

UK ASSET RESOLUTION LIMITED AND UK GOVERNMENT INVESTMENTS LIMITED:
RELATIONSHIP FRAMEWORK DOCUMENT

Introduction

1. This relationship framework document ("**the Relationship Framework Document**") replaces the previous framework document that was drawn up by UK Asset Resolution Limited ("**the Company**") and UK Government Investments Limited ("**UKGI**") following:
 - (A) the coming into effect of the Bradford & Bingley plc Transfer of Securities and Property etc. Order 2008 (S.I. 2008/2546) as amended by the Bradford & Bingley plc Transfer of Securities and Property etc. (Amendment) Order 2009 (S.I. 2009/320);
 - (B) the coming into effect of the Northern Rock plc Transfer Order 2008 (S.I. 2008/432) and the Northern Rock plc Transfer Order 2009 (S.I.2009/3226);
 - (C) the loan facilities provided by HM Treasury to Northern Rock (Asset Management) plc ("**NRAM plc**") and Bradford & Bingley plc ("**B&B**");
 - (D) the guarantee arrangements put in place by HM Treasury in respect of NRAM plc and B&B;
 - (E) the transfer of HM Treasury's shareholdings in NRAM plc and B&B to the Company, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury;
 - (F) the transfer to UK Financial Investments Limited ("**UKFI**") of the management of HM Treasury's shareholding in the Company;
 - (G) an intra-group restructure in April 2016, whereby certain assets and liabilities of NRAM plc were transferred to a newly established subsidiary of the Company – NRAM (No.1) Limited prior to the sale of NRAM plc. The loan facilities and guarantees previously provided to NRAM plc were transferred to NRAM (No.1) Limited which subsequently changed its name to NRAM Limited ("**NRAM**"). NRAM and B&B and their respective subsidiaries are referred in this Relationship Framework Document as "**the Former Subsidiaries**"; and
 - (H) the transfer of operations and staff of UKFI to UKGI on 31 March 2018 when UKFI ceased operating. As from that date, UKGI became responsible for the management of HM Treasury's shareholding in the Company.

2. On 29 October 2021 the Former UKAR Subsidiaries were returned to the private sector, with B&B and NRAM being sold by the Company to Davidson Kempner Capital Management LP, following which the Company is no longer the holding company for the Former UKAR Subsidiaries and the loan facilities and the guarantee arrangements referred to in paragraph 1(C) and (D) have been fully repaid and/or cancelled. In the light of this, the Company's mandate and aim has changed, and this revised Relationship Framework Document reflects this change.

3. The Relationship Framework Document sets out the structure of how the day-to-day relationship between the Company and UKGI (acting on behalf of HM Treasury) will work in practice, and is supplemented by the accountability framework agreement between the Company and HM Treasury.
4. The Relationship Framework Document should be interpreted in the light of the memorandum and articles of association of the Company and English company law, and is without prejudice to the statutory and other rights and obligations of HM Treasury, UKGI and the Company and the statutory, common law and other duties and responsibilities of the Directors of the Company ("**the Board**").
5. The Relationship Framework Document may be revised from time-to-time, if so required by HM Treasury or UKGI as circumstances change.

Overall aim and the Board's responsibilities

6. The ongoing relationship between the Company, UKGI and HM Treasury (as shareholder of the Company) will operate in the context of the Company's overarching objective to manage any liabilities and other strategic matters arising out of HM Treasury's former investment in the Former Subsidiaries ("**the Overarching Objective**"), which includes (but is not limited to):
 - (A) managing and administering any warranty and indemnity claims or any other breach of contract claim that may be brought by purchasers of the Former Subsidiaries or the assets previously owned by the Former Subsidiaries in a way that (i) reduces risk to HM Treasury and achieves value for money for the taxpayer, and (ii) is in compliance with the Company's obligations under any credit support (or similar) arrangements it has with HM Treasury;
 - (B) monitoring and ensuring that contractual obligations and undertakings (including, but not limited to, the customer protections agreed in previous asset sales and Project Jupiter) provided to the Company by purchasers of assets previously owned by the Former Subsidiaries are complied with;
 - (C) ensuring that all necessary steps are taken in relation to the Company's sponsorship of the closed B&B and NRAM defined benefit pension schemes;
 - (D) managing and administering all other liabilities that have been transferred to the Company from the Former Subsidiaries, including (but not limited to) the payment of certain unfunded pensions and the provision of private medical insurance to certain former B&B employees;
 - (E) safeguarding and maintaining access to data and records, having regard to relevant data protection legislation;
 - (F) identifying, assessing and responding to emerging risks to the Company that may arise in the future; and
 - (G) keeping under review the strategy for the Company and identifying options to facilitate a long-term plan for winding-down the Company.

7. Subject to the provisions of this Relationship Framework Document, the Board is responsible for delivering the Overarching Objective.
8. The Board retains the freedom to act (save as provided for in this Relationship Framework Document and the Accountability Framework Agreement between the Company and HM Treasury). The Company, UKGI and HM Treasury have agreed that an outsourcing model is adopted to assist the Company in delivering the Overarching Objective, whereby the outsourcer (“**the Outsource Provider**”) has responsibility for the provision of claims management services and business administration activities required by the Company. This arrangement may be reviewed from time-to-time.
9. The Board is responsible for ensuring that the Outsource Provider (i) complies with its obligations under the agreement between the Outsource Provider and the Company, and (ii) has the necessary financial and human resources in place to allow the Company to perform its role, and (iii) understands the Company’s obligations to HM Treasury as shareholder and procures that such obligations are satisfied.

Relationship between the Company and UKGI: framework principles

10. The basic relationship between the Company and UKGI operates according to principles under which UKGI (acting on behalf of HM Treasury as shareholder of the Company):
 - (A) appoints the Chair of the Board and is entitled to appoint one or more Non-Executive Directors;
 - (B) is required to give its consent for the appointment of other members of the Board proposed to be appointed by the Board (or advisers to the Board) and agrees the terms on which the Directors (or advisers) are appointed, remunerated and incentivised;
 - (C) reviews with the Board from time-to-time the Company's strategic options;
 - (D) requires that the Board is accountable to it for delivering the Overarching Objective;
 - (E) gives the Board the freedom to take the action necessary to deliver the Overarching Objective;
 - (F) monitors the Company's performance to satisfy itself that the Company is taking the action necessary to deliver the Overarching Objective; and
 - (G) is to be informed if the Company proposes to take certain significant actions, and the Company undertakes not to take any such action without the prior consent of UKGI in writing.
11. The following paragraphs explain in more detail how these principles are to be put into practice.

Principles in practice

Board structure and governance

12. The Company will operate a corporate governance structure that provides a framework for the relationship between the Board and UKGI which, so far as practicable and in the light of the other provisions of this Relationship Framework Document or as otherwise may be agreed with UKGI, takes appropriate account of the Wates Corporate Governance Principles for Large Private Companies. As such, the Board proposes to undertake all committee activities itself, including audit, risk, remuneration and nominations.
13. As noted in paragraph 8, the Board will appoint and oversee the Outsource Provider to assist the Company in delivering the Overarching Objective of managing any liabilities arising out of the HM Treasury's former ownership of the Former Subsidiaries.
14. A representative of the Outsource Provider may attend Board meetings as and when appropriate, and is required to report to the Board in a timely manner on (i) any key developments, and (ii) the performance of the Outsource Provider generally.

Board appointments

15. The composition of the Board is a critical factor for UKGI. The aim is to secure an environment in which UKGI and the Chair of the Board share a common view about Board composition (including its size and the balance of experience and background) and succession. To achieve this, the following will take place:
 - (A) the Chair of the Board and either the Chair of UKGI or a senior employee nominated by the Chair of UKGI ("**the Nominated Officer**") will discuss and confirm Board composition. The Board should be composed of a minimum of three members, all of whom will be Non-Executive Directors;
 - (B) the Chair of the Board will be the Accounting Officer for the Company and, as such, is personally responsible for ensuring propriety, regularity, value for money and feasibility in the handling of the Company's resources and for the day-to-day operations and management of the Company (including those delegated to the Outsource Provider) and other strategic matters arising out of the Government's former ownership of the Former Subsidiaries for which the Company is responsible. As Accounting Officer, the Chair should ensure that the Company, as a whole, is run in compliance with:
 - (i) the standards, insofar as these relate to governance, decision-making and financial management, set out in HM Treasury's *Managing Public Money* (as amended from time-to-time), as far as applicable to an organisation such as the Company; and
 - (ii) where appropriate, the guidance set out in *Code of Conduct for Board Members of Public Bodies*, as amended from time-to-time;

- (C) UKGI will be entitled to appoint to the Board one or more Non-Executive Directors nominated by it ("**the Shareholder Directors**"). The Company acknowledges that the Shareholder Directors, if appointed, intend to liaise with and report to representatives of UKGI from time-to-time in relation to the business of the Company and decisions made, or to be made, by the Board in order to assist with the exercise of their powers and duties as Directors of the Company;
- (D) one or more senior representatives of UKGI will, if so requested by UKGI, attend meetings of the Board in an observer capacity;
- (E) one representative of HM Treasury will, if so requested by HM Treasury and/or the Board, attend meetings of the Board in an observer capacity;
- (F) the Chair of the Board will meet with the Nominated Officer as necessary to discuss, and to obtain UKGI's approval of, any proposed Board changes before they become subject to the formal appointment/consent procedure;
- (G) the Chair of the Board will discuss Board fees with UKGI in order to ensure they are consistent with the principles set out in this Relationship Framework Document and Cabinet Office guidance; and
- (H) the Board will ensure that suitably rigorous appraisals are made of the effectiveness of the Chair of the Board and the Board.

Developing and implementing strategies to meet the Overarching Objective

- 16. The Board will develop and implement strategies to meet the Overarching Objective. There will need to be effective dialogue between UKGI representatives (including the Nominated Officer) and Company representatives to enable the strategies required to meet the Overarching Objective to be understood and agreed.
- 17. UKGI representatives (including the Nominated Officer) and Company representatives will also meet from time-to-time, as agreed, to review the strategic options available to the Company.
- 18. The Board recognises UKGI's mandate as set out in this Relationship Framework Document, and UKGI recognises the Board's obligation to act in accordance with its statutory and other duties. The Board will work collaboratively with UKGI.
- 19. The Board will seek to accommodate any strategic options or changes in strategic direction proposed by UKGI provided that they are able to do so without being in breach of any statutory or other duties applicable to the Directors. The Company will keep UKGI fully informed of all developments and will consult UKGI prior to making any final decisions about implementation.
- 20. The strategic aims developed by the Board and any proposed change in strategic direction will require review by, and the approval of, UKGI. It is important that at a preliminary stage UKGI understands the likely feasibility of any such aim or proposal. Accordingly, the Board will develop a

process that ensures that UKGI is fully involved at a preliminary stage in developing and implementing any such aim or proposal.

21. Any proposed revisions to the strategies put in place by the Board to meet the Overarching Objective, whether as a result of any change in strategic direction or otherwise, will be subject to review by, and the approval of, UKGI.
22. Any material adverse variation in actual performance or the Board's view of the outlook for the Company, in each case as against the strategies developed to meet the Overarching Objective, will require the Board promptly to set out its recommended mitigating strategic actions to UKGI for its review and approval.

The Board's freedom to act

23. UKGI is committed to giving the Board the freedom to deliver the strategies required to meet the Overarching Objective referred to above (including the freedom to oversee and manage the relationship with the Outsource Provider). In that context, and save as provided in this Relationship Framework Document, UKGI will not interfere in day-to-day operational and commercial matters.
24. Decisions on the day-to-day running of the Company will rest with the Board, who will act in accordance with this Relationship Framework Document and the HM Treasury Accountability Framework agreement to the extent that doing so is compatible with the Directors' statutory, common law and fiduciary responsibilities.

External advisers

25. The Board undertakes to demonstrate value for money in the appointment of any professional or other external advisers.
26. In relation to any matter where the Board reasonably determines that it is appropriate to appoint external advisers or consultants the Board will consult UKGI in connection with such appointment and UKGI will have the right to review and approve or reject such appointment and terms prior to such appointment being finalised.

Outsource Provider

27. In relation to any matter where the Board reasonably determines that it is appropriate to reappoint the Outsource Provider or appoint a new Outsource Provider, the Board will consult UKGI and UKGI will have the right to review and approve or reject such appointment and terms prior to such appointment being finalised.

Monitoring the Company's performance

28. UKGI will regularly monitor the Company's performance against the Overarching Objective by means of the following mechanisms:

- (A) Quarterly Board meetings will act as the core, formal reporting relationship between the Company and UKGI. One or more Non-Executive Directors are appointed to the Board by UKGI as stated in paragraph 15 (C), and one or more senior representatives of UKGI and HM Treasury are entitled to attend meetings of the Board in an observer capacity as stated in paragraphs 15 (D) and 15 (E). Financial and business performance monitoring information will be provided from the Outsource Provider to assist the Board in undertaking its duties and provide a forum to review performance to date against the Overarching Objective. A section of the Board meeting will be weighted towards being a forward-looking and risk-based analysis of progress of the Overarching Objective. These meetings shall take place at UKGI's offices at 1 Victoria Street, London SW1H 0ET (or elsewhere or virtually where this is impractical).
- (B) Monthly meetings (or at UKGI's request more or less frequent) between the Chair of the Board, relevant individuals from the Outsource Provider and senior representatives of UKGI. UKGI expects to be provided with prompt and accurate financial and business information at the same level as the Board and which is transparent to ensure that all key financial and business data pertinent to tracking the progress of the Overarching Objective can be reviewed and monitored on a timely, regular and appropriate basis. Such information will also be provided to HM Treasury at the same time it is provided to UKGI. These meetings shall take place at UKGI's offices at 1 Victoria Street, London SW1H 0ET (or elsewhere or virtually where this is impractical).
- (C) The Company will promptly and without delay disclose to UKGI and HM Treasury any information which may have a significant bearing or impact on the delivery of the Overarching Objective.
- (D) In addition to the regular meetings, meetings between the Board (and, where appropriate, relevant individuals from the Outsource Provider), representatives of UKGI and, where appropriate, representatives of HM Treasury to discuss the affairs of the Company will take place at UKGI's request. These meetings shall take place at UKGI's offices at 1 Victoria Street, London SW1H 0ET (or elsewhere or virtually where this is impractical).
- (E) In addition to the monitoring procedure described above, UKGI will be entitled, on reasonable notice, to such information in relation to the affairs of the Company, as it may reasonably consider necessary or desirable from time to time.
- (F) The Company will produce an annual report and accounts ("**the HMT Report**") which will be laid before Parliament. The HMT Report will contain such information as HM Treasury, in consultation with the Company, requires. The report will contain an evaluation of performance against the Overarching Objective and set out the Company's plans to reduce and eventually cease the operations of the Company.
- (G) The Chair and/or other Board members will, if required, attend meetings of relevant Parliamentary Committees (including the Public Accounts Committee and the House of Commons Treasury Select Committee) for scrutiny and otherwise to answer questions about the Company.

The Company's relationship with UKGI and other bodies

29. The Company and UKGI share the common objective of having a working relationship which achieves the Overarching Objective and in which:
- (A) the respective roles of the Company and UKGI are clearly defined; and
 - (B) the Company and UKGI recognise and respect those roles, and the demands placed upon each party to fulfil them.
30. The Company will interact with UKGI as contemplated by this Relationship Framework Document and HM Treasury as contemplated by the Accountability Framework Agreement and other bodies as and when necessary or appropriate.
31. The Company recognises that:
- (A) UKGI will interact with HM Treasury and other bodies in respect of matters relating to the Company or this Relationship Framework Document, as and when necessary or appropriate, in accordance with the provisions of the accountability framework agreement drawn up between HM Treasury and the Company and the memorandum of understanding drawn up between UKGI and HM Treasury relating to the management by UKGI of NatWest Group plc and UK Asset Resolution;¹ and
 - (B) UKGI may, or may require the Company to:
 - (i) provide information to HM Treasury and other bodies in respect of matters relating to the Company or this Relationship Framework Document; and
 - (ii) consult with, or seek the approval of, HM Treasury in respect of matters relating to the Company or this Relationship Framework Document.
32. The interactions referred to above between the Company, UKGI and HM Treasury need to be underpinned by resolve on all sides to conduct affairs on the basis of a professional, efficient, and trust-based dialogue:
- (A) **professional:** professional people engaged in dialogue relevant to delivering the Overarching Objective referred to in paragraph 6 above, with commitments delivered on time and to specification;
 - (B) **efficient:** all parties ensuring a joined-up and efficient approach amongst their constituent elements; and

¹ UK Government Investment Ltd: Memorandum of Understanding with HM Treasury relating to the Government's Shareholdings in the NatWest Group Plc and UK Asset Resolution Ltd – <https://www.ukgi.org.uk/>

- (C) **trust-based:** open dialogue, based on a shared commitment to providing the Company with the ability to progress.

Power of direction

33. In view of HM Treasury's broader functions, including its functions in relation to financial stability and financial and economic policy, it may be necessary for HM Treasury to give the Board directions of a general or specific nature from time to time. Such directions may be given to the Company by UKGI, acting on behalf of HM Treasury. The Board will comply with such directions or resign.
34. Such directions will be given in writing and will be published promptly by UKGI or HM Treasury, unless financial stability requires that publication is delayed or withheld. If publication is withheld, HM Treasury will, from time-to-time, review the sensitivity of the direction and consider if it could be published.

Continuation of the Company

35. The Company will work collaboratively with UKGI and HM Treasury to identify solutions and facilitate a long-term plan for winding down its operations.

Ensuring success

36. The success of the relationship depends in the end on the nature and quality of the relationship between the Board, HM Treasury and UKGI. The overall responsibility for ensuring that the intentions of this Relationship Framework Document are carried out in practice lies ultimately with the Chair of the Board, the Chancellor of the Exchequer and the Chair of UKGI. The Chair of the Board will maintain regular contact with the Nominated Officer.

Revision of the Relationship Framework Document

37. This Relationship Framework Document may be amended and/or supplemented from time-to-time where required by UKGI and/or HM Treasury. In particular, it is noted that amendments and supplements may be required if the activities of the Company change or alter in the future.

The Version of this document has been approved by :

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