



UK Government
Investments

UK STEWARDSHIP CODE REPORT

UK Government Investments

October 2025





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Chair's introduction



Our corporate governance objective remains to act as Shareholder Representative for, and lead the establishment of, arm's length bodies for the UK government. Throughout 2024/25, we have continued to challenge and support the governance, planning and performance of our Portfolio, which comprised 26 organisations, acting on behalf of nine government departments.

Our Portfolio has evolved over the course of the year, as we have focused our efforts where we can add the greatest value for our Clients. With the arrival of a new government, we are working closely with ministers and officials to ensure that our stewardship and governance expertise are deployed effectively in support of evolving policy priorities. The combination of public and private sector experience among UKGI colleagues continues to be a valuable resource for our Clients and for government more widely.

Notably, in May 2025, UKGI completed the government's exit from NatWest Group—a process managed over many years, culminating in the final sell-down of shares. This represents a significant milestone in our stewardship and privatisation work, and UKGI should be proud of the expertise and dedication demonstrated throughout this complex programme.

UKGI has continued to embed best practice stewardship across our Portfolio. We take our responsibility to our Clients, our Portfolio, and wider society seriously. In particular, we remain committed to engaging with, and learning lessons from, the Post Office Horizon IT Inquiry. We have submitted significant evidence to the Inquiry over the course of the last three years, reflecting carefully on our role and have sought to strengthen our processes, drawing on both our experiences and the evolving standards of best practice across the public and private sectors. This year's report places particular emphasis on the lessons we have learned and the steps we have taken to further enhance our governance and financial expertise, ensuring these improvements benefit our Clients and government as a whole.

I am especially grateful to my Board colleagues for their insight, expertise and commitment, and to the UKGI Leadership Team for their professionalism and dedication, particularly as we have navigated a period of change and challenge.

This report builds on the submissions from the previous four 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.

A handwritten signature in black ink, appearing to read 'Vindi Banga'.

Vindi Banga

Chair

Chief Executive's foreword



UKGI's purpose remains to create value for society from government's most complex commercial interests. We combine the best of public and private sector expertise to support government as its centre of expertise for corporate governance and corporate finance. As we publish this year's Stewardship Code report, I am pleased to reaffirm our commitment to high standards of stewardship, transparency, and continuous improvement in all that we do.

Over the past year, UKGI has continued to strengthen its position as a trusted adviser to government departments. We maintained our role as Shareholder Representative across a Portfolio of 26 arm's length bodies and acted on behalf of nine government departments. These organisations are among government's most complex and commercially significant ALBs, with substantial private sector interfaces and material governance challenges. Our stewardship supports a diverse range of public services and projects, reflecting the evolving priorities and complexities of government's commercial interests.

This year has been one of optimising our approach and working relationships. The start of the financial year saw further changes in the machinery of government and the arrival of new stakeholders. We have worked to ensure a smooth transition for our Client Departments, supporting them through both governance and organisational change. Our ability to remain agile and responsive to evolving government priorities has been essential in delivering our core objectives and in providing continuity of stewardship across our Portfolio.

Learning from experience and driving continuous improvement remain central to UKGI's ethos. We have continued to reflect on the evidence and hearings of the Post Office Horizon IT Inquiry, ensuring that lessons are embedded both within UKGI and across our Portfolio. This has included the delivery of targeted training for Shareholder Representative NED and teams, a renewed focus on organisational culture, and enhanced guidance on risk and governance.

Investment in our people remains a cornerstone of our stewardship model. This year, we have further strengthened our learning and development offer, expanded our graduate programme, and

continued to bring in external expertise to inform our thinking. Our colleagues—drawn from both the Civil Service and the private sector—are our greatest asset, and their professionalism and commitment underpin our ability to deliver for government and taxpayers. We have also made further progress in embedding our values—supportive and inclusive, open and honest, expert and professional, collaborative and outcome-focused—into all aspects of our work. Our culture of openness and continuous improvement enables us to challenge ourselves, learn from feedback, and deliver ever higher standards of stewardship.

As we look ahead, we remain focused on optimising our support for a new government and adapting our offering to meet the needs of our Clients in a changing environment. We will continue to prioritise effective stewardship, robust governance, and value for money, ensuring that government's commercial interests are managed in the national interest.

I am grateful to our Board, my colleagues across UKGI, and our stakeholders for their continued support and engagement. While we are proud of our achievements, we recognise that there is always more to learn and more to do. We look forward to building on this year's progress as we continue to deliver our mission as the government's centre of expertise for corporate governance and corporate finance.

A handwritten signature in black ink, appearing to read "Charles Donald".

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 2024/25 period. It sets out our stewardship approach and activities, and how we support government departments and, ultimately, taxpayers and wider society.

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 responses in preceding years, we have concentrated our response on our stewardship role as a service provider representing the government across a Portfolio of 26 ALBs that we provide services for (collectively, our "Portfolio") on

behalf of nine government departments (our 'Clients').

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 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 or The Royal Mint, of which the government is a 100% shareholder. With these ALBs, UKGI has significant engagement with senior management 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 NED. Collectively, the organisations in our Portfolio employ over 109,000 people, generating approximately £25 billion of gross income.

Following the government's confirmation of new fiscal rules at Autumn Budget 2024, we expanded the Contingent Liability Central Capability (CLCC) team at UKGI to form the Financial Instrument and Transactions Advisory Group (FInTAG). The report sets out FInTAG's principal objective of improving government's understanding of how its financial assets and liabilities impact its net fiscal position and, in turn, its capacity

to achieve policy goals such as driving economic growth.

This capability helps government to effectively respond to market-wide and systemic risks to promote a well-functioning financial system.

We provide case studies and examples throughout the report to demonstrate our stewardship role and activities. These include a case study summarising our work leading to the completion of the government's exit from NatWest Group—a process managed over many years, culminating in the final sell-down of shares which represents a significant milestone in our stewardship and privatisation work.

A high-level summary of each of the six Principles of the Code (each individually: a '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's most complex and commercial ALBs on behalf of sponsor departments;
 - advise on major UK government corporate finance matters, including financial interventions into corporate

structures and corporate finance negotiations;

- improving HMG's management of financial transactions and contingent liabilities; and
- manage and execute the sale or purchase of significant corporate assets for the UK government.
- Our core strategy has three strands:
 - i. 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 42 NEDs across the Portfolio in 2024/25) or updating the governance foundations of the Assets within the Portfolio.
- 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 continue to support government departments with governance matters outside of the UKGI Portfolio. We maintain core strategic relationships across government including with the Department for Business and Trade, Corporate Governance, Audit Reform, and Shareholder Rights Team and the Cabinet Office Public Bodies Team. 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. We have exceeded our formal gender diversity target with 49% of senior management (Executive Director and above) now female, against the Women in Finance target of 40%. We also exceeded our target to have 10% of the senior management cadre identifying from an ethnically diverse background by 7% taking it to 17%.
- 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.

- 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.
- 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, 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 NED to sit on an Asset's Board. UKGI continues to develop internal Shareholder Representative NED resource via its Shareholder Representative NED development programme. 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.
- UKGI is funded by HMT under section 36 of the Enterprise Act 2016 and by charging departments for shareholder services. The report sets out UKGI's funding for 2024/25 including information about UKGI recharging specific costs to other departments via budget transfers or invoicing.

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, several organisations in UKGI's Portfolio are involved in financial markets in other significant ways, for example the British Business Bank, the National Wealth Fund 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, Inward M&A team, and the Financial Instruments and Transactions Advisory Group (FlnTAG). UKGI also leads the government Corporate Finance Profession and represents the UK at the OECD Working Party on State Ownership and Privatisation Practices.

- FlnTAG's principal objective is to improve government's understanding of how its financial assets and liabilities impact its net fiscal position and, in turn, its capacity to achieve policy goals such as driving economic growth. In March 2025, FlnTAG published its Annual Report on the UK Government's Contingent Liabilities. This report consolidated data on financial guarantees, indemnities, and provisions across government, offering a more comprehensive view of the government's exposure to financial risk from its contingent liability portfolio.
- 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 2024/25, scrutiny of the quality of Boards across the UKGI Portfolio.
- 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.

- 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 2024/25 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 Housing, Communities and Local Government¹
- The Department for Science, Innovation and Technology
- The Department for Transport

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

¹ Prior to the name change on 9 July 2024 this department was called The Department for Levelling Up, Housing and Communities.

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 three times during 2024/25 to consider topical areas including regulatory and reporting updates on the Task Force on Climate-related Financial Disclosures and sustainability reporting in a government context, the work underway to embed blended finance models into the Spending Review and beyond, and reflections from COP 29.
- during 2024/25, 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.
- 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.
- 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 2024/25 UKGI supported the appointment, re-appointment or extension of 42 Board members, including committee and board chairs. A key focus has been on encouraging a greater number of diverse applicants.
- 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

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

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 2024/25, GIAA audits covered Payroll, Functional Standards, and Workforce Planning and Financial Forecasting, providing assurance over key areas including people, financial, and process controls across HR, Finance, and all business units.
- At the time of publication, responsibility to account for the activities of UKGI in Parliament sits with the Financial 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 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.

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 26 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 2024/25 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?

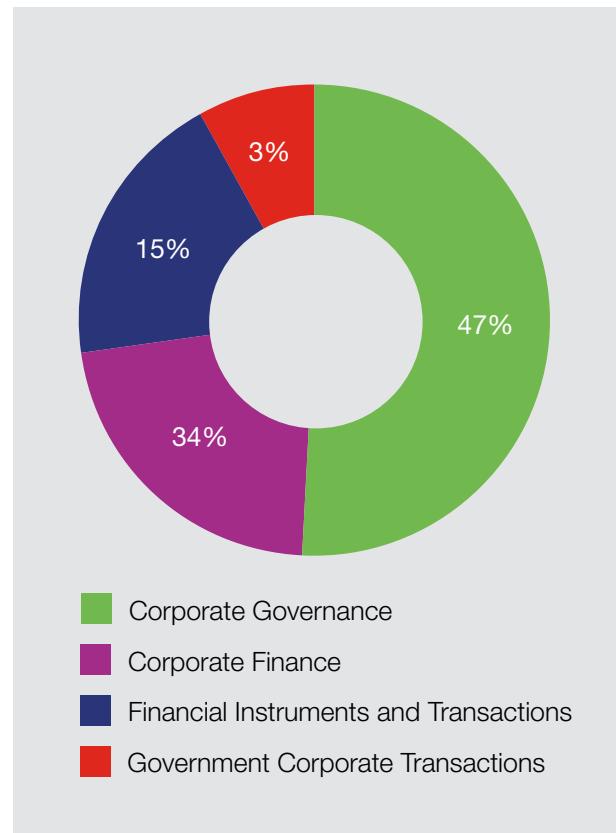
UKGI creates value for society from government's most complex commercial interests. We provide advice and solutions that inform the government's decisions so they can be translated into effective outcomes in the national interest.

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:



Company highlights

Overall breakdown of UKGI objective by FTE



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

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 financial instruments and transactions, 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

Our core strategy has three parts:

- i. 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

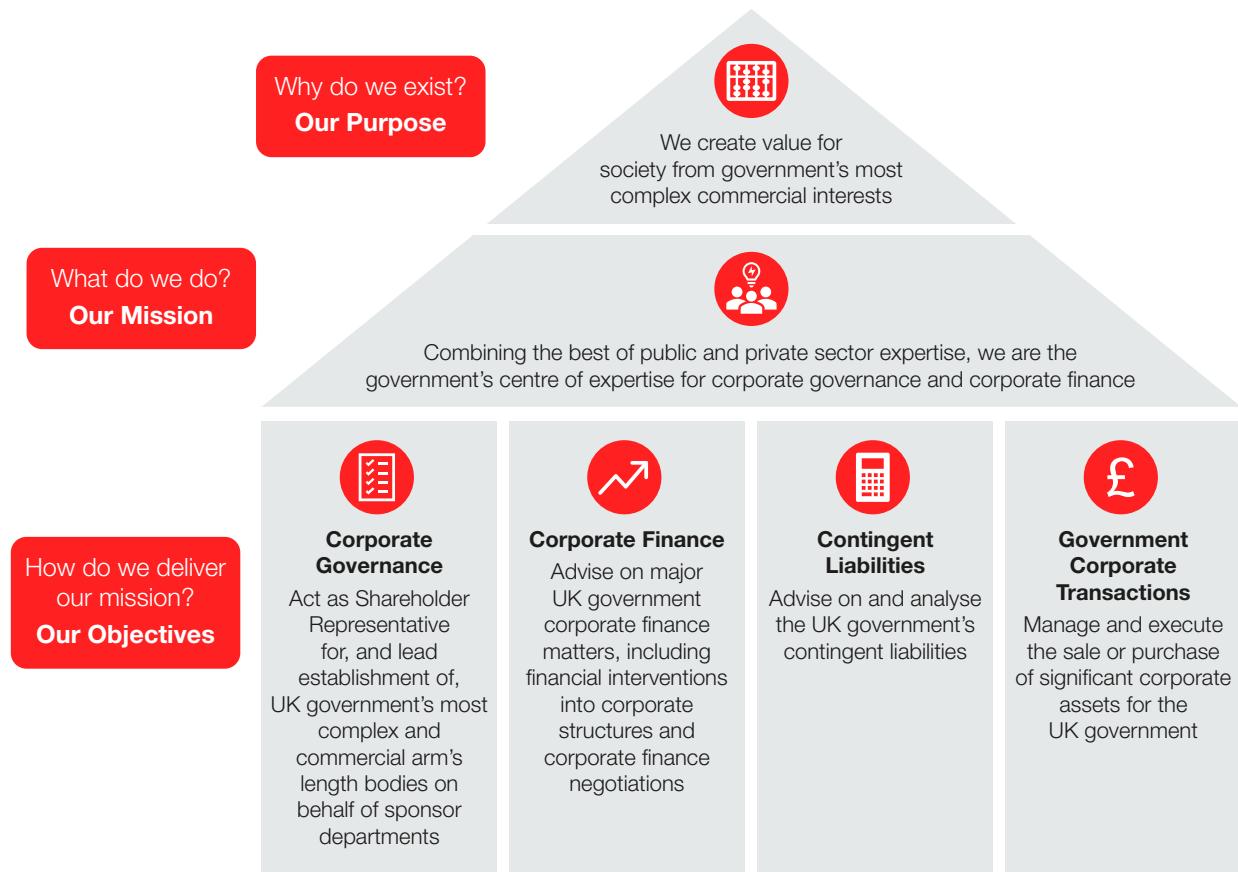
- iii. to deliver the services and outcomes sought by our Clients to the highest standards.

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.



Image courtesy of URENCO

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'). 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

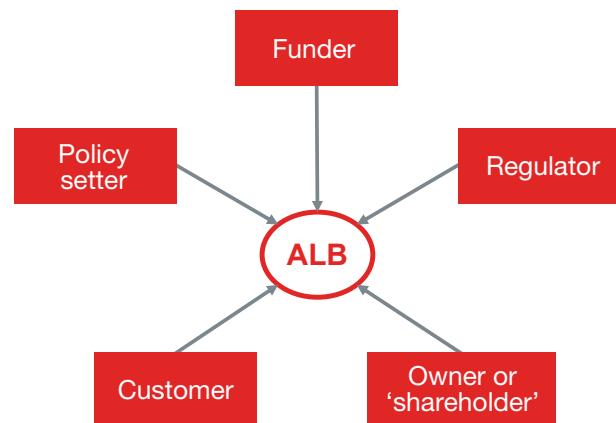


Figure 3: Government's priorities in its shareholder role



UKGI's stewardship role

UKGI's stewardship role is as a service provider, representing the government's shareholder responsibilities across a Portfolio of 26 ALBs, as of 31 March 2025. 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 business plan
- iii. promote strong corporate capability
- iv. promote effective leadership (high quality boards and senior management)
- 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 core areas above 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 NED to our Assets' Board, usually supported by a Shareholder Team.

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.

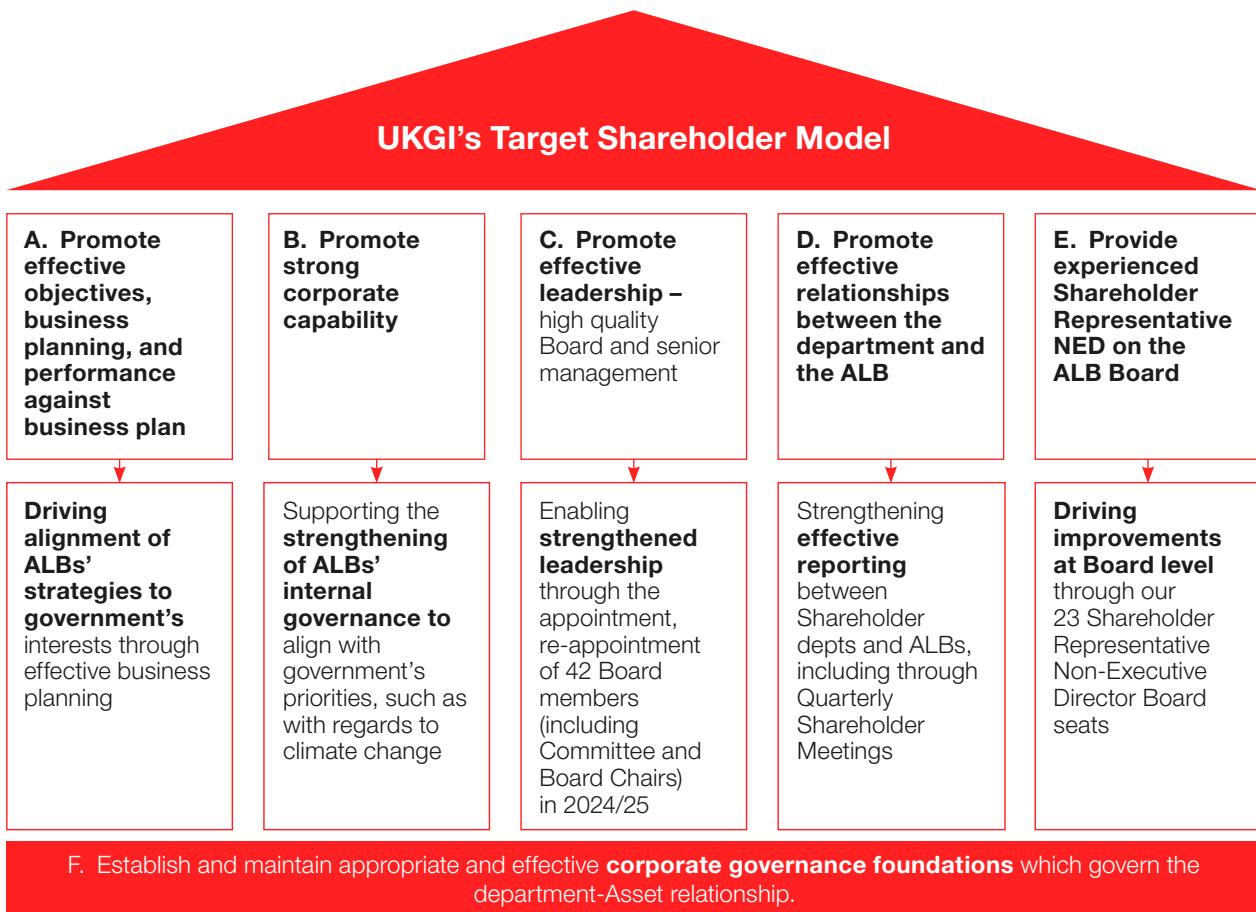
The role of the UKGI Shareholder Representative NED is to:

- 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 Corporate Governance and Portfolio Management (CG&PM) Programme, which we outline on page 40. Our CG&PM Programme 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, and lead establishment of, the UK government's most complex and commercial ALBs on behalf of sponsor departments. The Portfolio consists of 26 organisations, on behalf of 9 government departments, spanning from ministerial departments through to limited companies. The Assets cover a range of sectors, with the main activities being finance, defence and energy. Collectively our Portfolio employs over 109,000 people, generating around £25 billion of gross income.

Our work with each ALB in our Portfolio depends on the government's shareholder relationship and on the legal, regulatory, and contractual framework in place. 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. With these ALBs, UKGI has significant engagement with senior management 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 NED.

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.

Developments across the Portfolio

UKGI has continued to operate proactively as Shareholder Representative across a diverse Portfolio of organisations. While not actively seeking expansion or contraction, we have responded to government's needs including providing a NED to the Board of Octric Semiconductors UK Limited and assuming the Shareholder Representative role for the National Energy System Operator in September and October 2024 respectively and completing our mandate for HM Land Registry at the end of March 2025.

As an organisation focused on continuous improvement, we have reflected on opportunities to enhance our Portfolio management practices and implemented improvements. During 2024-25, this included delivering 14 targeted training sessions to our shareholder teams and updating all our existing guidance in line with current best practice.

We believe that a key element of UKGI's value proposition is our convening power, bringing together the leadership from 26 of government's most complex entities to share best practice and promote effective stewardship. To that end we facilitated five events on specialist topics for different leadership cohorts from across the Portfolio, including Chairs and CEOs, Audit and Risk Committee Chairs, Remuneration Committee Chairs, General Counsels and Board Members.

Figure 5: Our Portfolio by sector⁴

4 UKGI's responsibilities across each organisation vary significantly depending upon the agreed role established by UKGI and the Client Department.

UKGI's responsibilities vary significantly across the organisations within its Portfolio. While UKGI's role is typically focused on delivering the Shareholder Representative role, drawing on our corporate governance expertise, in some cases we are asked by departments to perform additional or alternative activities. These may include providing corporate finance expertise or supporting the delivery of specific departmental projects. Examples include (but are not limited to) UKGI's roles on BBC Commercial, Sizewell C, and Channel 4. These roles sit outside UKGI's core Shareholder Representative model and reflect specific responsibilities agreed with departments.

Table 1: Our Portfolio of Assets (as of 31 March 2025)

Asset	Government Interest	Client Department [†]	Cabinet Office Classification	Board Seat	Non-Executive Appointments [¤]
Atomic Weapons Establishment	100%	MoD	Non-Departmental Public Body	Yes	UKGI lead Chair appointment Nomination Committee (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	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 (UKGI role ended 31 March 2025)	100%	MHCLG	Non-Ministerial Department	Yes	UKGI lead
National Highways	100%	DfT	Non-Departmental Public Body	Yes	DfT lead
UK National Nuclear Laboratory	100%	DESNZ	Public Corporation	Yes	UKGI lead
National Wealth Fund	100%	HMT	Non-Departmental Public Body	Yes	UKGI and HMT joint lead

Asset	Government Interest	Client Department [†]	Cabinet Office Classification	Board Seat	Non-Executive Appointments [¤]
NatWest Group	<4% [‡]	HMT	Public Financial Corporation	No	Asset NomCo leads
National Energy System Operator	100%	DESNZ	Public Corporation	Yes	UKGI lead NED appointment (UKGI NED)
Network Rail	100%	DfT	Non-Departmental Public Body	Yes	DfT lead
Nuclear Decommissioning Authority	100%	DESNZ	Non-Departmental Public Body	Yes	UKGI lead
Octrice	100%	MoD	Unclassified	Yes	UKGI lead Chair, 3 NED and Independent NED to Board
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 Limited	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	87%	DESNZ	Unclassified	Yes (at Holding Company level)	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
UK Export Finance	100%	DBT	Ministerial Department	Yes	UKGI lead
URENCO	33%	DESNZ	Non-public sector	Yes	Appoint 2 Shareholder NEDs and lead appointment of Chair

- † Departments as at 31st March 2025: 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 Ministry of Housing, Communities and Local Government (MHCLG); the Department for Science, Innovation and Technology (DSIT); the Ministry of Defence (MoD); the Department for Transport (DfT); Cabinet Office (CO).
- 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.
- ‡ Government shareholding was 3.61% on 31 March 2025. HMG sold its remaining shares on 30 May 2025.
- ± Unclassified – Assets classified to central government by the Office for National Statistics, but not yet classified as an ALB by the Cabinet Office.
- ~ UKGI does not perform a Shareholder Representative role for Network Rail. Our role is to provide and support a Director as a Board member.
- § UKEF is a Ministerial Department reporting to ministers at the Department for Business and Trade.
- * BBC Commercial Holdings Ltd is a private company wholly owned by the British Broadcasting Corporation.

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
- 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 2021/22, we have moved to embedding these values into the fabric of the organisation. UKGI's values are 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',⁵ 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.

UKGI has a 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 49% 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 diversity and inclusion and the initiatives outlined above; and we are pleased to have made a change from 5.3% to 4.3% over the past year.
- We also exceeded our target to have 10% of the senior management cadre identifying from an ethnically diverse background by 7% taking it to 17%.

5 The Seven Principles of Public Life - GOV.UK

Whilst not a formal target, we continue to enable diversity of thought with a significant proportion of staff from an international background.

We have a successful graduate programme providing a direct entry route into UKGI and have launched a summer work experience programme. This has enabled us to benefit from fresh perspectives and a greater diversity of thought. Our graduate hires 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 most recent staff survey, UKGI scored highly on inclusivity at 92% and the feedback shows that our people enjoy being part of UKGI.

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 of the needs of our Clients and of the wider public we serve, ultimately enabling us to more effectively meet those needs.

Gender pay reporting

As of 31 March 2025, our mean gender pay gap was 9.8% (31 March 2024: 13.6%), and our median gender pay gap was 4.3% (31 March 2024 5.3%). Our mean and median bonus gap was 17.5% and 28.3% respectively (31 March 2024: 23.5% and 26%).

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 2024/25, 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 2024-2025.

Our future

In 2025/26, UKGI will build on its commitment to continuous improvement by refining internal processes and governance frameworks, informed by best practice and taking into account UKGI's preliminary lessons learned from the Post Office Horizon IT Inquiry (POHIT) and wider engagement within government. With the POHIT Inquiry hearings now at a close, we look forward to receiving the Chair's final report and any recommendations he makes. In the interim, we will continue to embed preliminary lessons learned as part of learning and development initiatives, such as the Shareholder Representative NED Development Programme.

Continuous learning and development will remain central to UKGI's strategy. Following an increase in training hours this year, we will further expand tailored development opportunities and actively promote programmes that support career pathways, leadership, and technical expertise. Initiatives such as the Shareholder Representative NED and Aspiring Shareholder Representative NED Development, alongside strengthened frameworks for data analysis and corporate finance, will ensure our people are equipped to meet emerging challenges and deliver on government priorities.

In the next year, UKGI will shift to a new, more centralised governance operating model which will underpin the delivery of efficient, high-quality services to a broader range of government-owned organisations. This model will focus on developing the expertise UKGI brings to bear for our Clients. Supported by a culture of integrity, innovation, and collaboration, UKGI will continue to act as a trusted adviser, helping achieve the government's Plan for Change and ambitions for growth and clean energy.

Looking ahead, UKGI will focus on optimising its role as government's centre of excellence for corporate governance and corporate finance. We will remain agile and responsive to changing priorities, including budgetary constraints and evolving departmental needs, while maintaining service delivery and demonstrating tangible value to government. Through the expertise and dedication of our people, UKGI is well positioned to navigate future opportunities and challenges, driving excellence and improvement across its remit.

Case study: Supporting transition of corporate sponsorship – HM Land Registry (HMLR)



This case study demonstrates UKGI's stewardship role in managing the transition of HMLR corporate sponsorship from UKGI to the Ministry of Housing, Communities & Local Government (MHCLG). It highlights the value UKGI brings in governance assurance, stakeholder engagement, and risk mitigation during structural change in government asset oversight.

Description of the Asset and the UKGI Role

HMLR underpins the UK's property market, maintaining registers that support over £7 trillion of property assets and £1–1.5 trillion in secured lending. Since 2011, UKGI acted as HMG's Shareholder Representative, providing governance oversight and strategic support through its Shareholder Team and its Non-Executive Board Member (NEBM) role. In July 2023, sponsorship was transferred from DBT to MHCLG. Following MHCLG's review of all sponsorship models and its decision to drive closer integration of HMLR with its policy functions, UKGI's role concluded in March 2025, with all responsibilities transitioned to the department.

UKGI's Role, Outcomes, and Stewardship Impact

UKGI's objective was to ensure continuity of governance and a smooth transition to MHCLG, while safeguarding HMG's interests during uncertainty. Through all interactions with the department, UKGI maintained a disciplined stewardship approach.

Key actions included:

- finalising the recruitment and onboarding of four new NEBMs by February 2025, securing continuity in HMLR governance;
- supporting the delivery of the 2025/26 Chair's Letter, embedding priorities for the year and maintaining UKGI's role in shaping them;
- sustaining performance monitoring and Customer Care Review Committee oversight, ensuring uninterrupted operations;
- leading weekly transition meetings with MHCLG, developing a detailed handover plan with tracked milestones, and providing an audit trail for accountability;
- maintaining responsibility for departmental pre-briefs with MHCLG seniors, ensuring the smooth transfer of knowledge;
- coordinating internal UKGI resources across finance, legal, and data protection to achieve responsible closure, including GDPR-compliant transfer of records; and
- recalibrating HMLR's sponsorship risks and assessing new risks arising from the transition.

This proactive stewardship mitigated delivery and reputational risks. UKGI ensured HMLR's governance and business-as-usual activities were maintained, while providing structured support to MHCLG. The professionalism and resilience of the UKGI team exemplified effective stewardship during organisational transition, demonstrating UKGI's commitment to safeguarding government interests and continuity in the oversight of critical national infrastructure.

Case study: Recruitment of a Non-Executive Chair for Ordnance Survey



This case study provides an example of our Shareholder Representative role for Ordnance Survey and how we support effective leadership and governance through recruitment of high-quality Board members.

Ordnance Survey (OS) is Great Britain's national mapping agency. A public corporation with the Secretary of State for Science, Innovation and Technology as its sole shareholder, it provides essential geospatial data services across both the public and private sectors. UKGI undertakes the Shareholder Representative role on behalf of DSIT.

Over 2024-25, UKGI led the campaign to recruit a new Non-Executive Chair of OS. In the knowledge that the previous Chair's final term was nearing its end, UKGI planned and delivered a recruitment process compliant with the Governance Code for Public Appointments and allowing sufficient time to secure a candidate before the incumbent's term ended. UKGI's



Image courtesy of Ordnance Survey

role included developing the person specification and search strategy, selecting an appropriate executive search firm, and advising ministers throughout the process, ensuring that the approach taken aligned with ministerial priorities for OS. With the General Election taking place during the campaign, UKGI ensured that stakeholders were appropriately managed and engaged, including the OS Board and candidates already in the process. UKGI ensured that incoming ministers were fully briefed on the campaign and the options available to them, enabling them to take well-informed decisions to continue the campaign and make a final appointment decision.

As a result of UKGI's work, the campaign was well-managed and resulted in a field of credible candidates, with Colin Hughes being appointed to the role in March 2025.

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 (primarily HMT) and do not generate profit for 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.

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 the Code as a source of best practice in its reporting and governance arrangements. UKGI does not hold an annual general meeting (AGM) but instead maintains regular interactions and a close relationship with its shareholder HMT, who also is represented on the Board.

Our Shareholder Relationship

We are a company wholly owned by HM Treasury (HMT). UKGI has a Framework Document⁶ with HMT which outlines UKGI's purpose, objectives, governance and accountability, shareholder relationship,

6 Available on our website: www.ukgi.org.uk (under 'Transparency')

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 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 work, including our Corporate Governance and Portfolio Management (CG&PM) Programme which is outlined on page 40. On page 27, we describe our Board's Terms of Reference (ToR) and how they seek to enshrine our culture and values into every decision taken by the Board. The ToR further outlines 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 our Assets. 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 2025, our Board comprised 12 members including representatives from our shareholder, HMT, the Department of Energy Security and Net Zero (DESNZ) and the Department for Business and Trade (DBT) to provide 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.

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

Our Board meets at least six times per year, and our Board Committees meet

as regularly as required. In November 2024 an internally facilitated review of the Board's effectiveness took place and recommendations included to further strengthen the levels of engagement between the Board and the wider organisation.

To enhance the Board's 'visibility', the Company Secretariat team arranged a series of engagement sessions, increased feedback on Board discussions to the organisation, and NEDs are more directly involved in Asset review processes. For more information on this review, see pages 41-42.

In line with the Financial Reporting Council's Governance Code best practice, an externally delivered Board Effectiveness Review will be conducted in 2025/26.

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 of UKGI's Assets; and
- a regular paper from a chosen Asset 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 CG&PM 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 our Assets;
- 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.

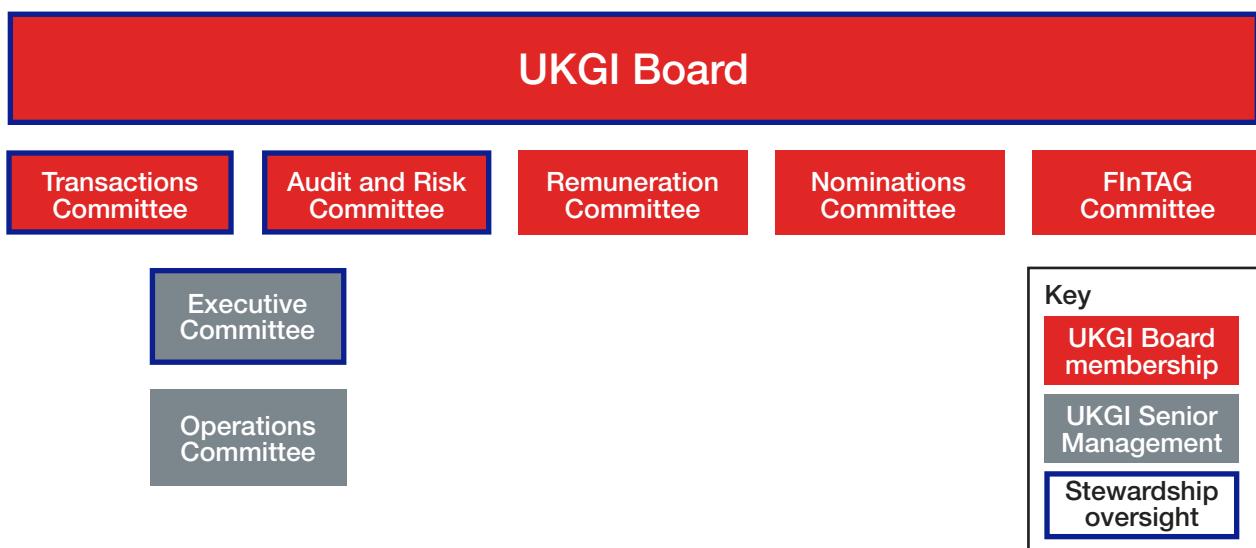
Board agendas are developed and informed by management's risk assessment, which itself is reviewed at each board meeting. Projects or Portfolio organisations with the highest risk rating must update the Board. Those that retain the highest risk rating for multiple reporting periods benefit from a periodic deep dive review. At the end of each meeting the Board agree 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.⁷

7 <https://www.ukgi.org.uk/2025/07/10/uk-government-investments-annual-report-and-accounts-2024-25/>

Our Committees

Figure 6: 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 6).

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 Audit & Risk Committee 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 terms of reference 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 National Audit Office.

Internal audit

- Approving and, where necessary, directing the Company’s internal audit programme and reviewing the performance of the Government Internal Audit Agency’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.

Remuneration Committee (Board Committee)

The Remuneration Committee operates as a sub-committee of the UKGI Board. It comprises the Chair, who is an independent NED of the Company, and three additional independent non-executive directors. The Board is responsible for any new appointments to the Remuneration Committee.

The committee’s terms of reference state that it will meet at least once a year and ad hoc as required. The Remuneration Committee met twice in this reporting period. The Chair is responsible for reporting to the Board on the committee’s activities after each meeting of the committee or otherwise as requested by the Board.

The purpose of the Remuneration Committee is to:

- approve the Company’s Remuneration Framework and Performance Related Pay (PRP) policy;
- approve the Remuneration and Performance related pay of the Chief Executive and UKGI director level staff; and
- recommend the approval of remuneration packages of the Chief Executive, his direct reports and UKGI director level staff to HMT.

Nominations Committee (Board Committee)

The role of the Committee is to consider and make recommendations to the Board and HMT ministers in respect of succession planning and appointments to the Board taking into account the skills and expertise which will be needed by the company in the future. In addition, the Committee

will make recommendations in respect of membership and Chairpersonship of Board committees. Whilst the appointments of the Chair and the Chief Executive will be made by HMT, the Committee remains responsible for ensuring succession planning for the Chair, Chief Executive and NEDs is undertaken, and where appropriate, making recommendations to the Board or to HMT.

In 2024/25, the committee focused on reviewing the skills and experience of the Board and ensuring appropriate succession planning for the NED representatives on the Board. Reflecting on the continued growth of our corporate governance and corporate finance activities for DESNZ, the Board has also been strengthened with the addition of the DESNZ Permanent Secretary as the departmental representative.

Financial Instruments and Transactions Advisory Group Committee (Board Committee)

The Financial Instruments and Transactions Advisory Group (FInTAG) Committee has responsibility for strategic oversight of FInTAG's activities (see pages 61-63). 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 FInTAG.

The FInTAG 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 FInTAG 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 FInTAG Committee provides support and challenge to the team on matters including its advisory work on new contingent liability and financial transaction proposals and reporting government's contingent liabilities and financial investments annually. The Committee also continuously advises on team resourcing, skills and capability requirements, workflow, and the management of risks to UKGI from the team's activities. The committee has focused on embedding FInTAG's remit in alignment with HMT objectives, provided advice on FInTAG's reporting, and supported the 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. The Executive Committee meets fortnightly to discuss UKGI business, including the stewardship of our Assets.

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 continued to adopt a formal risk appetite statement

setting out the level of risk that UKGI is willing to bear.

Operations Committee (Senior Management Committee)

The Operations Committee (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, and two permanent Directors with potential for rotation. The COO provides a verbal report of the previous OpCo meeting to ExCo at the following meeting, with action points recorded in the minutes.

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, the UK government's most complex and commercial arm's length 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 2024/25 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 2024/25 Programme priorities as:

- Continuously reflect and implement improvements on our preliminary lessons learned from UKGI's evidence to the POHIT including our Opening and Closing Submissions.
- Improving the quality of leadership, both within our UKGI Shareholder Representative NED cadre and across our Portfolio Boards and Executives.
- Strengthen our Portfolio management, in particular bringing together Portfolio Board members to provide an overview of the HMG landscape, the benefits of being in the Portfolio and enable networking.
- 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 45-47, we provide detail on the training we have provided to colleagues and our Shareholder Representative NEDs over the past year.

Portfolio & Project Review Panels

Ongoing review of the health and performance of the UKGI Portfolio is principally conducted through the UKGI Portfolio review process. For this review process, which is led by a UKGI Director, 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 inquiries (for example, by the National Audit Office, or independent inquiries).
- Any other advice the team judges to be sufficiently material to merit panel challenge and discussion.

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.

The Portfolio Review process also specifically helps us to:

- 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 Portfolio 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.

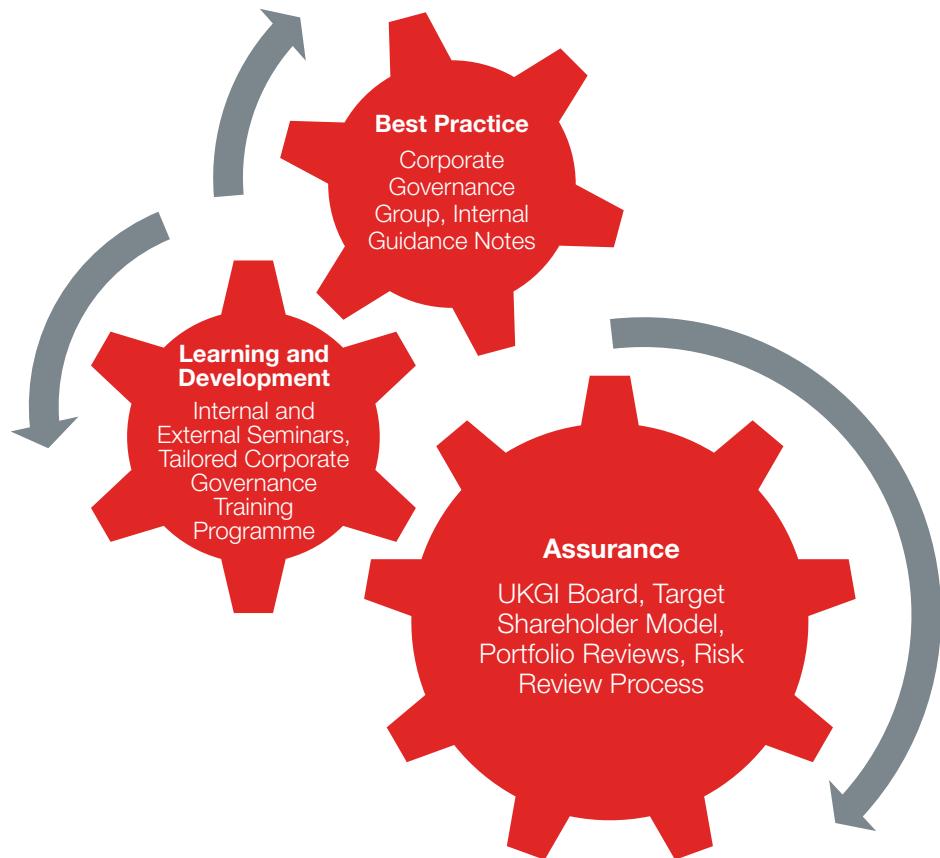
In addition, we continue to use intelligence from other Assets to help Asset teams consider what global or industry-specific challenges could emerge in the short to medium term and help them to adapt approaches to emergent risks.

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 our Assets 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.

In 2024/25 the Portfolio Review Team has continued the successful use of 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.

Building on their successful introduction in 2023/24, the Portfolio Team has expanded the use of Peer Support Sessions in 2024/25. These sessions provide a forum Shareholder Teams and relevant experts to discuss governance matters and emerging issues outside of the regular Portfolio Review cycle. Peer Support Sessions are designed to facilitate timely exchange of insights and collective problem-solving on important and urgent topics, particularly where swift action is required. While the initiation of these sessions is generally at the discretion of the Shareholder Team, a Peer Support Session may also be recommended by the Review Panel or senior management. This helps team to handle issues and risks with the support of robust peer input and best practice advice. These sessions continue to play a vital role in strengthening governance and decision-making across the Portfolio.

Figure 7: 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 2025, we had 139 full-time equivalent 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 8.

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 FInTAG 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.

In 2024/25, we continued to build on the success of our graduate programme, welcoming a new cohort of graduates into UKGI. This initiative remains a key part of our strategy to bring in early-career talent and support a pipeline of future leaders with diverse perspectives. In parallel, we undertook targeted recruitment to strengthen key capability areas across the organisation, including credit analysis, stress-testing, valuation, and data management. These hires have broadened the depth and technical expertise of our team, enhancing our ability to provide robust, high-quality advice in 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

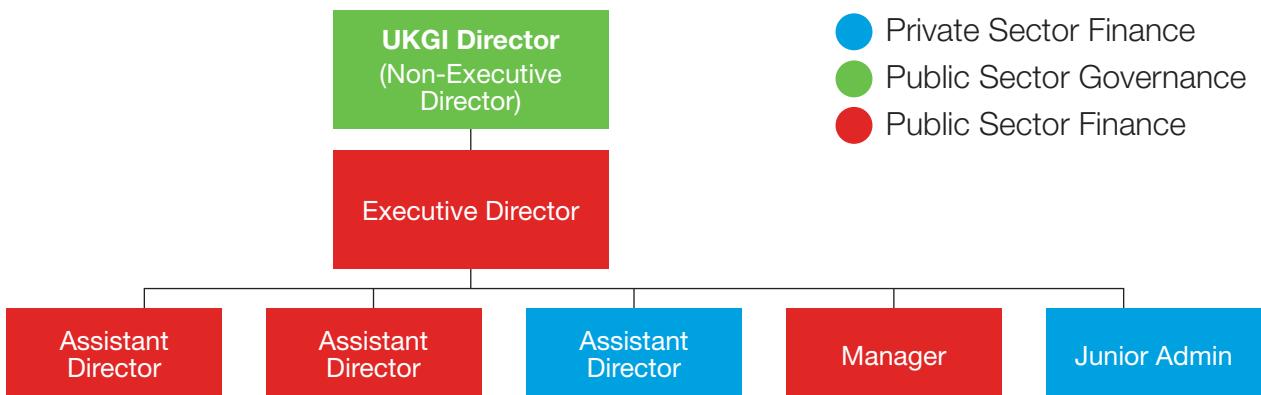
Teams. Our senior resourcing mix includes our Chief Executive, 9 Directors, 31 Executive Directors and 56 Assistant Directors (as of 31 March 2025). Our Shareholder Teams and Shareholder Representative NEDs bring a unique blend of specialist corporate governance and corporate finance expertise, supported 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 NEDs have over 8 years of Board experience each (as of March 2025). In addition to their own experience, UKGI Shareholder Representative NEDs 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 NED presence on Portfolio Boards where possible and appropriate.

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 8: Illustrative structure of a 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 2024/25 colleagues completed over 2,700 Continuing Professional Development (CPD) hours. This equates to, on average, 18.3 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 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 100 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
- Corporate Finance Essentials
- Role of the Non-Executive Director
- Gaining Board experience through a Trustee role
- Effective Risk Management and Reporting
- Future of Boards Project Part 2

Figure 9: Learning and development delivered in 2024/25



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 Shareholder 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 NED Development

Shareholder Representative NED 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 NEDs 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 NEDs 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 NEDs also attend Peer Support Sessions where they discuss challenges and share best practice as colleagues. Through the entire development framework, a Shareholder Representative NED can access an additional 55 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 NEDs, for either internal or external roles. The UKGI Aspiring Shareholder Representative NED Development Programme is a multi-year programme, which includes professional development days, attendance at NED Forums and View from the Chairs panel and experiential learning equating to over 29.5 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.

Case study: UKGI Shareholder Representative NED Cyber Security & Artificial Intelligence Professional Development

This case study demonstrates how UKGI is strengthening Shareholder Representative NED capability in priority oversight areas through targeted workshops on Cyber Security and Artificial Intelligence. By equipping NEDs with practical insights, sector-specific knowledge, and best practice in governance and risk management, UKGI is enhancing its stewardship role—promoting robust governance, resilience, and innovation across its Portfolio in line with government priorities.

In early 2025, UKGI advanced its Shareholder Representative NED Development Programme with two targeted workshops on the government priority areas of Cyber Security and Artificial Intelligence (AI).

On 15 January 2025, Shareholder Representative NEDs attended a bespoke, National Cyber Security Centre Assured Cyber Security for Boards and NEDs session delivered by Templar Executives. Tailored to UKGI's context, the accredited workshop covered the evolving threat landscape, new legislation such as the Cyber Security and Resilience Bill, and best practice in Board-level governance, risk management and incident response. Practical case study exercises encouraged participants to explore their role in building organisational resilience and fostering a positive cyber security culture. The session was followed by a NED Forum peer discussion and was repeated for Aspiring Shareholder Representative NEDs.

On 5 March 2025, Shareholder Representative NEDs joined an AI workshop hosted at Accenture's London headquarters. Focusing on pragmatic AI applications to improve services and efficiency, the half-day event featured UKGI strategic insights, case studies of AI at scale, and sector-specific roundtables for nuclear, finance, land and property, and infrastructure. Discussions examined opportunities, risks and practical implementation challenges.

Feedback from both sessions was highly positive. Shareholder Representative NEDs valued the timely, engaging content and the benefit of external perspectives on the topic of Cyber Security. With the AI workshop, Shareholder Representative NEDs appreciated practical examples, expert insights, and a broadened understanding of AI's potential across HMG assets.

Together, these workshops strengthened UKGI's Shareholder Representative NED capability in critical oversight areas, supporting UKGI's mission to promote robust governance, resilience and innovation across its Portfolio in line with government priorities.

Case study: UKGI Shareholder Representative NED culture and governance training

This case study demonstrates UKGI's proactive approach to strengthening Shareholder Representative NED capability in organisational culture and governance as a result of its reflections on lessons to be learned from the Post Office Horizon IT Inquiry. Through mandatory, targeted training, UKGI equipped Shareholder Representative NEDs to identify and address cultural risks, enhance whistleblowing processes, and navigate complex governance challenges—reinforcing its stewardship role in promoting high standards of governance, resilience and trust across its Portfolio.

UKGI delivered a mandatory, intensive training programme for all Shareholder Representative NEDs, focused on strengthening Board-level responsibility for organisational culture and governance.

The programme combined e-learning and in-person elements, totalling seven hours of targeted development. In advance of the live session, Shareholder Representative NEDs completed three online modules, which included *Culture – Identifying and Managing Legal Risks, Whistleblowing, and Understanding and Using the Updated UKGI Portfolio Operating Principles*.

On completion, Shareholder Representative NEDs attended a four-hour in-person workshop with UKGI's General Counsel and CEO. The session addressed five core topics: whistleblowing guidance, fostering good organisational culture, seeking additional advice in support of the Board, legal privilege and material litigation, and escalation from the Boardroom. The programme concluded with a forward look to the future corporate governance training agenda.

This comprehensive training ensured Shareholder Representative NEDs were fully equipped to identify and respond to cultural and governance risks, strengthen whistleblowing processes, and navigate complex legal and escalation scenarios. It reinforced the importance of culture as a driver of organisational performance, resilience and trust, aligning with UKGI's commitment to high standards of governance across its Portfolio.

UKGI Funding Model

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 for 2024-25 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. UKGI may recharge for specific costs incurred on behalf of another department; recharges may be via budget transfers or invoicing.

Table 2: UKGI's funding agreement

	2024-25 (£m)	2023-24 (£m)
HM Treasury	21.3	20.0
Department for Transport	0.4	0.4
Ministry of Defence	2.2	1.8
Department for Energy, Security and Net Zero	1.6	1.5
UK Export Finance	0.2	–
Department for Science, Innovation and Technology	0.7	0.6
Department for Business and Trade	1.1	1.2
Department for Levelling Up, Housing and Communities	0.2	0.2
Cabinet Office	0.2	0.2
Department for Digital, Culture, Media and Sport	0.2	0.2
Total Funding	28.1	26.1



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 UKGI or arising between UKGI, or its staff, and those organisations.

UKGI's Code of Conduct

UK Government Investments (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. These policies and practices for identifying and managing conflicts of interest are well-established, proportionate to our unique role, and have remained broadly consistent in recent years. While we keep our approach under regular review, our framework is well-embedded and reflects our position as a government-owned company operating in line with public sector standards of conduct.

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 them 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 website](#).

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 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.

Staff awareness of their conflict of interest obligations is reinforced through the requirement to complete annual declarations of interests and to update these on an ongoing basis as circumstances change. This process is supported by guidance from the Compliance Team and oversight by the UKGI Board, providing assurance that staff remain alert to their responsibilities and that any potential conflicts are identified and addressed promptly.

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.

Our framework for identifying and managing conflicts is designed to safeguard the best interests of our Clients at all times. UKGI's values and Code of Conduct reinforce the expectation that those interests remain paramount in all aspects of our work. Staff are required to uphold high standards of integrity, impartiality and objectivity, ensuring that potential conflicts are managed in a way that protects our Clients and Portfolio.

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.

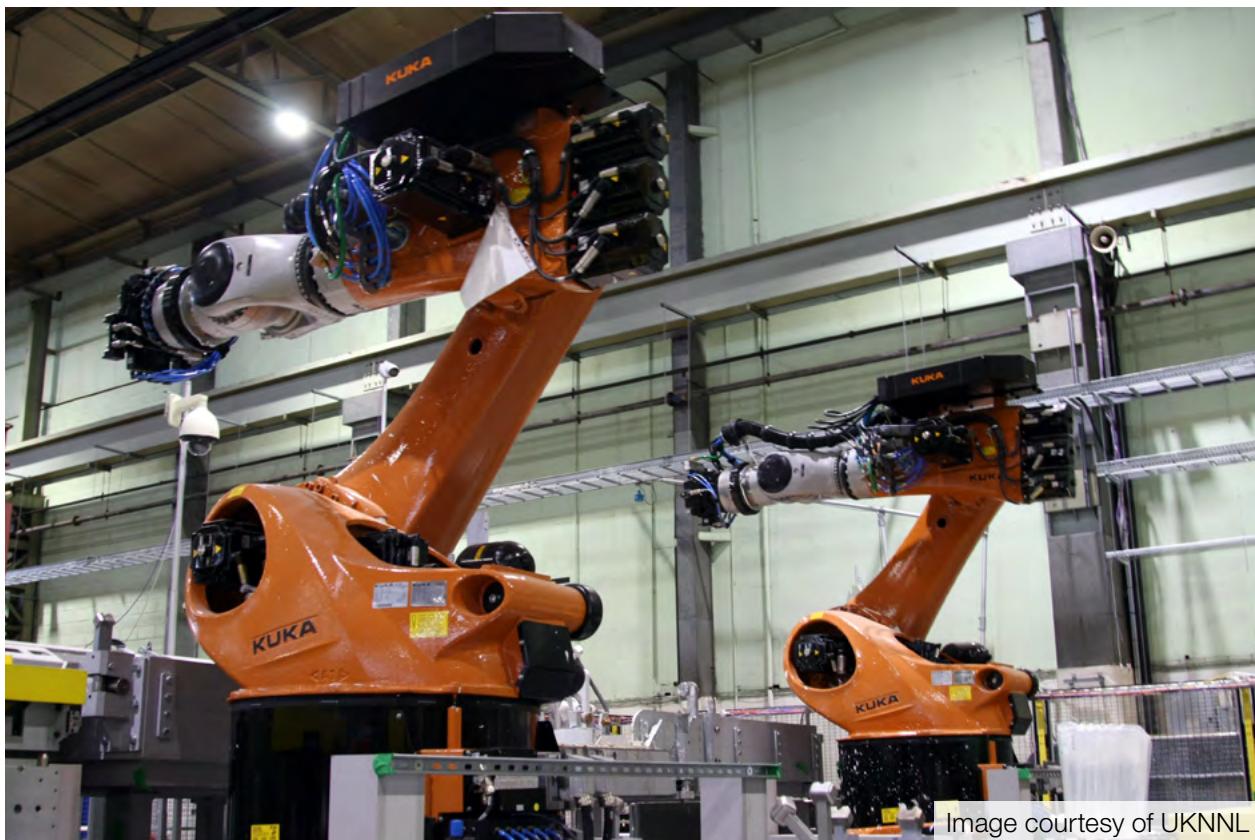
Illustrative examples of the types of conflict-of-interest scenarios that may arise within UKGI, and the corresponding mitigation measures that have, or could, be used include:

- 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 NED recusing themselves from any vote in respect of which a conflict may have arisen.

- Illustrative conflict scenario 2:**

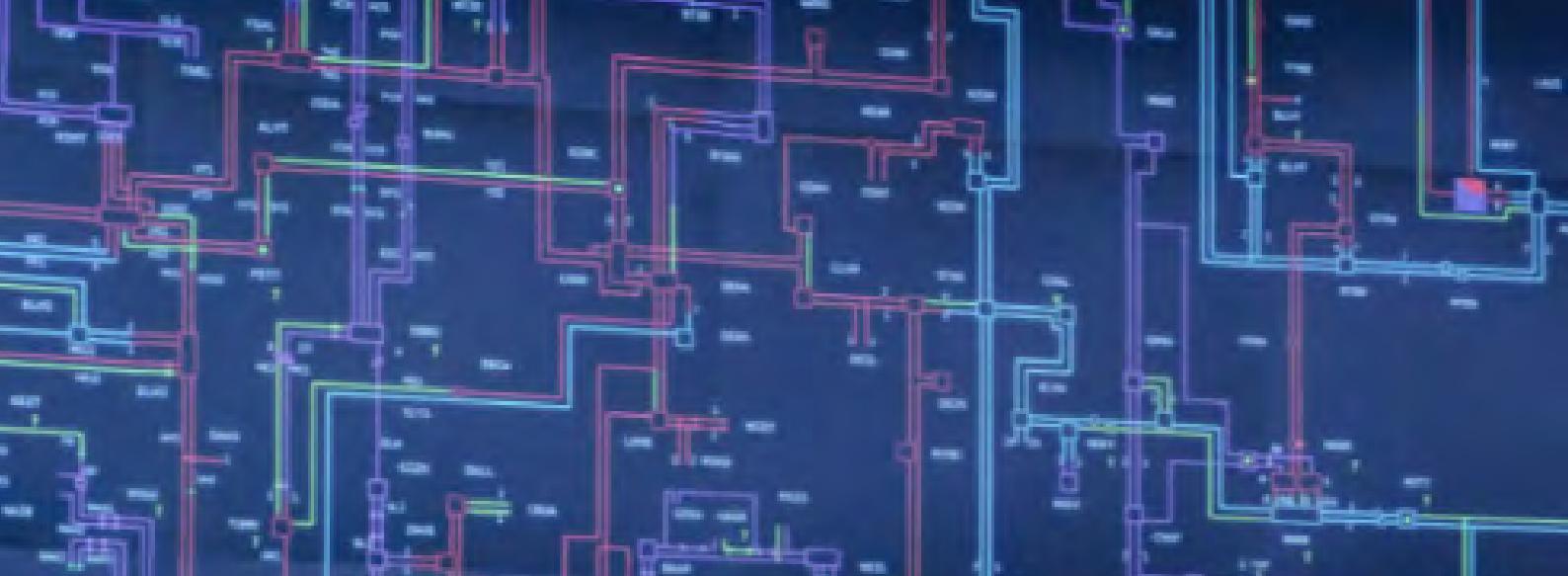
External appointments of UKGI's Board or Executive Committee:

- 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.

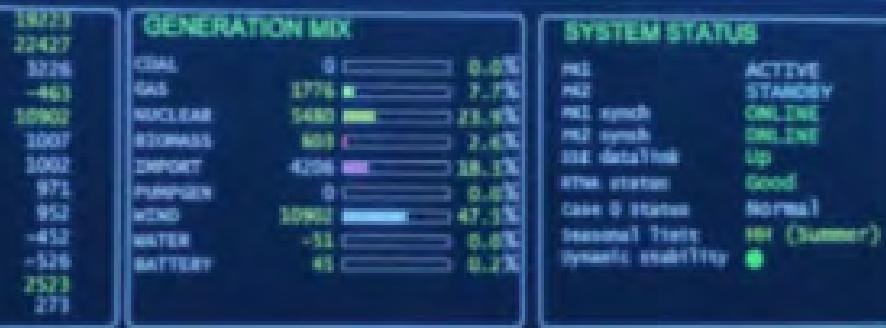
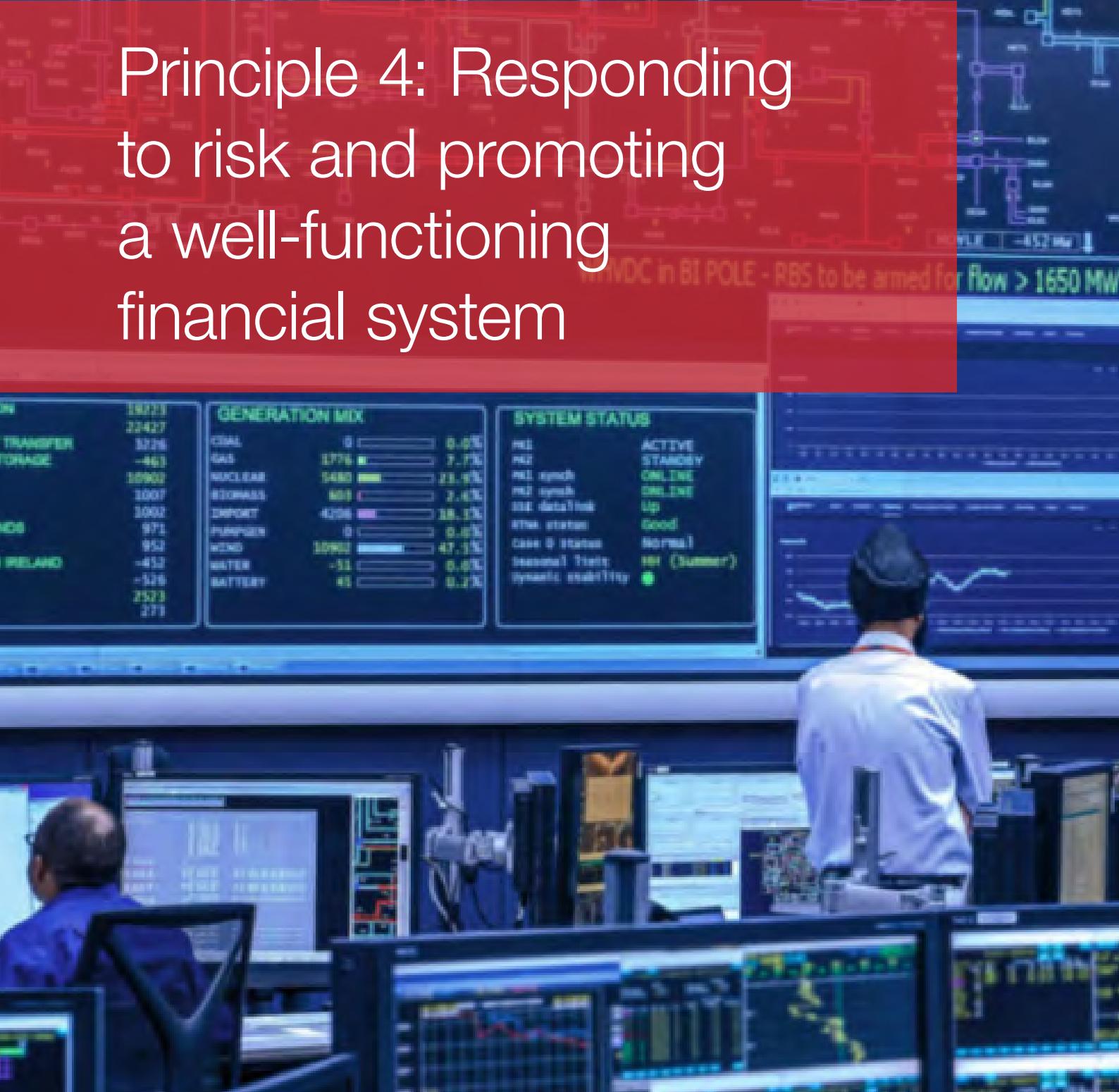


- **Illustrative conflict scenario 3:**
Staff with interests in organisations with a direct or indirect relationship with UKGI:
 - Conflict: where a member of staff has an interest in an organisation (for example, a close personal relationship or a financial interest such as shares in that organisation) 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.



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 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 Financial Instruments and Transactions Advisory Group (FInTAG) 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.

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, the National Wealth

Fund 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 major UK government corporate finance matters, executing sales for 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 Executive Committee before sending to the UKGI Board on a bi-monthly basis. As set out in HM Treasury's (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** – individual risks across UKGI's portfolio of Projects and Assets are regularly monitored through a bi-monthly project/Asset risk reporting process. Codes of Conduct and Compliance requirements are embedded in the organisation. UKGI also monitors a number of internal operational and strategic risks. These include risks regarding staffing, finance, IT and data protection/management systems and relationships around Whitehall. These are regularly reported to HM Treasury.
2. **Second line of defence** – UKGI conducts regular in-depth project and Portfolio Reviews led by experienced senior practitioners to identify issues, potential risks and mitigating actions. Updates on risk management are provided regularly to the Executive Committee and UKGI Board and risk mitigations are scrutinised. Sub-Committees to the Board also provide specialist scrutiny and assurance on contingent liabilities and asset realisation.

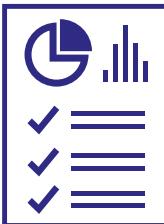
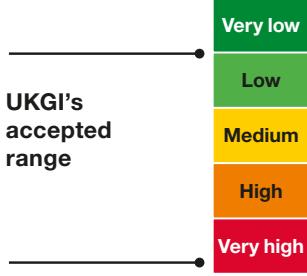
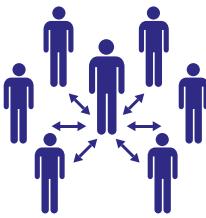
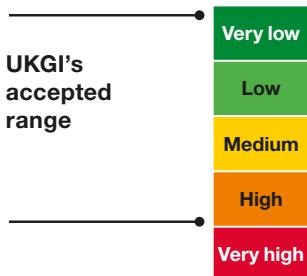
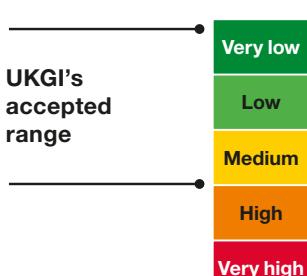
3. Third line of defence: internal audit

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 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.

Table 3: UKGI's approach to risk

Key Risk	Risk Appetite Range	Rationale
STRATEGIC DELIVERY  <p>Delivery of our four 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 judgmental decision-making. For all four of its strategic objectives, UKGI will seek to deliver its advice to the highest standard possible.</p>
PEOPLE  <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>
OPERATIONS  <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 UKGI Portfolio organisations

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 NED 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, and other publications specific to individual Assets.

Cross-cutting risk

UKGI's Portfolio Review process (covered in Principle 2) supports risk management and

identifies cross-cutting risk. Information on UKGI's Portfolio Review and Peer Support programmes can be found on pages 41-42.

Our environmental stewardship work continues to enable improvements across our Portfolio and wider government through our 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 as relevant to the individual organisation.

Promoting a well-functioning financial system

Following the government's confirmation of new fiscal rules at Autumn Budget 2024, UKGI expanded its Contingent Liability Central Capability (CLCC) team to form the Financial Instrument and Transactions Advisory Group (FInTAG). This transition reflects FInTAG's broadened mandate to report and provide advice on government's use of loans and equity investments – collectively referred to as financial transactions – in addition to its established focus on contingent liabilities.

FInTAG's principal objective is to improve government's understanding of how its financial assets and liabilities impact its net fiscal position and, in turn, its capacity

to achieve policy goals such as driving economic growth. FInTAG undertakes a range of core activities to achieve this goal, including monitoring, analysing and reporting on government's portfolio of contingent liabilities and financial transactions, as well as supporting the development and implementation of new proposals and ensuring best practices are embedded across government.

Contingent liabilities are an increasingly important tool for enabling growth and safeguarding the economy during periods of stress. By acting as insurer or guarantor, government can strategically assume risks that the private sector or public cannot, aligning with broader policy goals. Similarly, government's deployment of financial transactions can catalyse investment and support key sectors. Both, if unmanaged, can increase fiscal risks and affect fiscal sustainability. FInTAG adds value by ensuring

that these risks are understood and that value for money for the taxpayer can be maximised.

FInTAG advises departments on technical aspects of contingent liabilities and financial transactions. Building on the previous work of the CLCC, FInTAG helps officials assess risk, pricing, and delivery models for new contingent liabilities to ensure value for money and informed decision-making. In 2024/25, FInTAG advised on £10 billion of contingent liabilities across 43 proposals and over the past three years, FInTAG (then CLCC) generated estimated savings of up to £10 million in advisory fees. FInTAG combines expertise from actuaries, analysts, and finance professionals; produces best practice guidance on guarantees, insurance, loans, and equity; and leads a cross-government network to share insights and improve standards.

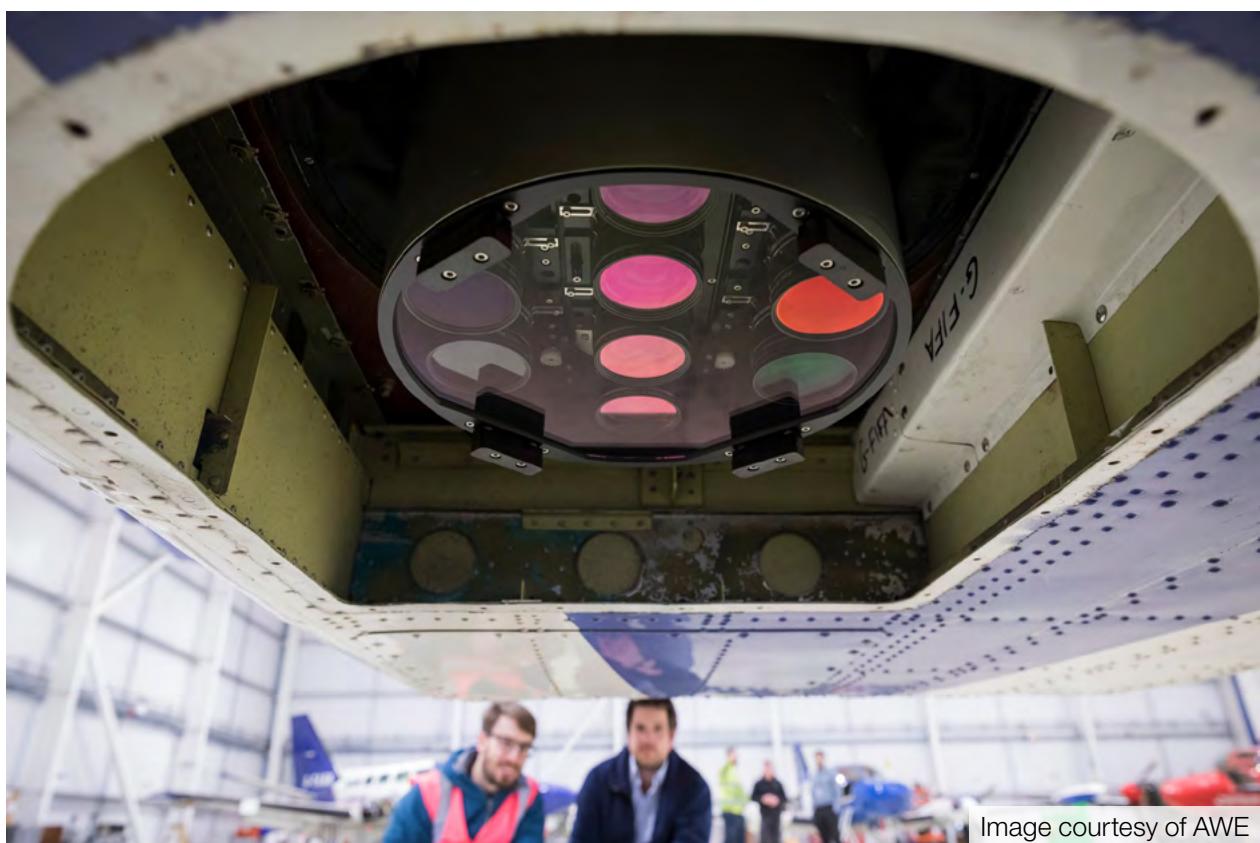


Image courtesy of AWE

Case study: Annual Report on the UK Government's Contingent Liabilities (2025)

In March 2025, the Financial Instrument and Transactions Advisory Group at UK Government Investments, published its Annual Report on the UK Government's Contingent Liabilities. This report consolidated data on financial guarantees, indemnities, and provisions across government, offering a more comprehensive view of the government's exposure to financial risk from its contingent liability portfolio.

The report revealed a significant reduction in the expected cost of the portfolio – from £514 billion to £250 billion – primarily due to changes in the discount rate applied to on-budget liabilities.

The report also introduced two new areas of analysis. First, it evaluated financial guarantees to assess whether fee-charging mechanisms appropriately reflect the underlying risk exposure. This analysis supports a more consistent approach to risk assessment and policy evaluation. Second, it included a scenario analysis estimating the fiscal impact of a major economic or financial shock. The scenario analysis suggested that a severe downturn could increase the cost of a specific sub-portfolio of liabilities by around £10 billion, highlighting the potential fiscal pressures such events could impose.

Furthermore, the report's insights into risk diversification, liability expiry, and accounting implications provide a more robust foundation for managing contingent liabilities. These findings enable policymakers to make more informed decisions regarding risk appetite and the strategic use of contingent liabilities to support policy objectives.



Special Situations Group (SSG)

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:

- Supporting the Department for Business and Trade (DBT) with grant offers in steel companies to facilitate transition to a more sustainable and lower-carbon-intensive steel making process (see Case Study on page 80).
- Supporting the Ministry of Defence (MOD) in the proposed divestment of a key supplier of technology hardware with sovereign capabilities to ensure continued product supply.
- Supporting the Department for Environment, Food and Rural Affairs (DEFRA) in navigating complex situations involving regulated entities.
- Supporting the Department for Health and Social Care (DHSC) in contingency planning and response options for challenges in adult social care.
- Supporting the Cabinet Office with strategic suppliers to government facing financial distress.
- Working with the Home Office on contingency planning and response options for a critical supplier failure.
- Supporting HM Treasury and a cross-Whitehall group in negotiations in respect of a funding request for a major new UK theme park.
- Continuing to support the Department for Culture, Media and Sport (DCMS) in managing distressed situations impacting the DCMS Covid Sport and Cultural Loan Book.

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 other Board members). 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 and networking across the Portfolio leadership.

In the past year we continued to enhance our profile and reputation by providing departments with governance advice. We

have maintained core strategic relationships across government including with DBT, Corporate Governance, Audit Reform, and Shareholder Rights Team, and the Cabinet Office Public Bodies Team. 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*'.⁸ UKGI also played an active role in the Public Bodies Review Programme, which was rolled out across all ALBs, including those within and outside of the UKGI Portfolio from November 2020 and was formally closed on 31 March 2025.

As part of our activity outside of the ALB portfolio, we have also focused this year on pro-active outreach activity for our public appointments role. This involved hosting an in-person event with Empowering People of Colour, providing attendees the opportunity to network with current Shareholder Representative NEDs, learn about the opportunities that exist within the public sector, and learn more about how they could be successful in any future applications.

We have also provided ad hoc governance support to a variety of Departments outside of those for whom we perform a Shareholder Representative role.

Another core way in which UKGI shares best practice across government is through its stewardship of the Government Corporate Finance Profession (GCFP or 'the 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. UKGI's Chief Executive is the Head of the Profession and a UKGI team runs the Profession in close collaboration with corporate finance colleagues across Whitehall departments. Over the past year, the Profession continued to foster skills enhancement, knowledge dissemination, networking, collaboration, and career development among corporate finance professionals in government.

Key highlights include the launch of a new and improved seminar schedule (targeting public and private topics) and the initial applications of a group of colleagues to study towards the Institute of Chartered Accountants in England and Wales (ICAEW) Corporate Finance Certification via 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.

UKGI also shares best practice in relation to managing contingent liabilities. To embed best practice, FInTAG has developed specialist guidance on the design and management of insurance and guarantee schemes. Most recently, FInTAG produced comprehensive frameworks to support the establishment and management of guarantees and insurance liabilities. With the expansion of its remit, FInTAG will also begin developing best practice guidance linked to loans and equity transactions. In addition to these activities, FInTAG chairs a cross-government network of

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

experts which facilitates the sharing of best practice among officials responsible for managing contingent liabilities. This network and its scope now also include financial transactions.

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 August 2024 UKGI met with representatives from the Irish government to consider executive remuneration matters for state owned business and subsequently in October and November 2024 respectively, UKGI met with Malaysian and Brazilian governments, alongside colleagues from HMT to present on how it manages its complex Portfolio and to share best practice. In December 2024, UKGI also supported the Department for Business and Trade as they engaged with the World Trade Organisation (WTO) as part of the UK's first WTO Trade Policy Review. UKGI met with the WTO and provided evidence on the UK's practices with regards to state trading, SOEs, and privatisation.

UKGI also plays 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 Organisation for Economic Co-operation and Development's (OECD's) Working Party on State Ownership and Privatisation Practices (WPSOPP) since 2012, holding a Bureau role since 2012 and the Chair role since 2021. During 2024, the WPSOPP, chaired by UKGI Chief Executive Charles Donald, completed the first revision for nine years of the OECD Guidelines on Corporate Governance of State-owned Enterprises, which are aimed at helping governments better manage the companies they own. In addition, UKGI continues to engage internationally and share best practice reflections and lessons learned on a variety of corporate governance topics in relation to UKGI's shareholder model for state-owned companies and corporate finance practices.

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

Case study: National Energy System Operator



The National Energy System Operator (NESO) was established on 1 October 2024 following the acquisition by DESNZ of the Electricity System Operator from National Grid as part of a wider strategic reform of the energy system in support of HMG's clean power ambitions. NESO's remit is to take a whole-system approach to managing Great Britain's energy system encompassing electricity, gas, and other forms of energy to fulfil its duties as outlined in the Energy Act 2023.

This was a major Mergers and Acquisitions (M&A) transaction involving a complex corporate carve-out and set-up of a new public body. UKGI supported DESNZ for more than three years on this project, including on transaction preparations, legislation, due diligence, valuation, negotiations, approvals, future financing arrangements, transaction completion and governance arrangements.

Following the governance set-up ahead of deal completion, UKGI performs the Shareholder Representative role working closely with a policy sponsorship team in the Department. Highlights of UKGI's governance work include:

- Supporting DESNZ in identifying and appointing NESO's first Chair of the Board.
- Helping NESO transition to public ownership.
- Providing a Shareholder Representative NED on the NESO Board.
- Supporting the new NESO Chair to bolster the Board's strategic and technical expertise by hiring further NEDs.



Responding to initiatives

UKGI provides specialist corporate finance advice and commercial negotiation support across government where a particular M&A transaction or corporate event is deemed of national security importance under the National Security & Investment Act 2021, or where departments see the need to intervene to protect wider UK interests.

The team has been working 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.

Over the past year, in a landscape of increasing global threats, UKGI has also undertaken a key advisory role in some of the most high-profile national security transactions facing government, spanning defence, aerospace, telecoms and digital sectors.

Case study: Sell-down of NatWest Group

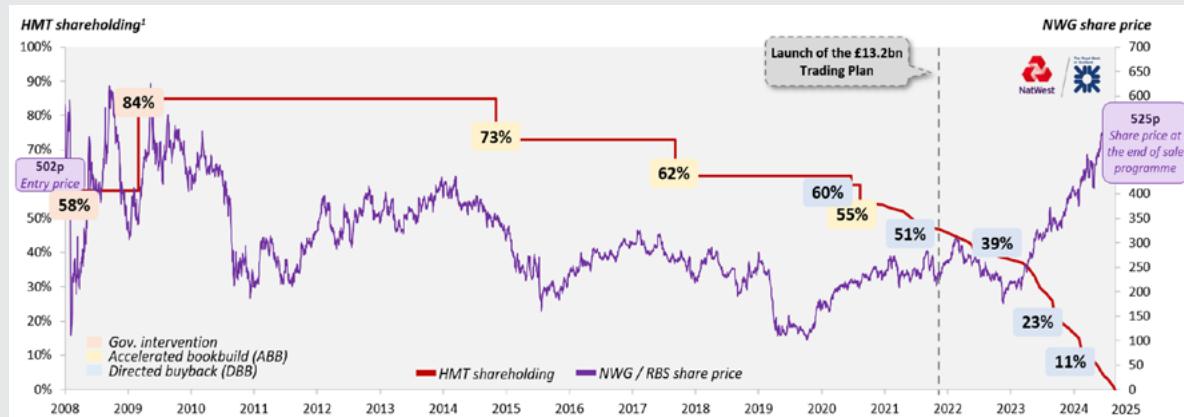
On 30 May 2025 the government sold its remaining shares in NatWest Group (NWG, previously Royal Bank of Scotland, RBS). This concluded nearly 17 years of the government being a shareholder in the bank and ended the public ownership of banks resulting from the 2007-2009 global financial crisis.

Over the course of 2008 and 2009, the government provided circa £45.5 billion to recapitalise RBS, taking HMT's ownership to a peak of 84.4% in 2009. This was done, as part of a series of interventions made by the government in the financial sector, to protect ordinary savers and businesses from the collapse of a bank that was vital to the functioning of the UK economy and financial system. UKGI, and its predecessor UK Financial Investments, was mandated by HMT to develop and execute a strategy for disposing of NWG shares in an orderly and active way, delivering value for money for the taxpayer.

UKGI, under mandate from HMT, managed the privatisation of NWG via three disposal methods including accelerated bookbuilds (ABBs), directed buybacks (DBBs) and the trading plan (TP). Sales were only conducted when market conditions allowed, and it represented value for money for the taxpayer to do so. In total, the government raised £24.8 billion in proceeds from sales of its shares in NWG. Also accounting for dividends and other fees, the government received a total of £35 billion in relation to its shareholding in NWG. This privatisation represented the largest ever global financial services monetisation programme.



Timeline of HMT's shareholding in NWG (formerly RBS) and share price performance



¹ Shown with reference to mandatory TR-1 public disclosures made at the crossing of an integer percentage point in the shareholding.

Public ownership of NWG was always intended to be temporary and returning NWG to the private sector was a longstanding objective for successive governments. However, the scale and complexity of NWG's restructuring programme, costs associated with delivering remedies required by the competition authorities and fines and compensation costs relating to past misconduct meant that it was not until 2017 that the bank was finally able to report a profit. Dividends to shareholders resumed the following year.

The government executed its first sale of shares in August 2015, following a UKGI commissioned Rothschild report providing an assessment of whether it was appropriate to start selling its stake. The Chancellor also sought advice from the Governor of the Bank of England. Ministers, informed by UKGI's advice, considered various disposal options and agreed to execute an accelerated bookbuild, which involved selling shares directly to institutional investors at a slight discount. This method was utilised on two other occasions, raising a total of £5.7 billion in proceeds.

After initial sales in 2015 and 2018, the disposal programme started to generate momentum in 2021, and the remaining ~62% stake was sold in just over four years. A significant milestone was reached in 2024, when the ownership dropped below 30% and HMT was no longer a "controlling" shareholder under the listing rules. In combination with a more favourable interest rate environment creating tailwinds for banks, this sparked interest from investors who were previously prevented or reluctant to own state-controlled enterprises. The last 30% was sold in just over a year.

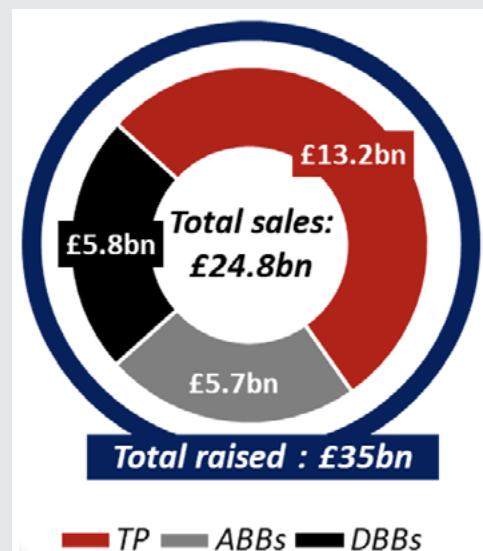
To maximise the proceeds that could be generated from the sell-down, whilst delivering value for money, UKGI worked towards accessing pools of demand beyond the standard ABBs used for secondary blocks. To this extent, UKGI worked with NWG to design and negotiate the DBB mechanism that allowed NWG to use excess capital to buy back shares from HMT. This resulted in five such transactions being executed since 2021, generating £5.8 billion in proceeds, at no discount to the market price.

Ultimately, 53.5% of sale proceeds were generated via the trading plan, which dribbled smaller amounts of shares into the market on a regular basis (subject to a floor price, volume cap and other parameters set by UKGI). This tool was successfully used in the sell-down of HMT's shareholding in Lloyds. For NWG, UKGI tailored and refined the plan and launched it when HMT still held ~55%.⁹

At Spring Budget 2024, the then Chancellor confirmed the government's intention to deliver a retail offer of NWG shares. To this extent, UKGI undertook significant preparations to support the retail share offer. However, after a general election was announced, delivery of the project was paused, and later the new Labour Chancellor confirmed that the retail share sale offer would not go ahead due to it not representing value for money to the taxpayer.

A core part of UKGI's work, besides the design and implementation of the sell-down strategy, was the fair value analysis, supported by our privatisation adviser, that underpinned the value for money case. Sales only took place when it represented value for money for taxpayers. We regularly conducted fair value assessments of the bank, with support from advisers, to determine a price per share above which it represented value for money for the government to sell at that point in time.

While HMT remained a shareholder, UKGI managed the shareholding on its behalf, at arm's length and on a commercial basis. We did not get involved in the day-to-day decision making of NWG and were not represented on the NWG Board, which is responsible for its strategic and management decisions. However, UKGI maintained an active stewardship role on behalf of HMT, acting as other institutional shareholders would act and engaging regularly with the NWG Board and senior management. This engagement was focused on ensuring that NWG's business strategies, performance, governance and risk-management processes were aligned, to protect and create value for the taxpayer. This approach is consistent with the best practice set out in the Stewardship Code. UKGI also advised ministers on the exercise of their voting rights at shareholder meetings.



⁹ Includes total sales proceeds, dividends and other fees as a result of HMT's shareholding.

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

At UKGI we perform the Shareholder Representative role for 26 organisations on behalf of the following nine government departments:

 HM Treasury	 Department for Business & Trade	 Department for Culture, Media & Sport
 Department for Energy Security & Net Zero	 Ministry of Defence	 Ministry of Housing, Communities & Local Government
 Department for Transport	 Department for Science, Innovation & Technology	 Cabinet Office

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.

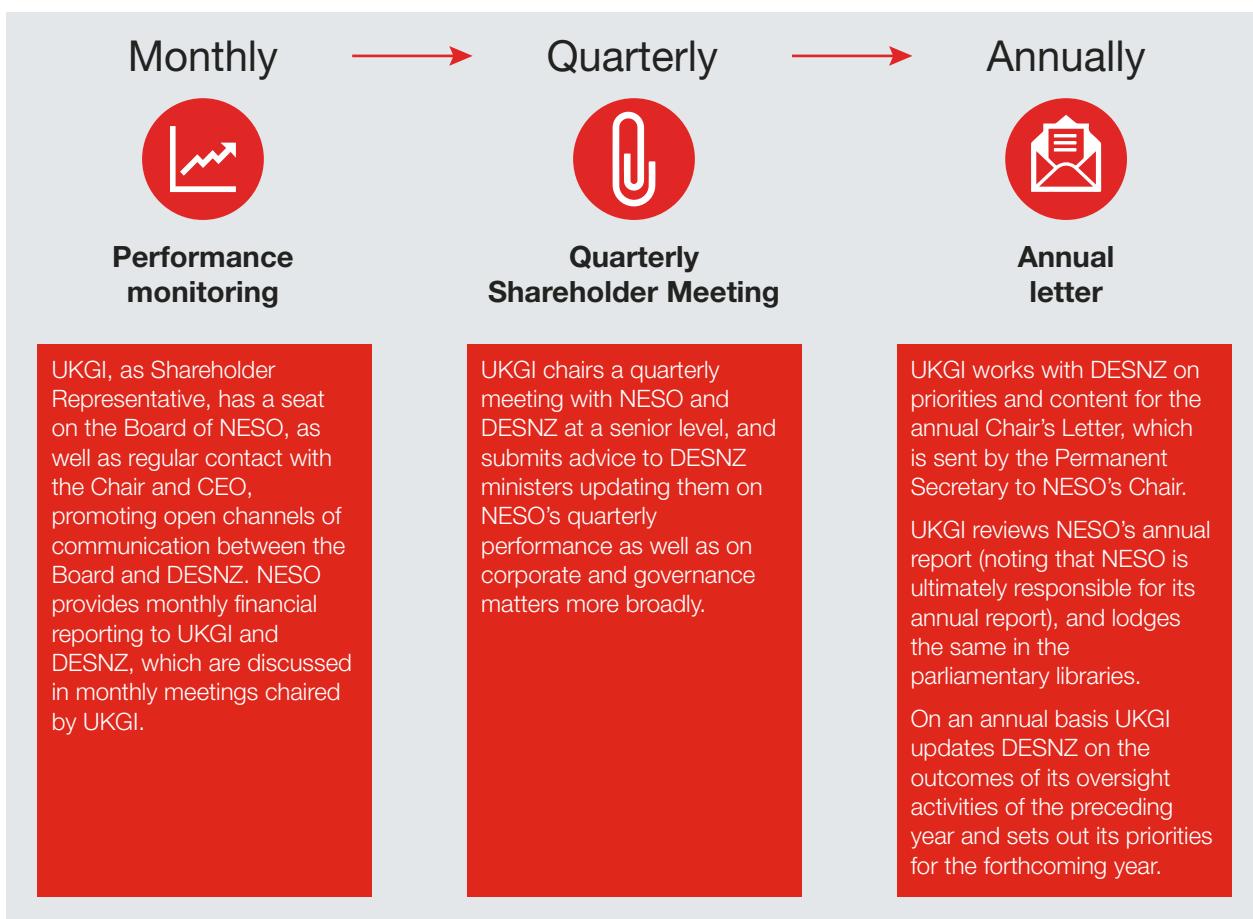
As well as maintaining strong functional working level relationships with Clients, UKGI Shareholder Teams provide regular reports (quarterly or biannual, for most UKGI organisations) to senior departmental personnel, often at the permanent secretary level. Reports give a qualitative UKGI view of the organisation, and any concerns UKGI has. Figure 10 demonstrates our communication with The Department for Energy Security and Net Zero (DESNZ)

in relation to the National Energy System Operator (NESO).

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 and performance of UKGI. For example, for 2024/25, our Chair and Chief Executive gained feedback in-person from Client Departments owning over 90% of our Portfolio. The UKGI Chief Executive met with the Permanent Secretary and 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 2024/25 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 10: UKGI reporting to DESNZ on the performance of the National Energy System Operator



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- arm's length body (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 NED. UKGI sees the UKGI Shareholder Representative NED as an important lever in performing our role. The UKGI Shareholder Representative NED 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 NEDs can be found on page 20.

UKGI encourages the UKGI Shareholder Representative NEDs 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 NED 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.

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. Sustainability 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 (as relevant to the Asset).

UKGI, as part of its corporate governance role, supports Shareholder Teams to monitor the non-financial impact of organisations within the Portfolio. This is done either through performance monitoring of non-financial information, or looking at specific sustainability issues within the Asset.

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 to provide best practice corporate governance.

Where material or part of the policy mandate, organisations in our Portfolio

are encouraged to embed environmental risks and opportunities in their strategy and business plan with robust Board oversight. This should also be in line with the requirements of the Task Force on Climate-Related Financial Disclosures (TCFD) as implemented for central government ALBs.

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. The Working Group met three times during 2024/25 to consider topical areas including regulatory and reporting updates on the Task Force on Climate-related Financial Disclosures and sustainability reporting in a government context, the work underway to embed blended finance models into the Spending Review and beyond, and reflections from COP 29.

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 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 NEDs to better support and challenge our

organisations to improve environmentally and meet their legal and regulatory requirements. In addition, we facilitated a discussion across Nuclear Industry Shareholder Teams to share current opportunities and challenges in raising environmental issues.

Social

Culture

We are continuing to work to take an increasingly systematic approach in supporting our organisations to promote cultural issues within their organisations.

The importance of supporting 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 NEDs can share expertise and draw on mentoring and coaching to help navigate issues of culture in their organisations. We also support UKGI Shareholder Teams to 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 2024/25, 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. 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. We also use this information to identify key challenges in how culture is monitored and addressed at Board level, and to highlight how culture is shaped by the unique circumstances and dynamics of individual Assets within the Portfolio.

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 27-28 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.

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 page 21) 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 where

appropriate, 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. We appreciate the need for our Portfolio to operate within a public sector context but also be sufficiently competitive to attract and retain talent.

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.

During the year we offered colleagues bespoke cyber security training for boards and NEDs. We shared resources on managing cyber incidents as well as technical initiatives to mitigate cyber risk. We also have regular communication in place to discuss cyber related insights and governance developments.

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 2024/25 UKGI supported the appointment, re-appointment or extension of 42 Board members, including committee and Board 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 24-25). In the former situation, UKGI works as a critical friend of the Board to ensure that the process and approach align as far as practicable with the practice defined in both the UK Corporate Governance Code and the Governance Code for Public Appointments. We seek to ensure that appointments are made following an open and fair competition and that the UKGI Shareholder Representative NED 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 developed guidance for our ‘Independent Panel Members’ to ensure shared clarity about their role and responsibilities. We have also reviewed our approach to referencing with the aim of baselining against best practice across the public and private sector. There has been a continued improvement of appointments related skills and awareness which has enabled greater efficiency in delivering effective and compliant appointments, as well as an expansion of the UKGI central

appointments team to support this. We have also begun to explore how to maximise the use of Artificial intelligence in aiding our practice.

Finally, we continued to explore how to improve the diversity of Boards across our Portfolio. Our focus over the year was to build the networks necessary to enable us to deliver an effective outreach programme in 25/26.

Case study: Tata Steel UK – supporting the transformation to a greener steelmaking process



As part of an objective to transform production and move towards a more sustainable and greener steel making process, UKGI’s Special Situations Group (SSG) helped to negotiate a £500 million total grant package to support the transformation of the Port Talbot steelworks site.

The Special Situations Group formed part of the direct engagement team with Tata Steel and the Department for Business and Trade, helping to understand the viability of the company’s business plan. This plan centred around the construction of a new Electric Arc Furnace to replace the blast furnaces, delivering greener steel, using electricity (potentially from renewable sources) instead of coal and gas, plus recycling scrap steel to feed the furnace – reducing the UK’s entire carbon emissions by around 1.5%.

As part of this work, SSG helped to construct a framework of conditions around the grant to help ensure it can deliver government’s objectives, support the local area, meet value for money requirements, and ultimately protect the taxpayer.

Given the importance to government of the environmental and social objectives, the SSG steel team worked to structure the funding in a way that was best placed to deliver them. This included allocating capital funding for the construction of the Electric Arc Furnace, paid in arrears against agreed milestones, and reimbursing Tata Steel UK for approved capital expenditure upon completion of specific project stages. In respect of the reduced workforce required by the transformation, ministers were keen to make sure that the best possible package achievable was agreed to ease the social and local impacts of the transformation. This included, for example, the establishment of a £100 million Transition Board, chaired by the Secretary of State for Wales and including representatives from Welsh government, local authorities and industry, which is investing in skills and regeneration programmes to support the people, businesses and communities directly affected; and agreement with Tata of their most generous voluntary redundancy package ever for a restructure of this size.

Case study: Reclaim Fund Ltd – UK Dormant Assets Scheme reaches £1 billion milestone



Reclaim Fund Ltd (RFL) operates the UK Dormant Assets Scheme ('the Scheme'), unlocking dormant financial assets for distribution to good causes nationwide. The Scheme supports material environmental, social, and governance priorities across the UK. UKGI, acting as Shareholder Representative, provides oversight of RFL to help ensure it delivers lasting public benefit in line with ESG objectives.

RFL is a not-for-profit public body owned by HM Treasury responsible for managing the Scheme. The Scheme enables participating banks, building societies, and other financial institutions to transfer eligible dormant assets to RFL, which then distributes surplus funds to vital social and environmental initiatives across the UK via the National Lottery Community Fund. UKGI acts as Shareholder Representative, supporting RFL's governance and performance, to promote strategic alignment with government policy.

Since its inception in 2011, the UK Dormant Assets Scheme has enabled the transfer of dormant assets from over 50 financial institutions to RFL for the benefit of communities across the UK. This year, the Scheme reached the landmark of £1 billion distributed to good causes. This funding has supported more than 2,500 charities and social enterprises, helping to tackle youth unemployment, advance financial inclusion, address climate change, and promote community development.

The Scheme expanded in 2022 to include assets from insurance, pensions, investments, and securities, increasing its capacity to unlock further funding for social and environmental initiatives. The positive effects of this funding are evident in community projects across the UK, which demonstrate how dormant assets can be repurposed to transform lives and strengthen communities.

RFL's delivery of the Dormant Assets Scheme exemplifies the positive social and environmental outcomes that can be achieved through effective stewardship of public assets. RFL's operational expertise, robust governance and risk management ensure that the Scheme operates transparently and prudently, safeguarding the interests of beneficiaries across society, channelling dormant assets to where they can have the greatest impact. UKGI supports RFL in maintaining high standards of accountability and effectiveness, helping the Scheme to deliver on its objectives and adapt to new opportunities.



Image courtesy of Reclaim Fund Limited

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 Representative 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 government 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 IT Inquiry (“the Inquiry”). Since our last Stewardship Code

submission we have provided significant evidence to the Inquiry reflecting on our role, including by way of three corporate witness statements and detailed closing submissions outlining preliminary lessons learned and the enhancements we have made as an organisation. With the Inquiry hearings now at a close, we look forward to receiving the chairman's final report and any recommendations he makes. We stand ready to learn any further lessons relevant for UKGI lines of assurance.

Our first line of assurance is ensuring that each arm's length body (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 41-42, 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 2023/24, 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 2024/25, GIAA audits covered Payroll, Functional Standards, and Workforce Planning and Financial Forecasting, providing assurance over key areas including people, financial, and process controls across HR, Finance, and all business units. 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 42), the team alongside the Appointments and Remuneration Team, continued to run extended Portfolio Reviews which were first introduced in 2023/24. These 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 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 here¹⁰. 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

10 UKGI Annual Report and Accounts 2024/25: <https://www.ukgi.org.uk/download/6551>

(CG&PM) Programme was last built into the internal audit plan in 2023/24.

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 pages 21 and 75, 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 our Assets 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 confirm 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; and
- 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. In line with the Financial Reporting Council’s Governance Code best practice, an externally delivered Board Effectiveness Review will be conducted

in 2025/26. In November 2024, an internally facilitated Board Effectiveness Review was performed by the company secretary function. No material issues were noted, and recommendations focused on the continuous improvement of the effectiveness of the Board.

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 Financial 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 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 2025 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 2025.

Glossary of terms

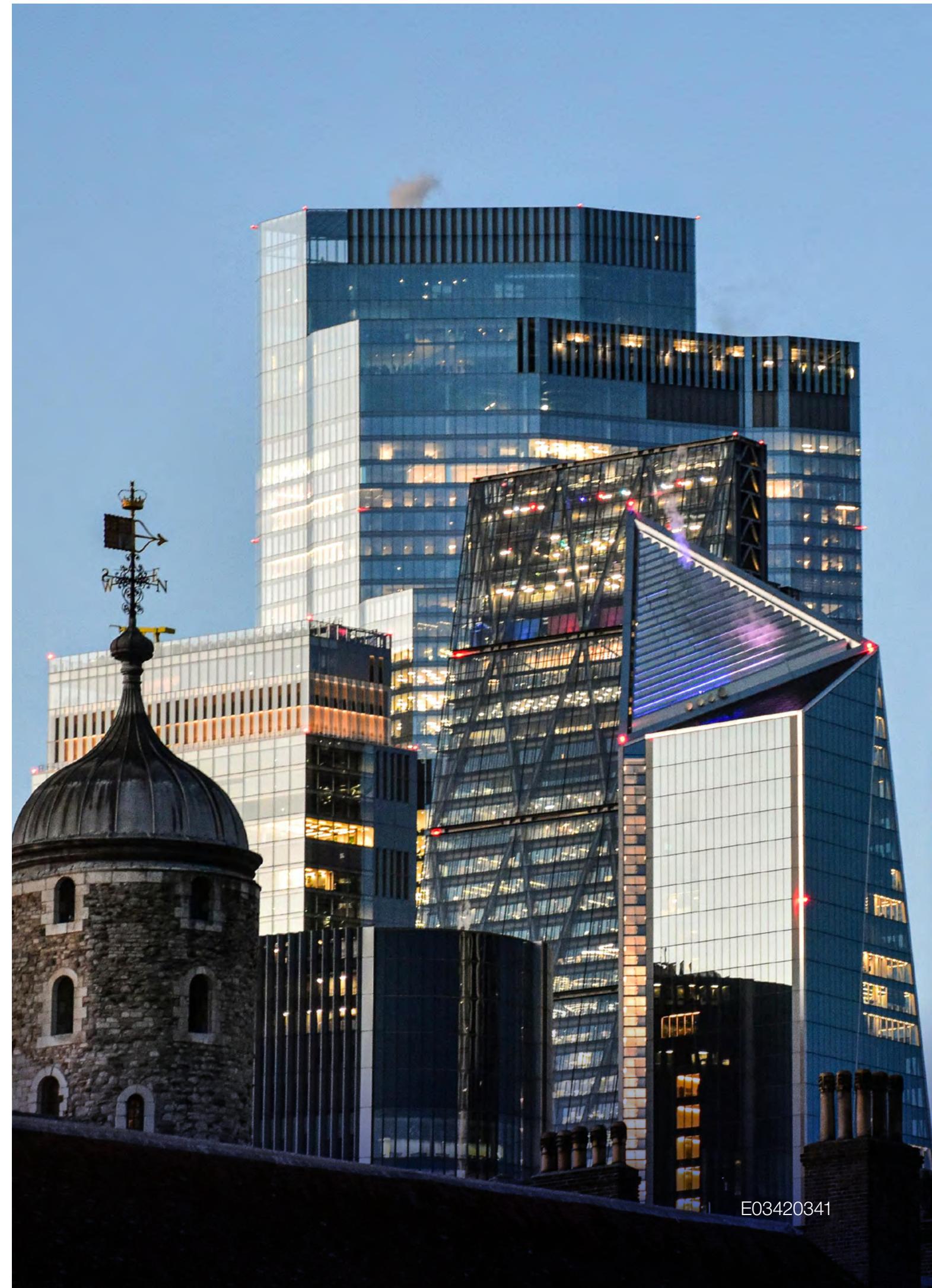
Accounting Officer	The person in a public sector organisation who Parliament calls to account for stewardship of its resources (usually its most senior official)
ALB(s)	Arm's Length Body/Bodies
ARC	UK Government Investments' Audit and Risk Committee
BBB	British Business Bank
Business Plan	An annual or 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
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
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

FInTAG	UK Government Investments' Financial Instruments and Transactions Advisory Group
FRC	Financial Reporting Council
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	Non-Executive Directors
NNL	National Nuclear Laboratory
NWF	National Wealth Fund
NWG	NatWest Group plc
OECD	Organisation for Economic Co-operation and Development
OpCo	UKGI's Operations Sub-Committee
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
Shareholder Representative	The role performed by UKGI on behalf of an organisation within the Portfolio

Shareholder Representative NED	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)
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: Nuclear Decommissioning Authority
- Principle 2: The Royal Mint
- Principle 3: Atomic Weapons Establishment
- Principle 4: National Energy System Operator
- Principle 5: URENCO
- Principle 6: National Wealth Fund



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