst being more easily digestible. Combined, this allowed for a deeper insight for our NEDs into the work of the Portfolio as a whole, and specific assets as appropriate.



In tandem with the improved induction process, the Company Secretary team sought opportunities to introduce the newly appointed Board members to the wider organisation. A “townhall” was held with all UKGI colleagues, with a live Q&A session. This enabled colleagues to have a better understanding of the NED’s role, and the skills and background they bring.

In making the induction process more streamlined, the newer UKGI Board members have had a smooth transition getting to grips with a complex Portfolio, whilst allowing the Board to continue to work cohesively, and focus its time on its priority areas.

Fees

UKGI is funded by HMT under section 36 of the Enterprise Act 2016 and through charging departments for the provision of Shareholder services. UKGI's funding agreement for FY2023/24 is set out below.

The funding is the total available and does not necessarily align to the grant-in-aid drawn down in the year as disclosed in the financial statements.

Table 2: UKGI's funding agreement

	2023-24 (£m)	2022-23 (£m)
HM Treasury	20.0	17.4
Department for Transport	0.4	0.4
Ministry of Defence	1.8	1.5
Department for Energy, Security and Net Zero	1.5	–
Department for Business, Energy and Industrial Strategy	–	2.8
Department for Science, Innovation and Technology	0.6	–
Department for Business and Trade	1.2	–
Department for International Trade	–	0.2
Department for Levelling Up, Housing and Communities	0.2	–
Cabinet Office	0.2	0.2
Department for Digital, Culture, Media and Sport	0.2	1.5
Total funding	26.1	24.0

How we can improve

Like all public bodies, UKGI is subject to intense scrutiny. As an organisation that strives for excellence in the performance of its role, we welcome this scrutiny, which complements our internal processes of assurance and risk management. We also take the opportunity to learn from it.

We seek to build and maintain a culture of continuous improvement in the services we provide for our Clients and the way we execute our roles. Our close working relationships with the Client policy teams responsible for our Portfolio and regular Client meetings, outlined under Principle 5, are central to helping us to take on board our Clients' feedback. Our Board and ExCo considers this feedback and that of the organisations in our Portfolio and

Shareholder Teams. We then seek to incorporate this into our wider CG&PM Programme, including internal guidance and seminars which are disseminated across UKGI.

As part of our commitment to continuous improvement we have hosted events intended to encourage UKGI colleagues to reflect on the lessons we have learnt as an organisation in the performance of our Shareholder Representative role. We maintain an internal 'lessons learned' database, with colleagues contributing and benefitting from past work. Lessons learned sessions are conducted regularly with learnings added to the database and shared across UKGI. In FY2022/23 we also enhanced our Portfolio management through a new Management Information

Pack. Through this more robust data-driven approach, our Shareholder Teams and Executives are able to identify key trends, outliers, and areas for improvement leading to more effective stewardship. This has been a key resource for UKGI in FY2023/24 and has enabled effective data-gathering and comparisons where appropriate across the Portfolio.

We continue to invest in resource to support increased effectiveness across all of our work. Our dedicated Project Management Office (“PMO”), which was established in 2021, enables successful project delivery across UKGI by maintaining centralised project management expertise and ensuring a consistency of approach. The team also embeds project management expertise within larger and or more complex teams, such as the CLCC team. The PMO uses a demand management process to enable the Executive to continuously challenge the overall priority of projects and the Portfolio. The team reviews each of the four UKGI objectives (as set out on page 16) on an annual basis, taking forward recommendations for improvement by the Board and Executives.



Principle 3: Conflicts of interest

Conflicts of interest

Principle 3: Signatories identify and manage conflicts of interest and put the best interests of clients first

Introduction

In this section we cover the following:

- **Code of Conduct:** how our Code of Conduct serves to minimise and avoid conflicts of interest to ensure the interests of our Clients are protected
- **Conflicts of interest:** it is incumbent on us to ensure that the interests of our Clients, Assets or other organisations that we work with are not damaged by any conflicts of interest inherent within UK Government Investments (“UKGI”) or arising between UKGI, or its staff, and those organisations

UKGI’s Code of Conduct

UKGI does not generate a profit for its services as all of our Clients are government departments, with our budget set by HM Treasury (“HMT”) and any additional costs met by the specific departments on whose behalf we have incurred them. We do not trade actively in securities. In this regard, many of those conflicts of interest which need to be managed by the private sector and asset managers/owners do not arise from our day-to-day activities. Our Memorandums of Understanding agreed with our Clients outline our reporting processes for each Portfolio organisation or Project we work on.

Our success as an organisation depends on our reputation for upholding the standards of public life adhered to across the public sector.

We have a Code of Conduct which sets the framework for how we work and the principles we expect staff to abide by. These are based on the “Seven Principles of Public Life” (known as the “Nolan Principles”): integrity, honesty, objectivity,

impartiality, compliance with law and professional standards, respect, protecting UKGI’s interests and managing conflicts of interest. Our Code of Conduct brings UKGI’s values and purpose statement to life (as referred to under Principle 1) by setting out the responsibilities, duties and expected behaviours of all of our staff.

All of our staff are required to comply with the Code of Conduct under their contract of employment. UKGI takes non-compliance with the Code of Conduct very seriously and the Board regularly considers compliance as part of its monitoring responsibilities. UKGI also requires all staff (including the members of our Board) to declare on an annual basis their understanding of, and compliance with, our Code of Conduct.

There are also a number of high-level central government codes of conduct and guidance which outline the principles and expected behaviour for civil servants, board members and Accounting Officers, including how to manage conflicts of interest. While these codes are not directly applicable to UKGI in their entirety, they do set some of the

guiding principles which underpin our Code of Conduct. For example, the:

- Civil Service Code and the Official Secrets Act
- Cabinet Office's Civil Service Management Code
- HMT's Managing Public Money
- HMT's Corporate Governance Code for Central Government Departments

Conflicts of interest

Given our role, it is incumbent on us to ensure that the interests of our Clients, Portfolio or other organisations that we work with are not damaged by any conflicts of interest inherent within UKGI or arising between UKGI, or its staff, and those organisations. Our Code of Conduct therefore includes guidance and well-defined procedures for avoiding, identifying, disclosing, reporting and managing conflicts of interest, which we have summarised below.

UKGI's Board has arrangements in place to manage any personal conflicts of interest. As part of this each UKGI Board member is required to disclose, at the outset of their term as a Board member, and again subsequently at the start of each financial year, any direct or indirect conflicts of interest they are aware of and may have in connection with being appointed a Board member of UKGI. UKGI Board members also have a duty to declare any conflicts of interest as they become aware of it on an ongoing basis and at all Board and Board Committee meetings. Board members' key external roles are set out in their profiles on the UKGI website⁹.

Avoiding conflicts

Under our Code of Conduct, all UKGI staff are subject to policies and guidance relating to personal account dealings in financial instruments, outside appointments, employment or political interests and the acceptance of gifts or hospitality, to prevent conflicts of interests arising. In addition, staff are required to seek to avoid any circumstance that would give rise to an actual, potential or perceived conflict of interest, taking into account our values, expected behaviours and the position of trust that staff hold as public servants. This includes avoiding any situation where:

- a conflict of interest may compromise or otherwise call into question their judgement, or ability to act objectively or properly discharge their duties and responsibilities owed to UKGI;
- a conflict of interest may give rise to the risk of reputational damage to UKGI including the risk of the appearance of impropriety around having obtained an improper advantage or treatment; and
- a staff member exploits, reasonably appears to exploit, or allows themselves to be exploited by any personal relationship with organisations that UKGI works with, any financial interests in those organisations or any outside or political interests.

Identifying and disclosing conflicts

Our Code of Conduct includes detailed guidance around the types of conflicts of interest that may arise; for example, as noted above, with respect to outside and political interests that staff may hold or wish to take up, dealing in financial instruments on their own account and the acceptance

⁹ UKGI website: <https://www.ukgi.org.uk/>

of gifts and hospitality. Where a potential conflict of interest does arise, staff are expected to identify (in consultation with senior managers where relevant) and disclose that conflict to UKGI's Compliance Team as soon as they become aware of it and regardless of whether there is the potential for monetary loss or gain.

Reporting conflicts

On joining UKGI, we require staff to declare certain personal relationships (for example, with anyone working at one of our Assets or for a firm seeking to supply services to UKGI), financial interests (for example, holding shares in a company in respect of which we hold sensitive information or in our Portfolio) and other interests (for example, directorships) or circumstances which may result in an actual, potential or perceived conflict of interest. Board members must also, upon joining the Board, declare any of the above relationships or interests.

We also require all staff to refresh these declarations annually and to report any potential conflicts on an ongoing basis.

UKGI maintains a Declaration of Interests Register which records the declared personal relationships, outside interests, relevant financial investments and relevant financial relationships of all staff. The purpose of the Declaration of Interests Register is to act as a control to ensure that any such relationships or interests that could give rise to a conflict of interest have been declared in order that UKGI can manage such conflict of interest appropriately.

Managing conflicts

Where a potential conflict of interest arises UKGI will:

- manage conflicts of interest appropriately, especially where there is a material risk of damage to UKGI's reputation or the reputation of our Clients, Portfolio or other organisations that we work with;
- resolve conflicts of interest in a manner that is in line with, or at least not opposed to, the best interests of UKGI (or our Clients, where those interests are not one and the same);
- manage conflicts of interest whilst recognising that staff may have interests and affiliations beyond their work for UKGI; and
- enable staff to report any concerns regarding conflicts of interest through UKGI's whistleblowing procedures.

Agreed measures to mitigate or remove the conflict of interest are recorded on the Declaration of Interests Register.

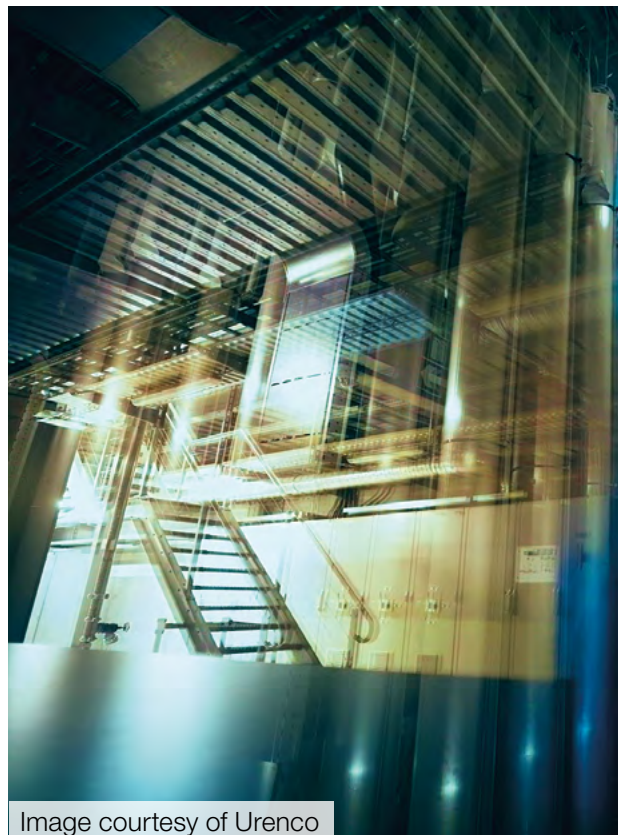


Image courtesy of Ureenco

Examples of the types of conflict-of-interest scenarios that may arise within UKGI, and the corresponding mitigation measures that have, or could, be used include:

Illustrative conflict scenario 1:

Conflicts between the UKGI Shareholder Representative Non-Executive's duties to the Asset and responsibilities as a representative of government:

- Conflict: occasionally, conflicts may arise between the duties that the Shareholder Representative Non-Executives owe to the organisation on which they sit on the board and their broader responsibilities as government representatives, for instance when the interests of the organisation and of government are not aligned.
- Mitigation: a variety of tools are used to manage such conflicts, including (but not limited to) the UKGI Shareholder Representative Non-Executive rescuing themselves from any vote in respect of which a conflict may have arisen.

Illustrative conflict scenario 2: External appointments of UKGI's Board or Executive Committee:

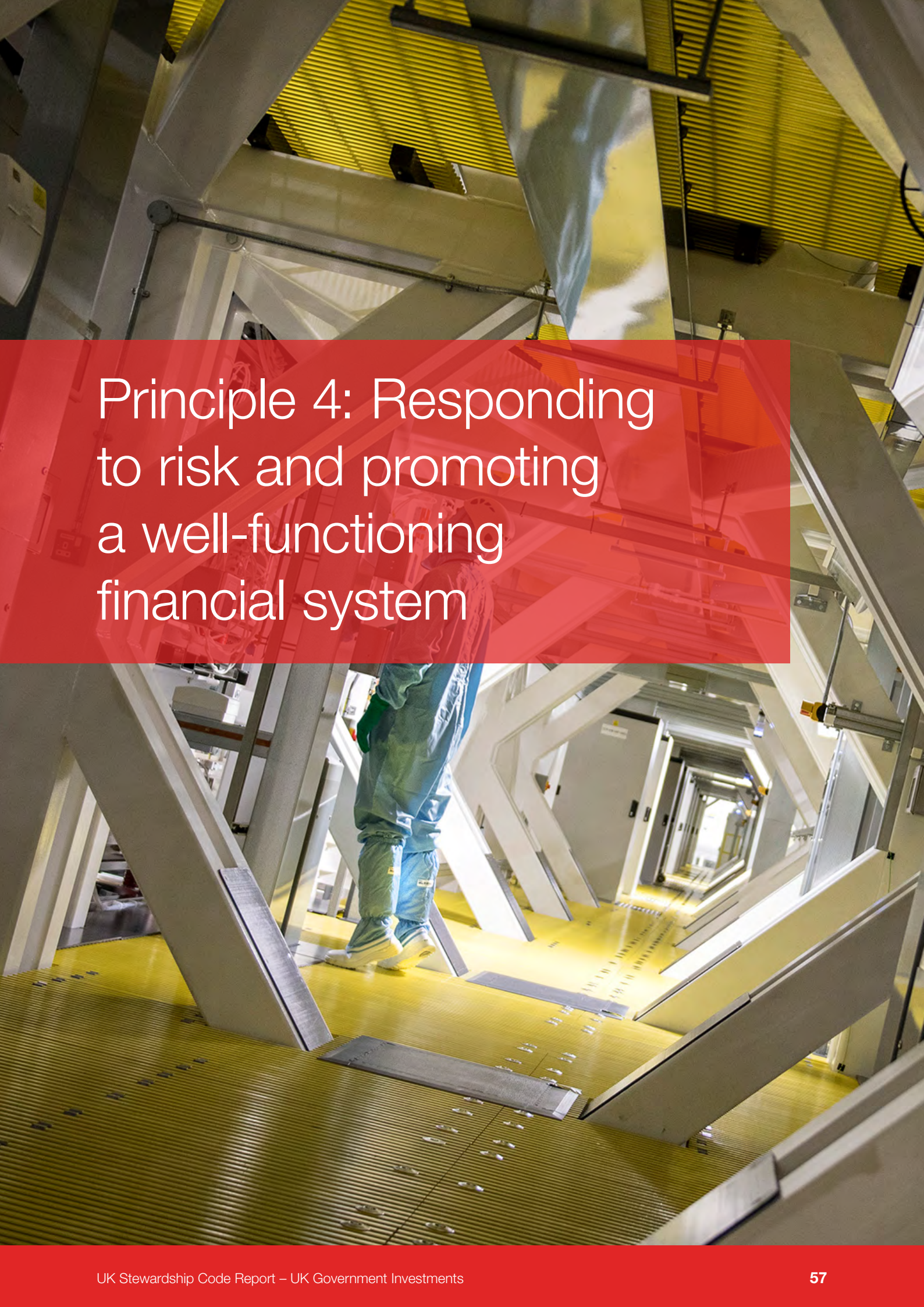
- Conflict: members of our Board or Executive Committee often have external appointments, for example directorships of companies, which allow them to apply a broad range of experience from other Boards to our own. In certain circumstances, for instance where the company on which they are a Director is a major participant in the same sector as one of our Portfolio, there is the potential for a conflict to arise if information is received through their role at UKGI which may be

pertinent to the company on which they are a Director.

- Mitigation: we use two important measures in these circumstances. Firstly, we limit the disclosure of information to the relevant member of the Board or Executive Committee (which, depending on the materiality and possible effects could include a written protocol around information sharing) and, secondly, potentially ask them to recuse themselves from certain agenda items to avoid the perception of possible conflict.

Illustrative conflict scenario 3: Staff with interests in organisations with a direct or indirect relationship with UKGI:

- Conflict: where a member of staff has an interest in an organisation (for example, a close personal relationship or a financial interest such as shares in that organisation) that, for example, provides external advisory services to UKGI (such as a bank providing corporate finance advice), there is the potential for a conflict of interest or the perception of a conflict.
- Mitigation: the measures which UKGI employs in this circumstance may be to, for example, ask that member of staff to recuse themselves from any procurement decisions where that organisation is tendering, or restricting them from working on certain projects within UKGI or with certain Assets.

A person wearing a full-body blue protective suit and a white hood is standing in a large, industrial facility. The floor is yellow with a grid pattern. The ceiling and walls are white with various pipes and structural elements. The lighting is bright and even. A red semi-transparent box is overlaid on the image, containing white text.

Principle 4: Responding to risk and promoting a well-functioning financial system

Responding to risk and promoting a well-functioning financial system

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Introduction

In this section we cover the following:

- **Identifying and responding to risk** – we identify and respond to risks to our ability to deliver our mandate, as well as monitor broader performance of the organisations in our Portfolio. This information is reported to the UKGI Executive Committee (“ExCo”) and Board which provide consistent and detailed oversight. This includes organisation-specific and cross-cutting systemic risk
- **Promoting a well-functioning financial system** – the Contingent Liability Central Capability (“CLCC”) works to improve the management of the government’s Portfolio of contingent liabilities where the government takes on fiscal risk from the private sector, including by providing transparency about where risk lies across government. When there are market-wide and systemic risks to the financial system, UKGI’s Special Situations Group (“SSG”) is called upon from across government to provide specialist corporate finance and governance expertise and provide advice to government departments and the organisations in our Portfolio
- **Working with stakeholders** – UKGI’s position as the centre of expertise in corporate governance and corporate finance means our best practice and practical know-how are brought to bear on some of the most pressing issues both in the UK and overseas
- **Industry initiatives** – UKGI’s role is to provide advisory services to government departments on the execution of a range of complex commercial and financial initiatives, including implementation of new schemes and responding to the implications of Acts of Parliament. For example, our Inward M&A team has been engaged to advise departments following the implementation of the National Security and Investment Act 2021 (“NSI Act”)

UKGI's Portfolio is mainly comprised of companies wholly owned and funded by the UK Government. UKGI's direct interactions with the financial system are therefore rare. However, several of our Portfolio organisations are themselves involved in financial markets in other significant ways, for example the British Business Bank, UK Infrastructure Bank and UK Export Finance. Moreover, our wider obligations under Managing Public Money ("MPM") require us always to consider if our proposals are good value for money for the Exchequer as a whole, which includes taking into consideration wider value influences, such as that on the financial system.

In addition, we support good governance practices and a well-functioning financial system by sharing our expertise across government and externally, to support continuous improvement in wider government governance both in the UK and overseas.

Though not directly related to our stewardship activities (deriving from our Shareholder Representative role) in the context of the 2020 UK Stewardship Code ("the Code"), we also respond to market-wide and systemic risk by advising on all major UK Government corporate finance matters, executing sales for all significant UK Government assets and providing advice and analysis of government's contingent liabilities. We hire people with specific commercial and financial expertise to work on these areas of our remit, and their knowledge and experience is available as a resource to our Shareholder Teams. For this reason, we have provided an overview of the work we do in one of these areas to demonstrate how our wider UKGI services respond to market-wide and systemic risk.

How we identify and respond to risk

We both identify and respond to market-wide and systemic risk through a comprehensive and frequent Risk Review process reporting up to the UKGI Board. This process focuses on risks to UKGI's ability to deliver its Shareholder Representative mandate, as well as providing an overview of performance across defined metrics across the UKGI Portfolio. A paper containing this risk and metric analysis is drafted and shared with UKGI's ExCo before sending to the UKGI Board on a bi-monthly basis. As set out in HMT Orange Book, UKGI adopts a three lines of defence model to provide a flexible structure against which the organisation can assess its risk control processes.

1. **First line of defence: management and internal control.** – UKGI Shareholder and Project Teams are expected to identify, escalate and manage risks, as well as provide regular risk reporting to UKGI's ExCo and the Board via the UKGI risk team. Our internal code of conduct and compliance procedures also serve to mitigate against risks to UKGI, including by identifying and managing any conflicts of interests and by setting out the responsibilities, duties and expected behaviours of staff. In addition, UKGI identifies and reports on operational and strategic risks via a separate risk register which is shared with HMT on a quarterly basis.

2. **Second line of defence: specialist risk management functions.** – Key elements consist of: (i) dedicated risk reviewers and centralised risk team to interrogate and collate risk registers compiled by Shareholder and Project Teams; (ii) Project and Portfolio Reviews consisting of cross-UKGI panels with representation from senior UKGI personnel which review and monitor the activities of UKGI’s teams. Traffic light reports and a bi-monthly report (the “Board Risk Paper”) are provided to ExCo for review prior to submission to the Board. The Board Risk Paper summarises: key risk within UKGI’s assets and projects and how UKGI’s ability to deliver its mandate could be impacted; (iii) oversight of the activity of Shareholder and Project Teams by Portfolio and Project Reviews; (iv) UKGI’s internal risk register process.
3. **Third line of defence: internal audit.** – The Government Internal Audit Agency provides external independent assurance of UKGI’s risk management processes.


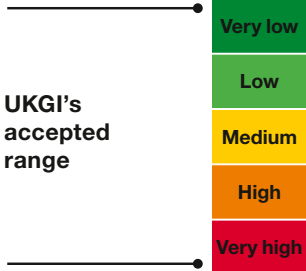
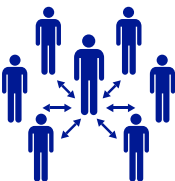
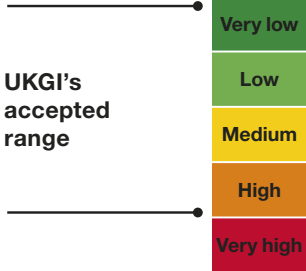

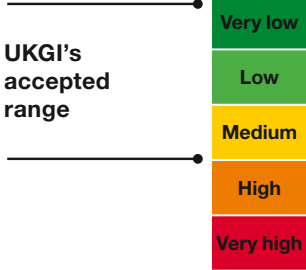
UKGI’s approach to risk is summarised in Table 3 below. The very high risk appetite for provision of our objectives reflects our role and purpose to be at the heart of some of government’s most challenging projects and complex assets.

There are times when we will agree with government departments to take on certain workstreams and projects that are outside of our risk appetite, purpose and/or strategy, but where we are best placed within government to take on this work as our commercial skillset is most closely aligned and valuable to the workstreams or project requirements. Where necessary, we will establish procedures for managing risks that fall outside our risk appetite and establish mechanisms to bring such work back within our risk appetite as swiftly as possible.



Image courtesy of Atomic Weapons Establishment

Table 3: UKGI’s approach to risk

Key Risk	Risk Appetite Range	Rationale
<p>STRATEGIC DELIVERY</p>  <p>Delivery of our four strategic objectives</p>	 <p>UKGI's accepted range</p>	<p>As government’s centre of expertise for corporate finance and governance, UKGI’s purpose is to take on large, complex projects which require its specialist expertise and withdraw from smaller, simpler projects that can be performed by departments. It is recognised that many of the issues UKGI’s staff deal with are complex and require judgemental decision-making. For all four of our strategic objectives (see page 7), UKGI will seek to deliver its advice to high standards.</p>
<p>PEOPLE</p>  <p>Right people deployed to the right activities</p>	 <p>UKGI's accepted range</p>	<p>UKGI’s reputation and performance is dependent on its people, in order to ensure UKGI can deliver the high-profile and complex work it undertakes. UKGI takes the physical and mental wellbeing and health and safety of its staff very seriously. UKGI also places great importance on having a diverse and inclusive workforce, and has developed a clear strategy and Board policy to promote diversity and inclusion throughout the organisation.</p>
<p>OPERATIONS</p>  <p>Breach of controls, including IT, data, legal and compliance</p>	 <p>UKGI's accepted range</p>	<p>UKGI will seek to balance the need for agility and flexibility with the need for a robust control framework. It will take a risk-averse approach to legal and compliance matters, both within UKGI and its partner bodies. There is a low risk appetite regarding data security, which is a vital component of UKGI’s controls due to the sensitivity of the work performed.</p>

Risk in the UKGI Portfolio

UKGI has continued to operate proactively as Shareholder Representative for our Portfolio to respond to emerging risks. We provide best practice advice to boards on reporting and managing risk, informed by UKGI’s own risk management processes.

In most cases, we will have a Shareholder Representative Non-Executive Director on the board of the organisation who sits on the relevant Risk Committee. We will encourage that risk is reviewed on a regular basis at the asset board, meaning that we are regularly sighted on risk mitigation

as well as emerging risks. In addition, Framework Documents articulating the relationship between organisations, UKGI and Sponsor Departments require organisations to report regularly on any active litigation and communicate legal risk in a timely manner to the relevant department and UKGI.

The principal responsibility for the reporting of an organisation’s risks into the relevant department sits with the organisation itself, and the organisations’ boards have responsibility for ensuring the right processes are in place to set an appropriate risk appetite in line with their Sponsor

Department, and to identify, mitigate and report on risk.

Organisations in UKGI's Portfolio meet transparency and reporting requirements by publishing a number of documents on an annual basis, including their annual reports

and accounts, other publications specific to individual assets.

Cross-cutting risk

UKGI's Portfolio Review process (covered in Principle 2) supports risk management and identifying cross-cutting risk.

Portfolio Reviews – Board quality deep dives

In FY2023/24, the Portfolio Review Team introduced board quality deep dive sessions for Shareholder Teams in respect of all ALBs across the UKGI Portfolio. Alongside the Appointments and Remuneration Team, these sessions provide Shareholder Teams and Shareholder Representative NEDs with opportunities to reflect on the ways in which each ALB's board works, allowing the Portfolio Review panel to provide feedback and advice given past experiences from across the Portfolio. These sessions are also an opportunity to reflect on the diversity of boards across UKGI's Portfolio. More detail on the Portfolio Review process is available under Principle 2 (pages 42–43).

Our environmental stewardship work continues to enable improvements across our Portfolio and wider government through our regular Cross-Government Environmental Considerations Working Group. Organisations, and those invested in them, are increasingly expected to consider their impact on the environment, and how environmental and climate change risks may impact them. Under Principle 5, we outline

how we have responded to systemic risk caused by environmental issues and climate change through effectively challenging and supporting our organisations' overall performance and sustainability. Our environmental stewardship workstream supports UKGI organisations to contribute to the government's goals for tackling climate change.

Case study: Improving environmental stewardship – UKGI Cross-Government Working Group

Since 2021 UKGI has chaired a Cross-Government Environmental Stewardship Working Group for our Portfolio and other government leads to share information, experiences and best practice on environmental considerations in governance.

In the past year the group discussed topics such as regulatory and reporting updates on the government's Task Force on Climate-related Financial Disclosures and the government's Green Finance Strategy, Taskforce on Nature-related Financial Disclosures, and reflections from COP 28. Further information is contained in Principle 5.

Promoting a well-functioning financial system

The CLCC was established within UKGI in April 2021 to improve the management of the government's Portfolio of contingent liabilities and enhance taxpayers' value for money.

Contingent liabilities are an increasingly important policy tool, used to support growth and safeguard the economy in times of stress. As government often takes on the role of the insurer or guarantor, government is in a unique position to strategically use contingent liabilities to meet policy objectives and take on risk which the private sector and general public cannot.

While, contingent liabilities do not often impact departmental budgets at the point of use, they may present potential future expenditure to government; rigorous analysis is therefore required to understand and manage this risk. As such the CLCC's objective is to improve the management of contingent liabilities which can be sources of fiscal risk to government. The team works across government to improve the value for money of proposals by advising on the quantification, structure, modelling, expected loss, and charging for risk. Over 2023/24, the CLCC advised on contingent liabilities with a value of c.£10bn, across 74 proposals.

The HMT publication¹⁰ responding to the Office for Budget Responsibility's ("OBR") Fiscal Risks and Sustainability Report outlines why fiscal risk management helps to ensure the stability and long-term sustainability of the public finances and specifically highlights the CLCC's role. In November 2023 the CLCC published its *Annual Report on the UK Government's Contingent Liabilities*, providing the first comprehensive analysis of risk exposure across central government.¹¹ Additionally, the CLCC conducted a deep dive review of one of the largest items in the government's contingent liability Portfolio in its *Cross-Government Nuclear Decommissioning Cost* report. This report demonstrated that nuclear decommissioning is an area where more cohesion across public bodies can lead to improved financial management of this contingent liability.¹²

Protecting the sustainability of public finances ensures that there is sufficient headroom to cushion against future shocks, thereby promoting market confidence which supports a well-functioning financial system. This is in line with the OBR's conclusion in its 2021 Fiscal Risks Report that "fiscal space may be the single most valuable risk management tool".¹³

10 Government Response to the 2022 Fiscal Risks and Sustainability Report [M5418 Government Response to Fiscal Risks and Sustainability Report FINAL .pdf \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/114448/M5418_Government_Response_to_Fiscal_Risks_and_Sustainability_Report_FINAL_.pdf)

11 <https://www.ukgi.org.uk/2023/11/22/clccs-annual-report-on-the-uk-governments-contingent-liabilities/>

12 <https://www.ukgi.org.uk/2023/11/02/clcc-thematic-review-cross-government-nuclear-decommissioning-cost/>

13 Fiscal Risks Report, Office for Budget Responsibility, July 2021 [Fiscal risks report \(obr.uk\)](https://obr.uk/fiscal-risks-report/)

Case Study: Annual Report on the UK Government's Contingent Liabilities (2023)

In November 2023 the Contingent Liability Central Capability ("CLCC") brought together for the first time, and published, a complete portfolio view of the UK Government's exposure to financial guarantees, indemnities, contingent liabilities and provisions.

The report allowed the UK Government to (a) identify the scale of the contingent liability risk, (b) categorise this risk across the portfolio, (c) determine whether the government was adequately charging for this risk, and (d) consider how to improve value for money across the portfolio.

This report highlighted that more than 90% of government risk (£491bn) is accounted for on its balance sheet. The report also quantified the remainder of the contingent liability risk (£23bn) for the first time based on a data collection exercise across government departments led by UKGI. The comprehensive analysis carried out by the CLCC provides greater transparency around the fiscal tools used by the UK Government while also enhancing the government's understanding of its current risk exposure. The information provided within the report has helped the government set rules to manage the fiscal risks posed by contingent liabilities and assess new risks against its existing stock of contingent liabilities, which was not the case before. It can now also take an informed view on the benefits and risks it takes on when considering new liabilities to ensure value for money. This ensures that future decisions are guided by a good evidence base, improving the government's stewardship of public finances. Organisations such as the OECD have positively recognised the work done by the UK Government and the CLCC will continue to conduct this analysis, enabling the government to be better at fiscal planning by tracking the portfolio of contingent liabilities over time.



Special Situations Group

The UKGI SSG provides expert and practical advice to support effective responses by government to financially stressed corporate situations, serving as a trusted adviser to stakeholders across government. The team provides expertise in significant negotiations between the government and the private sector, particularly in situations where corporate distress could have strategic implications for the UK.

The team, which is made up of corporate restructuring practitioners, including qualified insolvency practitioners, experienced restructuring bankers and lawyers and civil servants, helps departments to understand the signs of financial stress and distress, and the implications of these for government. They support government departments to contingency plan for company and sector-wide failures and advise them when departments are considering intervention to further government policy objectives.

The team works extensively with colleagues across government, on specific projects and sectors on a varied portfolio of matters where work is always determined by criticality rather than size. Over the past year, SSG has taken a lead advisory role in several high-profile situations, including:

- Continuing to support the Department for Culture, Media and Sport (“DCMS”) in managing distressed situations impacting the DCMS Covid Sport and Cultural Loan Book.
- Assisting the Department for Education on challenges related to children’s social care and universities.
- Supporting the Department for Health and Social Care in contingency planning and response options to the potential failure of a key supplier.
- Supporting Cabinet Office in relation to strategic suppliers to government facing financial distress.
- Collaborating with HM Revenue and Customs in migrating key supply contracts away from a significant provider of bespoke printing products ahead of its failure.
- Supporting the Department for Environment, Food and Rural Affairs in navigating complex situations involving a substantial regulated entity.
- Working with Home Office on contingency planning for a possible critical supplier failure.
- Supporting the Ministry of Defence in the proposed divestment of a key supplier of technology hardware with sovereign capabilities to ensure continued product supply.
- Supporting the Department for Business and Trade (“DBT”) with a grant to Tata Steel to facilitate its transition to a more sustainable and lower-carbon-intensive steel making process.

Working with others to share best practice

We support continued improvement of governance practices and a well-functioning financial system by sharing our expertise across government and externally, to support continuous improvement in wider government governance both in the UK and overseas.

Over the year, UKGI's Corporate Governance and Portfolio Management ("CG&PM") Programme has continued to embed stewardship best practice across our Portfolio and engage across Whitehall to promote effective governance. In 2021 our shareholder approach and role within government was anchored through an update to MPM which requires government departments to seek our advice on the set-up of certain types of ALBs and to also consider whether we should carry out the Shareholder Representative role for such bodies.

To enable the sharing of experiences and perspectives across our Portfolio, the CG&PM team hosts a series of virtual events and roundtables for senior leaders from our organisations, grouped by their roles (for example, Chairs and CEOs, Remuneration Committee Chairs and HR Directors, Risk Committee Chairs and risk leads, General Counsels and D&I leads). During these events we engage expert practitioners from the public and private sectors to focus on key governance areas of relevance to the attendees and facilitate discussion across the Portfolio leadership. This is in addition to our Cross-Government Environmental Stewardship Working Group outlined above.

In the past year we enhanced our profile and reputation by providing departments with governance advice. We have maintained core strategic relationships across government including with the DBT Corporate Governance, Audit Reform, and Shareholder Rights Team; the Cabinet Office Public Bodies Team; and through participation in the Cabinet Office's Public Bodies Programme Board. This enables us to directly influence ALB governance policy,

for example including UKGI best practice and practical know-how in the publication of the May 2022 Cabinet Office "*Arm's length body sponsorship code of good practice*",¹⁴ and the development, in the past year, of the Public Bodies Review Programme, which has been rolled out across all ALBs, including those within and outside of the UKGI Portfolio.

We have also provided ad hoc governance support to a variety of departments outside of those for whom we perform a Shareholder Representative role. For example in January, UKGI joined a programme board of Foreign, Commonwealth and Development Office to consider the governance of its ALBs, following the merger of the Foreign and Commonwealth Office and the Department for International Development.

Another core way in which UKGI shares best practice across government is through its stewardship of the Government Corporate Finance Profession, one of the 28 recognised professions across government. For UKGI, leadership of the profession provides a route to share our knowledge, raise awareness and develop relationships with colleagues across government – see case study below.

UKGI also shares best practice in relation to managing contingent liabilities. The CLCC produces specialist guidance notes for departments aimed at helping them utilise contingent liabilities effectively to deliver value-for-money policy interventions. To date, the CLCC has published four guidance notes, which have been downloaded over 30,000 times. In the past financial year, the team released two guidance notes on

¹⁴ <https://www.gov.uk/government/publications/arms-length-body-sponsorship-code-of-good-practice>

charging for risk and managing contingent liabilities from funded government pension schemes. The team also develops tools to standardise the quantification of contingent liabilities and conducts thematic reviews to provide recommendations for improving risk management. As one of government's largest liabilities, the CLCC also carried out a thematic review of the government's nuclear decommissioning costs and published a report detailing its findings. Additionally, to translate this work into meaningful action and change across government, the CLCC has established a cross-government network which brings together officials responsible for contingent liabilities to share best practices.

The SSG team also works extensively with colleagues across government to help departments to understand the signs of financial stress and distress, and the implications of these for government. SSG also helps to educate private sector partners facing financial stress or distress on government's aims and objectives in such circumstances.

The UK continues to be seen by the international community as an exemplar of best practice in the corporate governance of State-Owned Enterprises ("SOE") and as such is often approached by international delegations for advice. In March 2024, UKGI met with the French Ministry of Economy and Finance, alongside colleagues from HMT to present on how it manages its complex Portfolio and to share best practice. UKGI is making a keynote presentation at the French Ministry of Economy and Finance's event in September 2024 to mark the 20th anniversary of its "Agence des participations de l'Etat". We are also encouraged to play a proactive role at

the Organisation for Economic Co-operation and Development ("OECD") to inform, challenge and share best practice.

UKGI has represented the UK at the OECD's Working Party on State Ownership and Privatisation Practices ("WPSOPP") since 2012 and has provided expertise and support to the WPSOPP in numerous ways. This has included fielding UKGI colleagues to participate in speaking and training events. Since January 2021 our Chief Executive, Charles Donald, has been Chair of the WPSOPP and Lucie Lambert, our General Counsel, sits on the WPSOPP's Bureau which has oversight for the WPSOPP's workstreams, and currently acts as its UK delegate. The WPSOPP's work in 2024 has involved more than 160 representatives from 55 countries discussing best practices, policy dialogue and exchanging information between OECD member countries and key partners. Emphasis remains on enhancing corporate governance within SOE and advancing corporate finance policies to foster positive change.

In addition to our WPSOPP representation, UKGI continues to engage internationally and share best practice reflections and lessons learnt on a variety of corporate governance topics related to UKGI's shareholder model for state-owned companies and privatisation practices.

Case Study: Government Corporate Finance Profession

UKGI leads the Government Corporate Finance Profession (“GCFP” or “the Profession”) with UKGI’s Chief Executive as the Head of the Profession. The GCFP’s purpose is to promote skills development, knowledge sharing, networking, collaboration and career development in corporate finance and currently has 220 members across government.

The Profession has continued to evolve its purpose and vision over the past year, fostering skills enhancement, knowledge dissemination, networking, collaboration, and career development among corporate finance professionals throughout government, with an ongoing commitment to expanding the membership base.

The Profession focuses on technical skills development, targeting civil and public servants undertaking corporate finance work across government to help them develop an understanding of the wider external market and provide an opportunity to support profile raising for corporate finance practitioners.

The Profession progressed a number of key initiatives over the year include:

- New and improved seminar and training schedule (which was targeted to public and private sector topics),
- Launched and implemented the knowledge hub (a digital tool as the central place for all to access information about the profession),
- Hosted an annual event involving external speakers discussing current themes and topics,
- Successfully added the ICAEW’s Corporate Finance certificate on the Government Campus curriculum.

UKGI, through its leadership of the GCFP, has played a significant role in the success of the Profession and will continue to promote skills development, increase knowledge sharing and facilitate better networking and collaboration for practitioners across government.

Responding to initiatives

The National Security & Investment Act 2021 came into force in January 2022, which considerably expanded the number and types of transactions subject to UK national security reviews, as well as introducing, mandatory notification requirements alongside voluntary filings.

Our Inward M&A team continues to work closely across Whitehall, focusing on the

economic and national security assessment of transactions and leveraging our expertise to support negotiations between government and transacting parties.

In the last year the team undertook a key advisory role in some of the most high-profile national security transactions facing government, across aerospace, space, telecoms and digital and defence sectors.



Principle 5: Supporting clients' stewardship

Supporting clients' stewardship

Principle 5: Signatories support clients' integration of stewardship and investment, taking into account material environmental, social and governance issues, and communicating what activities they have undertaken

Introduction

This section includes:

- **Our Clients:** we are a trusted provider of the Shareholder Representative role across central government and work on behalf of government departments ("Clients")
- **How our services best support our Clients:** UK Government Investments' ("UKGI") Shareholder Teams develop close and effective relationships with our Clients, meeting with colleagues at all levels. We have created a bespoke Shareholder Representative role for government-owned organisations, via our Target Shareholder Model. The application of this bespoke Shareholder Representative role sits alongside and is designed to be complementary to how our Clients manage their wider policy and other interests in their Assets
- **Continuously improving our shareholder practice and on Environmental, Social and Governance ("ESG") considerations:** we seek to continuously improve our stewardship activities and incorporate ESG considerations to allow us to effectively challenge and support our organisations' overall performance and sustainability
- **How we support our Clients through sharing best practice:** we have continued to build our strategic capability through the development and dissemination of best practice and the sharing of expertise

Our Clients

In FY2023/24 we acted as Shareholder Representative across central government on behalf of the following government departments:¹⁵



Working with our Clients

UKGI has substantial engagement with both Clients and the organisations in its Portfolio. Whilst UKGI has established activities which we perform for each organisation, codified within UKGI's Memorandums of Understanding with our Clients and Framework Documents with organisations themselves, establishing close contact and coordination with our Clients remains core to our stewardship activities. We ensure interactions between our Clients and UKGI are conducted through professional, efficient, and trust-based discussion:

- i. Professional: people engaged in discussion relevant to effectively providing UKGI's objectives, with commitments provided on time and to specification
- ii. Efficient: both parties ensuring a joined-up approach amongst their respective constituent elements

- iii. Trust-based: open discussions, based on a shared commitment to providing UKGI with the ability to perform its role effectively

Our UKGI Shareholder Teams each work alongside our Clients' policy teams, who remain responsible for setting policy in the area in which the organisation operates. Clients and Ministers can expect the same degree of confidentiality from UKGI staff as they expect of their own officials, in accordance with the Civil Service Code. We maintain a close working relationship with these teams, and often coordinate reporting into the Client department among other tasks. For an example of this coordinated relationship, please see our case study on British Business Bank ("BBB"), on page 73.

As well as maintaining strong functional working level relationships with Clients, UKGI Shareholder Teams provide regular reports (quarterly or biannual, for most UKGI organisations) to senior departmental

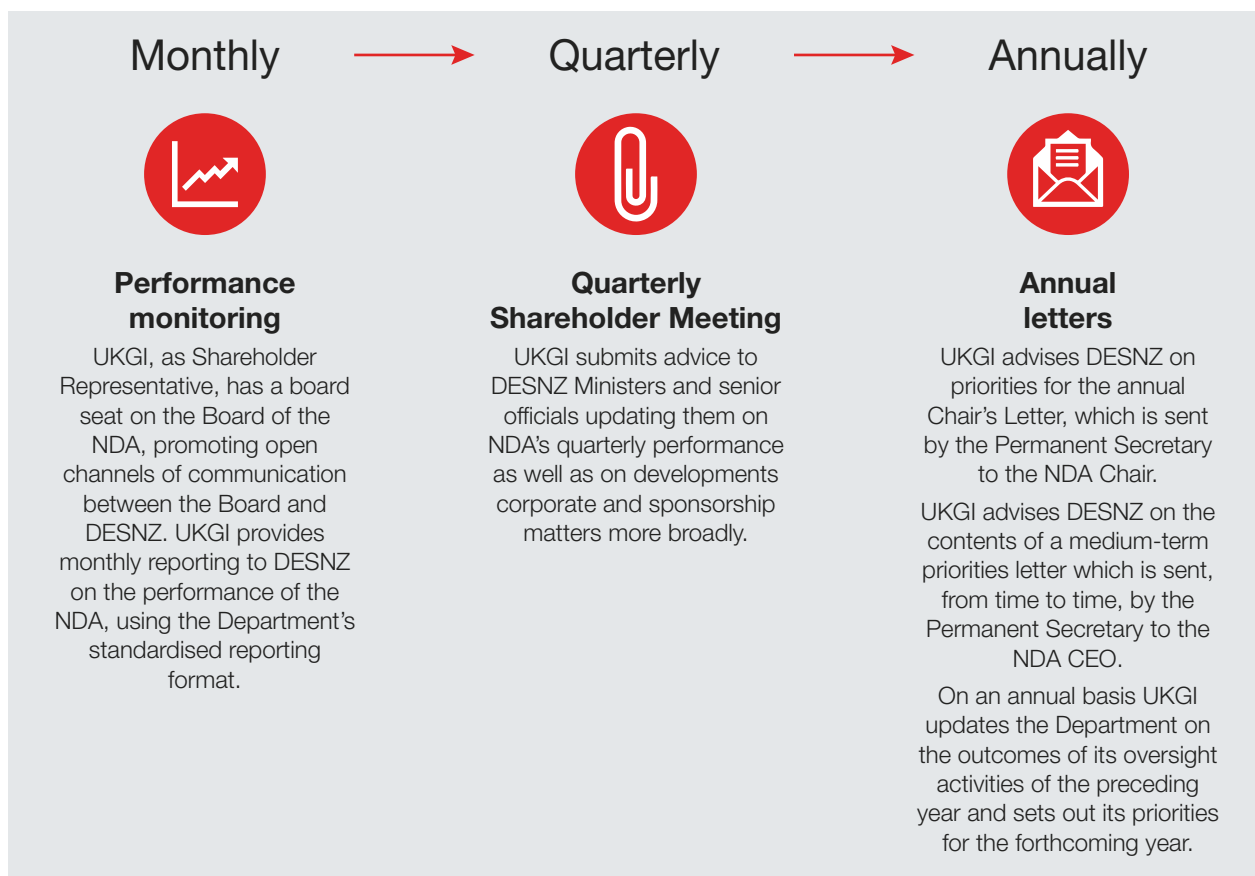
¹⁵ DLUHC's name was changed to the Ministry for Housing, Communities and Local Government ("MHCLG") on 9 July 2024. This change has not been reflected throughout this document as it took place after 31st March 2024.

personnel, often at the Permanent Secretary level. Reports give a qualitative UKGI view of the organisation, and any concerns UKGI has. Figure 11 demonstrates our communication with The Department for Energy Security and Net Zero (“DESNZ”) in relation to the Nuclear Decommissioning Authority (“NDA”).

In addition, UKGI’s Chair and Chief Executive regularly meet with Client departments, and Chairs of organisations, to receive and discuss feedback on the relationship with and performance of UKGI. For example, during FY2023/24, our Chair and Chief Executive met and gained feedback from c.90% of Client departments and c.80% of organisations’ leadership.

The UKGI Chief Executive met with the Second Permanent Secretary of HMT and the Permanent Secretaries of other Clients on a regular basis, and our Chair met with Chairs of UKGI portfolio organisations. Alongside these core stakeholders, the Chair and Chief Executive met the Economic Secretary to the Treasury and several Ministers across Client departments. These stakeholder relationships are critical to us and are reviewed periodically as part of the UKGI Portfolio Review process. More broadly, in FY2023/24 UKGI had specific relationship leads (Assistant Directors and Directors within UKGI) for each government department, whether or not we were actively working with that department.

Figure 11: UKGI reporting to DESNZ on the performance of the Nuclear Decommissioning Authority



Case Study: British Business Bank (“BBB”) Non-executive Chair recruitment



This case study provides an example of our Shareholder Representative role in respect of BBB and demonstrates our collaborative approach with multiple stakeholders to develop a process that attracts top-tier candidates for key roles in our Portfolio.

BBB is a government-owned economic development bank specialised in helping businesses in the UK access financial support. It is an ALB of the Department for Business and Trade. Over the course of FY2023/24 UKGI oversaw the campaign to recruit a new non-executive Chair.

With the previous Chair's second term coming to an end, UKGI conducted a recruitment process to find a successor. We planned and executed the campaign in compliance with the Governance Code for Public Appointments. Activities included (but were not limited to): defining the role, developing the selection criteria, identifying the assessment panel, procuring and managing executive search partners, agreeing the advertising approach, overseeing the sifts and interviews. Throughout we had to engage a number of key stakeholders including the BBB Board, department officials and No.10. We also sought Ministerial views at every stage of the process (in compliance with the code), enabling ministers to be well-informed when making their final decision on who to appoint.

With UKGI's support, the campaign resulted in a successful recruitment process, attracting a diverse set of candidates, and leading to the appointment of Stephen Welton. Since joining BBB in October 2023, Stephen Welton has made a positive start to his tenure as Chair. He has invested significant time in understanding BBB, its mission and its people.

How our services best support clients' stewardship

The UKGI Corporate Governance and Portfolio Management (“CG&PM”) Programme has led the establishment of a Target Shareholder Model which defines how we typically perform our Shareholder Representative role across our Portfolio and provides guidance and assistance to individual Shareholder Teams. This model sits alongside and is designed to be complementary to the way in which our Clients manage their wider policy and other interests in their Assets. As outlined under Principle 1, our approach and work across

our organisations differs depending on the government's shareholder relationship with them. In light of this diversity within our Portfolio, our Target Shareholder Model may not be applicable in its entirety to our operations for each organisation. We undertake an annual review of the application of our Target Shareholder Model to each of our organisations. The outcome of this activity is then discussed at Portfolio Review meetings as appropriate.

Where our model does apply, we support our Clients by performing our Shareholder Representative role across five core areas

of activity, framed by governance levers that the government has as a shareholder:

1. Establish and maintain appropriate and effective corporate governance foundation which govern the department-ALB relationship
2. Promote effective objectives, business planning and performance against the organisation's business plan
3. Promote strong corporate capability
4. Promote effective leadership (high quality boards and senior management)
5. Promote effective relationships between the department and the ALB

In most cases, we supplement the activities above by providing an experienced senior employee of UKGI to sit on the organisation's board as a UKGI Shareholder Representative Non-Executive Director. UKGI sees the UKGI Shareholder Representative Non-Executive as an important lever in performing our role. The UKGI Shareholder Representative Non-Executive has the same duties as all other Directors on the organisation's board, including those appointed by Ministers, including the duty to act in a way they consider, in good faith, most likely to promote the success of the organisation for the benefit of its shareholders. Further information regarding the roles and responsibilities of the UKGI Shareholder Representative Non-Executive can be found on pages 20-21.

UKGI encourages the UKGI Shareholder Representative Non-Executives to draw upon the assistance of the relevant UKGI Shareholder Team and best practice across the Portfolio, including supporting on live issues regarding the organisation which require input at board level. The UKGI

Shareholder Representative Non-Executive and Shareholder Team further provide the organisation with a government perspective and assistance in navigating central government processes.

Through undertaking our Shareholder Representative role, our services support our Clients by providing:

- Specialist expertise in applying private sector governance disciplines to a government setting, typically in relation to some of the government's most challenging and complex commercial tasks.
- Portfolio knowledge and experience gained from working across government on multiple organisations, enabling us to share learnings of cross-departmental perspectives and issues, and act as a consultation point for best practice corporate governance across government. UKGI offers an understanding of stewardship of complex organisations which is unique in the government environment.
- Senior and experienced resource from the private sector and the Civil Service, combining financial, commercial and Portfolio management, with public and private sector board experience.
- Expertise which is kept current within the ever-evolving field of corporate governance, through bespoke training programmes and seminars as well as via a secondment programme, bringing in relevant private sector and government expertise.
- Strong networks within government and across the private sector including ALB Chairs, board members and management teams, as well as with specialist advisers.

Case Study: Stewardship of NatWest Group (“NWG”)

This case study is an example of how our governance structure provides oversight of the stewardship of assets that the government has committed to returning to private ownership.



UKGI is mandated by HM Treasury (“HMT”) to develop and execute a strategy for disposing of NWG shares in a manner that achieves value for money for taxpayers. While HMT remains a shareholder, UKGI manages the shareholding on its behalf, at arm’s length and on a commercial basis. We do not get involved in the day-to-day decision making of NWG and are not represented on the NWG Board which is responsible for its strategic and management decisions.

This important work is overseen by UKGI’s Transactions Committee, which underwent change during the period under review, as previous members rotated off the UKGI Board. The Committee welcomed two new independent Non-Executive Directors, who joined existing members including the UKGI Chief Executive and the Financial Institutions Group (“FIG”) Director. During the reporting period, the existing Committee members and FIG team spent time on ensuring a smooth handover to allow the continuous operation of the Committee’s oversight role.

UKGI continued to deliver significant progress on the sell-down of the NWG shareholding during the course of the reporting period. The government’s ongoing Trading Plan has delivered over £5.8bn in proceeds for the taxpayer since launch in 2021. UKGI also completed the sale of £1.24bn worth of shares back to NWG via a Directed Buyback (executed in May 2024). This



Image courtesy of NatWest Group

follows Directed Buybacks to NWG in 2023, 2022 and 2021. UKGI also led the exploration of a potential retail offer of NatWest shares, as announced by the then Chancellor at the Autumn Statement in November 2023 and Budget in March 2024.

During the reporting period, the government’s NWG shareholding declined from c.42% to c.29% at the end of the Financial Year 2023-24. As the government’s stake is now below 30%, it is no longer a controlling shareholder in NWG. UKGI continues to keep disposal options under active consideration so as to achieve value for money for taxpayers.

In August 2024, NatWest Group plc and its subsidiaries were reclassified by the Office for National Statistics from the public sector to the private sector, with effect from 1 June 2024. As of 7 October 2024, the UK Government shareholding has fallen below 16%.

How we support stewardship that takes into account material ESG considerations

Organisations in the UKGI Portfolio perform a public purpose, and as part of their objectives are required to support government policy aims in the national interest towards the long-term health of society, the economy and/or the environment. UKGI is not responsible for the policy setting of the organisations within our Portfolio; however, we monitor the performance of each of our organisations against their respective key performance indicators, which often relate to government policy objectives as set by their government department. This, combined with the fact that governance is at the heart of what we do, gives us a unique perspective on ESG. We seek continuous improvement in how we provide our stewardship role, constantly looking across the private and public sector for new developments in best practice. ESG considerations are at the heart of effective stewardship in both a private and government context. UKGI considers a number of ESG factors as part of our Shareholder Representative role, such as strong corporate governance practices, board diversity, and environmental issues.

UKGI's ESG team, which is tasked with ensuring Shareholder Teams understand their role with respect to monitoring the ESG strategy of our organisations, has undertaken a number of activities throughout the year, including data collection, organising knowledge-sharing events for organisations in our Portfolio, and raising awareness of ESG among our Shareholder Teams. These initiatives have informed our monitoring and scrutiny of board practices in our organisations and

enabled a consistent approach to ESG across our Portfolio.

The following sections provide additional detail on our individual ESG workstreams.

Environmental

Organisations, and those invested in them, are increasingly expected to consider their impact on the environment, and how environmental and climate change risks may impact them. We have incorporated environmental considerations into our stewardship activities, to allow us to effectively challenge and support our organisations' overall organisational performance and sustainability, and so provide best practice corporate governance.

In 2022, we commissioned a baseline survey across our Portfolio to better understand the maturity of our organisations against a range of environmental parameters, including carbon emissions, energy and resource efficiency, water management and biodiversity. This survey is completed on a periodic basis by our Shareholder Teams, providing a means to monitor the development of their organisation's maturity in the relevant areas. UKGI encourages Shareholder Teams to support and challenge their organisations to improve maturity in relevant areas. Where material or part of the policy mandate, organisations are encouraged to embed environmental risks and opportunities in their strategy and business plan with robust board oversight.

In June 2024, we constructed a Portfolio risk heatmap, based on analysis of public information, identifying the level of environmental risk for each organisation in our Portfolio, and governance structures in place which provide mitigation. This exercise has allowed us to better understand the intrinsic environmental risks which exist within our diverse Portfolio alongside the maturity of the organisations' risk mitigation plans and governance structures. The risk heatmap was discussed with Shareholder Teams as part of an internal environmental stewardship teach-in which also covered expectations of UKGI organisations and Shareholder Teams with respect to environmental considerations. Such interactions enable our Shareholder Teams and Shareholder Representative Non-Executives to better support and challenge our organisations to improve environmentally and meet their legal and regulatory requirements.

In 2022 UKGI established and chaired a Cross-Government Environmental Considerations Working Group, aimed at sharing information and best practice on environmental considerations across the UKGI Portfolio ALBs and partner organisations, as well as private sector contacts. The Working Group met four times during FY2023/24 to consider topical areas including regulatory and reporting updates on the Task Force on Climate-related Financial Disclosures and Taskforce on Nature-related Financial Disclosures, reflections from COP 28, and many more topics. During the year, the group also enabled participants to share their experiences, best practice and lessons learned on key themes such as developing and implementing their sustainability framework, approach to reporting financed emission, and conversations on setting targets for the Net Zero journey. For an example of our environmental stewardship, please see the case study below.

Case Study: Sustainability at the Government Property Agency ("GPA")



This case study demonstrates how UKGI uses its Shareholder Representative role to monitor sustainability at GPA and to help embed sustainability within the GPA's objectives and KPIs.

The GPA works in partnership with government bodies and private sector partners to deliver a smaller, better, greener public property estate. It stimulates economic growth across the UK, bringing civil servants closer to the communities they serve.

Sustainability and ESG are central to the GPA's mission, running through its strategic objectives. Accelerating to Net Zero set in response to HMG's Greening Government Commitments is one of the GPA's four key objectives, delivery of which is underpinned annually in business plans and KPIs.

In February 2022 the GPA Board approved its Sustainability Plan which set out the changes required to sustainably operate the GPA's estate including their Net Zero Programme, as well as energy use and water and waste management. A Sustainability Committee was subsequently set up in November 2022 to provide strategic leadership for sustainability across the GPA.

In April 2023, the GPA published its first ESG report, setting out priority areas, progress against these and plans going forward. This represented a key milestone, demonstrating the GPA's commitment and transparency on its ESG journey to develop a property portfolio that minimises the impact on the environment.

UKGI, in its Shareholder Representative capacity supports the GPA via the business planning process, helping develop robust, quantitative KPIs across the government's office portfolio, such as carbon reductions ("tCO₂e") and decarbonisation of the Whitehall heat network, enabling an objective assessment of progress to be made. Progress is monitored at regular intervals by the GPA Board and via bi-monthly Sustainability Committee meetings held by management with ESG focused sessions.

Key milestones and progress over the past year include:

- Issuing the GPA's first ESG report and developing Net Zero Programme decarbonisation roadmaps/embodied carbon targets for all new projects
- Reducing office emissions of carbon dioxide by 1,208 tCO₂e to 31 March 2024
- The development of a climate change adaptation strategy and action plan and progressing a climate risk assessment aligned to the UK Government and Office of Government Property climate change adaptation frameworks.
- The first replacement of a gas fired boiler with an air source heat pump, reducing a building's scope 1 carbon emissions to zero.

The GPA's environmental work is underpinned by industry standards via membership of the UK Green Buildings Council and Institute of Environmental Management and Assessment. Delivery of a more sustainable office estate for government will remain a priority for the GPA as it finalises further environmental strategies, progresses the decarbonisation of the Whitehall heat network and delivers its project pipeline of Net Zero interventions.

Social

Culture

Social value is central to what many of our organisations do, from supporting developing businesses or providing key social services to the public. We are working to take an increasingly systematic approach in supporting our organisations to promote cultural issues within their organisations.

The importance of supporting in a positive and open culture is integrated throughout our wider CG&PM Programme. As part of this work we seek to provide a supportive

space in which UKGI Shareholder Representative Non-Executives can share expertise and draw on mentoring and coaching to help navigate issues of culture in their organisations. We also support UKGI Shareholder Teams develop their understanding of the importance of culture considerations and ensure that they understand how to effectively apply this understanding to the stewardship of their organisations.

During FY2023/24, we continued to support our Shareholder Teams develop the necessary skills and understanding

to support the effective monitoring of organisational culture within our Portfolio. This included providing guidance material and in-house training which is mandatory for all Shareholder Teams. This training incorporates the lessons learned from those organisations within the Portfolio which have made positive steps to understand and develop their organisational culture so that, where appropriate, initiatives and experiences can be shared across the Portfolio. A review of each organisation's approach to cultural issues has also been incorporated into our wider Portfolio Review processes. The data collected through these reviews will allow us to identify future areas of focus and help develop this work going forward.

Diversity and Inclusion ("D&I")

We believe that a diverse and inclusive workforce enables us to provide our Shareholder Representative role and promote effective stewardship by capturing a wide range of experience and perspectives. This gives us a better understanding of the needs of our Clients and of the wider public we serve.

Pages 29–30 set out how we support our culture through building a diverse and inclusive workplace. In addition, UKGI seeks to improve the D&I outcomes for our Portfolio at both Board level and for wider staff in the organisations.

The importance of achieving D&I outcomes has been recognised for many years. The current and intense competition for talent in the workplace has also placed renewed emphasis on the need to create an environment that is attractive to the broadest cross-section of people as possible. There have been many initiatives over the years in both the public and private sectors and in

April 2022 the Financial Conduct Authority set out minimum diversity targets for listed companies with read across to the UKGI Portfolio.

Organisations in the UKGI Portfolio are making considerable efforts to improve the diversity of their workforces, though practice and outcomes remain mixed. To address this, we are taking a more proactive approach to providing better diversity outcomes in the Portfolio including wider dissemination of good practice.

In November 2023, UKGI updated its internal D&I guidance note, which sets out the minimum expectations for our organisations in four key areas: (1) D&I strategy; (2) Culture; (3) board composition; and (4) Reporting. The note also suggested actions which Shareholder Teams should be taking to support their organisations. UKGI continues to monitor the current D&I 'state of play' across the Portfolio. While this cannot be considered a comprehensive audit, as it is conducted by UKGI Shareholder Teams rather than the organisations themselves, we have used the results of the survey to look at trends across the Portfolio.

An important part of UKGI's work has also been to establish a network for D&I leads across our Portfolio. This provides an opportunity for our organisations to open a discussion, learn from experts, practitioners and each other on relevant guidance and best practice, as well as discussing the challenges they face in developing future improvements to D&I.

Going forward, UKGI will continue to build on the work of the network and optimise its value for UKGI Portfolio organisations.

Governance

Good governance is at the heart of UKGI performing its Shareholder Representative role and as such, we describe our work on governance considerations throughout this report. This section outlines further governance issues that we consider and address as responsible stewards of the organisations in our Portfolio. UKGI has designed much of our Target Shareholder Model (further detail on figure 4 on page 21 & also page 86) around ensuring good corporate governance within our Portfolio to enable our Portfolio organisations to carry out their purpose effectively. As well as encouraging our Portfolio organisations to follow the UK Corporate Governance Code, our further governance considerations include:

- Board composition and appointments, as UKGI believes that Boards are most effective if they are diverse and inclusive, and the creation of effective Boards is best achieved through an efficient and effective public appointments process in government.
- We also consider fair executive remuneration to be of significant importance for our Portfolio, particularly given the current macroeconomic challenges. We appreciate the need for our Portfolio to operate within a public sector context but also be sufficiently competitive to attract and retain talent. Over the last year we have focused on expanding the support provided to Shareholder Teams when considering remuneration.

Other governance areas within ESG include work to ensure our Shareholder Teams are sufficiently able to challenge the risk management of their Assets and the increasing importance of understanding risks such as the supply chain and cybersecurity, which have both been the subject of internal working groups or external seminars.

On cybersecurity, work during the year has focused on ensuring National Cyber Security Centre best practice, regulatory standards and emerging cyber governance standards were understood and accessible to Shareholder Teams supporting the organisations in our Portfolio. We also have regular communication in place to facilitate sharing best practice across UKGI and more widely, convening in January an event for chairs of Audit and Risk Committees of our Portfolio organisations to discuss cybersecurity, with external speakers as well as separate events and ongoing work to share insights between our organisations' shareholder NEDs.

We support good governance practices by also sharing our expertise across government, beyond our Portfolio organisations working with the Cabinet Office and HMT to support continuous improvement in wider government governance both in the UK and overseas.

Appointments

Over the course of FY2023/24 UKGI supported the appointment, re-appointment or extension of 32 board members, including Chairs. Within UKGI's Portfolio, non-executive appointments are either led by the Board of the organisation or by UKGI (further detail in Table 1 on pages 25–26). In the former situation, UKGI works as a critical friend of the Board to ensure that the process and approach aligns as far as practicable with the practice defined in both the UK Corporate Governance Code and the Governance Code for Public Appointments. We ensure that appointments are made following an open and fair competition and that the UKGI Shareholder Representative Non-Executive is always a member of the nominations committee running the competition. We will also help to achieve ministerial approval, when required.

Where UKGI is responsible for leading the appointment, we lead on all key elements of the recruitment process. We work with the Board and Ministers to develop selection criteria that are appropriate and enable a diverse set of candidates to put themselves forward for consideration. We design and oversee a programme of activity with the aim of presenting Ministers with highly qualified candidates from which to make their final choice. We identify potential interview panel members, looking for those with relevant expertise to assess candidates for the role. Often, we engage executive search firms, actively encouraging them to attract a diverse set of qualified candidates to apply. We also work to ensure that Ministers as well as other stakeholders are kept informed throughout the process. Building on the work from last year, we have created enhanced systems

to help monitor, and prepare for upcoming appointments. We have continued to develop internal guidance to ensure a consistency of practice across UKGI, with new guidance focusing on the procurement of head-hunters and considerations for re-appointments. There has been a general improvement of appointments related skills and awareness which has enabled greater efficiency in delivering effective and compliant appointments.

This year, a key focus has been on answering the question – *how can we encourage a greater number of diverse applicants?* Utilising external support, we have reviewed all our internal processes and have developed a greater sense of the 'data' around our appointments and used this to drive plans bespoke to our portfolio organisations.



Principle 6: Review and assurance

Review and assurance

Principle 6: Signatories review their policies and assure their processes

Introduction

This section includes:

- **Reviewing our policies and assuring our processes:** we are committed to maintaining the highest standards in undertaking our stewardship activities. Our strong culture means that we are constantly looking for ways to improve the way we execute our Shareholder Representative roles
- **How UK Government Investments (“UKGI”) is held accountable for our stewardship activities:** as an organisation that strives for excellence in the performance of our role, we welcome public scrutiny, which complements our internal processes of assurance and risk management

Reviewing our policies, assuring our processes and learning lessons

We are constantly looking to improve the way we execute our shareholder role across our Portfolio and keep up to speed with developments in governance practice in both the public and private sectors. We ensure that where there are lessons to be learned relevant to the UKGI role we will learn and act upon them. We engage across Whitehall to promote effective governance. In addition, we have several internal mechanisms in place to review our policies and assure our processes.

We now have an established lessons learned database for our teams to refer to, allowing staff to take advantage of existing experience, avoid making the same errors, make better use of our time by not reinventing the wheel, and minimise risk and uncertainty by enabling effective knowledge management and improved performance. Our central Project Management Office

conducts lessons learned sessions for teams at significant project stages and share these learnings through the new database and in regular communications across the organisation.

We regularly evaluate how we might refine and strengthen our processes, in light of developing best practice, as well as experiential lessons. Ongoing review and improvement are at the core of our stewardship responsibilities. We have continued to reflect on our internal risk management processes and introduced ongoing improvements where needed. Training and clear guidance is provided to those performing core stewardship functions.

UKGI is committed to continuous improvement in our expertise and how we deliver support to departments. We take this very seriously in respect of our role in the Post Office Horizon Inquiry. We offered a comprehensive and reflective initial examination of UKGI’s role in our

opening statement to the Inquiry in October 2022. As the Inquiry has progressed and further evidence has been heard and more information has become available to us, we continue to review carefully those preliminary observations. Further hearings are due to take place and we stand ready to learn any lessons relevant for UKGI.

Lines of assurance

Our first line of assurance is ensuring that each ALB in our Portfolio is assigned a UKGI Director sitting on the Executive Committee, who will have responsibility for that ALB.

Our second line of assurance, the Portfolio Review process, is outlined on pages 41–43, under Principle 2. In summary, Portfolio Review Panels are used to provide internal peer review to Shareholder Teams on the performance of their role, as well as to assess consistency of stewardship and share best practice across our Portfolio. The Portfolio Review Team introduced Peer Support sessions and extended Portfolio Reviews in FY2023/24, further detail on these can be found under Principle 2.

Our third line of assurance is our Board which regularly reviews our core shareholder model, policies, and processes. The UKGI Board has oversight of our stewardship activities as outlined under Principle 2.

Additional external assurance of our stewardship activities can be undertaken by the Government Internal Audit Agency (“GIAA”). The GIAA may review UKGI’s role in the sponsorship of our Portfolio on behalf of our Client departments, or review our own internal processes. In FY2023/24, the GIAA performed an external

review of the Portfolio Review process. The GIAA presented a small number of recommendations which have all been implemented successfully and in a timely manner by the team.

The Portfolio Review Team has continued to improve its processes, developing a more targeted and streamlined set of indicators for the health of the Portfolio as well as adapting our information-gathering exercises to ensure they cover key areas of focus for improving our Portfolio this year. As well as Peer Support Sessions (as outlined on page 43), the team alongside the Appointments and Remuneration Team, extended Portfolio Reviews have been introduced in FY2023/24, which allow time for a deep dive into the quality of each asset’s board across UKGI’s Portfolio. The outputs and trends arising from Portfolio Reviews are included in regular reporting to the UKGI Board.

UKGI has appointed the Comptroller and Auditor General as its external auditor. The National Audit Office (“NAO”) carries out the audit for and on behalf of the Comptroller and Auditor General. UKGI’s Audit and Risk Committee (“ARC”) works closely with the GIAA and the NAO, supported by UKGI’s finance and corporate services functions. Our annual report sets out the functions reviewed by the ARC this year here.¹⁶ Representatives from the NAO and GIAA are invited to ARC meetings throughout the year.

UKGI continuously reviews and improves its corporate governance programme. To enable this, a review of the Corporate Governance and Portfolio Management (“CG&PM”) Programme was built into the internal audit plan in FY2023/24.

16 UKGI Annual report and Accounts 2023/24: <https://www.ukgi.org.uk/download/5962/>

We use these lines of assurance to embed accountability across different levels of the organisation, provide multiple check points for issues and deviation from standard policies and practice, and to enable discussion and reflection (particularly at board level) of the effectiveness of our activities and behaviours.

Our Target Shareholder Model

As outlined on figure 4 on page 21, our Target Shareholder Model comprises five core principles, which we apply to those organisations within our Portfolio for which the government is 100% shareholder. The model acts as a benchmark against which UKGI can measure our activities across our Portfolio, assess consistency in approach, and allows UKGI to provide tailored guidance to Shareholder Teams for the various activities that we undertake across our Portfolio. UKGI assesses the Shareholder Representative role performed for each of the organisations in our Portfolio against our Target Shareholder Model on a regular basis, this also captures any 'outside of model' activities that Shareholder Teams do. This is not to provide a qualitative assessment of the performance of either the Shareholder Team or the ALB, but instead allows UKGI to:

- Understand UKGI's risk profile in terms of capacity and capability required on any given team, and so inform our resourcing requirements
- Consider the size and appropriateness of the Portfolio on an ongoing basis, in terms of both existing and potential new ALBs
- Provide Shareholder Teams with comprehensive learning and

development, tailored to the specific elements of our role

- Present meaningful management information for UKGI and its Board for decisions about the Portfolio

We update our Target Shareholder Model as we learn lessons and as governance best practice evolves; we then ensure that these changes are acted on by Shareholder Teams, for example through UKGI training to update all colleagues on the latest practice, as well as through our Portfolio Review process.

Reviewing our policies and assuring our processes in practice

Our policies relevant to stewardship are set out in a number of documents, including (but not limited to):

- Our Code of Conduct
- Target Shareholder Model
- UKGI Guidance Notes

These are reviewed by UKGI on a regular basis to ensure they enable effective stewardship.

Review of UKGI Board effectiveness

The Financial Reporting Council's UK Corporate Governance Code, which UKGI follows voluntarily insofar as it is practicable, sets out that there should be an annual evaluation of a Board's effectiveness, and that this should be externally facilitated every three years. During FY2023/24 UKGI met these requirements. In May 2023, an internally facilitated Board effectiveness review was performed by the company secretary function. No material issues were noted, and recommendations focussed

on improving Board “hardware”, such as its administration and support functions. Please refer to page 36 for further information. The UKGI Board is working through an action plan to implement these recommendations. The next external effectiveness review is planned to take place in 2025, in line with best practice and the UK Corporate Governance Code.

How UKGI is held accountable for our stewardship activities

Like many other public bodies, UKGI is subject to intense scrutiny. As an organisation that strives for excellence in the performance of our role, we welcome this scrutiny, which complements our internal processes of assurance and risk management – and the opportunities it brings for continuous improvement. UKGI is held accountable by the government departments we conduct an agreed role for, and by HM Treasury as UKGI’s shareholder. UKGI is also subject to government’s internal audit. At the time of publication, responsibility to account for the activities of UKGI in Parliament has been delegated to the Economic Secretary to the Treasury.

As detailed under Principle 2, our Chief Executive’s role of accounting officer brings high levels of accountability and transparency to UKGI, and the work undertaken by our staff. Our Chief Executive has specific responsibilities to account to Parliament, which can include giving evidence to Parliamentary Committees on UKGI’s stewardship of UK Government assets and public funds, which therefore provides an additional channel through which our stewardship activities are independently reviewed. UKGI also responds to requests under the Freedom of Information Act 2000 and to

correspondence from members of the public, Members of Parliament, and other stakeholders.

How UKGI assured its Stewardship Code report

The UKGI Stewardship Code report was prepared by members of the CG&PM team, representing expertise from across the UKGI Portfolio and a variety of workstreams.

Throughout the production of the report the UKGI senior management team and Board have been involved in its preparation and assurance. During its development, oversight of the report was specifically provided by the UKGI Audit and Risk Committee, before being presented, reviewed, and approved (subject to minor amends) by the UKGI Board at the September 2024 Board meeting. Additionally, colleagues of different grades and levels of experience across the organisation reviewed a near-final draft of the report. Collecting views on the accessibility of the report proved valuable and helped to refine the final version.

UKGI has also engaged stakeholders from across government, including at ministerial level, in the production of this report. The final version of this report was approved by the UKGI Chief Executive and General Counsel in October 2024.



Reporting requirements and glossary

Principles Reporting Requirements

The 2020 UK Stewardship Code (the “Code”) comprises a set of ‘apply and explain’ Principles for asset managers and asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

Principle 1: Signatories’ purpose, strategy and culture enable them to promote effective stewardship.

Context: Signatories should explain the purpose of the organisation, what services it offers, and an outline of its culture, values, business model and strategy.

Activity: Signatories should explain what actions they have taken to ensure their strategy and culture enable them to promote effective stewardship.

Outcome: Signatories should disclose an assessment of how effective they have been in serving the best interests of clients.

Principle 2: Signatories’ governance, workforce, resources and incentives enable them to promote effective stewardship.

Context and activities: Signatories should explain how:

- their governance structures and processes have enabled oversight and accountability for promoting effective

stewardship and the rationale for their chosen approach;

- the quality and accuracy of their services have promoted effective stewardship;
- they have appropriately resourced stewardship, including: – their chosen organisational and workforce structure(s); – their seniority, experience, qualification(s), training and diversity; – their investment in systems, processes, research and analysis; and – how the workforce is motivated appropriately to provide services; and
- they have ensured that fees are appropriate for the services provided.

Outcome: Signatories should disclose:

- how effective their chosen governance structures and processes have been in supporting their clients’ stewardship; and how they may be improved.

Principle 3: Signatories identify and manage conflicts of interest and put the best interests of clients first.

Context: Signatories should disclose their conflicts policy, which seeks to put the interests of clients first and minimises or avoids conflicts of interest when client interests diverge from each other.

Activity: Signatories should explain how they have identified and managed any instances in which conflicts have arisen as a result of client interests.

Outcome: Signatories should disclose examples of how they have addressed actual or potential conflicts.

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity: Signatories should explain:

- how they have identified and responded to market-wide and systemic risk(s) as appropriate;
- how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets; and
- the role they played in any relevant industry initiatives they have participated in.

Outcome: Signatories should disclose the extent of their contribution and an assessment of their effectiveness in identifying and responding to systemic risks and promoting well-functioning markets.

Principle 5: Signatories support clients' integration of stewardship and investment, taking into account material environmental, social and governance issues, and communicating what activities they have undertaken.

Context: Signatories should disclose client base breakdown, for example, institutional versus retail, and geographic distribution

Activity: Signatories should explain:

- how their services best support clients' stewardship as appropriate to the nature of service providers' business;
- whether they have sought clients' views and feedback and the rationale for their chosen approach; and
- the methods and frequency of communication with clients.

Outcome: Signatories should explain:

- how they have taken account of clients' views and feedback in the provision of their services;
- the effectiveness of their chosen methods for communicating with clients and understanding their needs; and
- how they evaluated their effectiveness.

Principle 6: Signatories review their policies and assure their processes.

Activity: Signatories should explain:

- how they have reviewed their policies and activities to ensure they support clients' effective stewardship;
- what internal and external assurance they have received in relation to activities that support their clients' stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and
- how they have ensured their stewardship reporting is fair, balanced and understandable. Outcome: Signatories should explain how the feedback from their review and assurance has led to continuous improvement of stewardship practices.

Glossary of terms

Accounting Officer	The person in a public sector organisation who Parliament calls to account for stewardship of its resources (usually its most senior official)
ALB(s)	Arm's Length Body/Bodies
ARC	UK Government Investments' Audit and Risk Committee
BBB	British Business Bank
Business Plan	An annual or multi-annual plan that sets out the asset's strategy and forms the basis to which budgets are set and performance is evaluated
C4C	Channel 4 Corporation
CG&PM	UK Government Investments' Corporate Governance and Portfolio Management Programme
CLCC	UK Government Investments' Contingent Liability Central Capability team
Client(s)	The department(s) within UK Government with the overall policy responsibility for the asset, or the department within UK Government with which we are working on a project
CO	Cabinet Office
Code	Financial Reporting Council's 2020 UK Stewardship Code
COVID-19	The coronavirus, colloquially also referring to the recent pandemic
DBT	Department for Business and Trade
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DESNZ	Department for Energy Security and Net Zero
DfT	Department for Transport
DHSC	Department of Health and Social Care
DIT	Department for International Trade
DSIT	Department for Science, Innovation and Technology
D&I	Diversity and Inclusion

ESG	Environmental, Social and Governance; standards measuring a business's impact on society, the environment, and how transparent and accountable it is
ExCo	UKGI's Executive Committee
FIG	UK Government Investments' Financial Institutions Group
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FTE	Full Time Equivalent
GCFP	Government Corporate Finance Profession
GIAA	Government Internal Audit Agency
GPA	Government Property Agency
HMT	His Majesty's Treasury
Inward M&A	UK Government Investments' Inward Mergers and Acquisitions team
KPI(s)	Key Performance Indicator(s)
L&D	UK Government Investments' learning and development programme
MPM	Managing Public Money (published by HMT)
MoD	Ministry of Defence
MoU	Memorandum of Understanding – between UKGI and the Department
NAO	National Audit Office
NDA	Nuclear Decommissioning Authority
NEDs	See: Shareholder Non-Executive Directors
NNL	National Nuclear Laboratory
NSI Act	National Security and Investment Act 2021
NWG	NatWest Group plc
OECD	Organisation for Economic Co-operation and Development
OpCo	UKGI's Operations Sub-Committee
PMO	UKGI's Project Management office
Portfolio	The group of arm's length bodies for whom we perform the Shareholder Representative role

Principle(s)	One or more of the six principles of the Financial Reporting Council's 2020 Stewardship Code
Project	A discrete workstream carried out by UKGI outside of the Portfolio
PwC	PricewaterhouseCoopers LLC
Shareholder Representative	The role performed by UKGI on behalf of an organisation within the Portfolio
Shareholder Representative Non-Executive	UKGI representative(s) on the Board of an organisation within the Portfolio, nominated by the Shareholder department
Shareholder Team	The team within UKGI performing the Shareholder Representative role
SOE(s)	State Owned Enterprise(s)
SSG	UK Government Investments' Special Situations Group
Target Shareholder Model	UK Government Investments' best practice in respect of our Shareholder Representative role
ToR	Terms of Reference
UKAR	UK Asset Resolution Limited
UKEF	UK Export Finance
UKGI	UK Government Investments
UKGI Board/Board	The Board of UKGI (including UKGI's own NEDs)
UKIB	UK Infrastructure Bank
WPSOPP	the Organisation for Economic Co-operation and Development's Working Party on State Ownership and Privatisation Practices

The images used on divider pages are credited to the following sources:

Principle 1: Eutelsat

Principle 2: National Highways

Principle 3: Urenco

Principle 4: AWE

Principle 5: Ordnance Survey

Principle 6: Sheffield Forgemasters

Reporting Requirements and Glossary: The Royal Mint



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