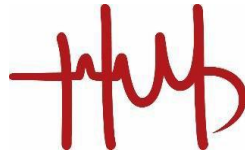




Llywodraeth Cymru  
Welsh Government



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Life Sciences Hub | Wales

# Life Sciences Hub Wales Ltd INTERIM FRAMEWORK DOCUMENT

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Effective from  
1st April 2019 – 31st March 2020

## Summary

<b>Summary</b>	Life Sciences Hub Framework Document
<b>Version</b>	6 (Final)
<b>Date</b>	24/09/19
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1.1	02/2019			
2 & 3	03/2019	Hub Feedback incorporated	Hub	A Penny Evans
4	04/2019	Health feedback incorporated	Health	Jason Lintern
4	05/2019	Taking account of comments from Welsh Government Compliance Department	WG Life Sciences Team / HSS	A Penny Evans / Jason Lintern
5	05/2019	Hub Feedback incorporated	HSS	Gemma Bafico/ Jason Lintern
5	09/2019	Taking account of comments from Welsh Government Commercial Legal Services and the LSHW Board	HSS	Jason Lintern / Gemma Bafico

## Governance Control

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<b>Senior Responsible Officer</b>	Ifan Evans
<b>Commercial Legal Services Review</b>	Charlotte Cheetham
<b>LSHW Governance</b>	Gemma Bafico

# The Welsh Ministers, Acting Through The Welsh Government And Life Sciences Hub Wales Ltd Framework Document

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- Annex 1 Governing Principles defining relations between Arm's Length Bodies and the Welsh Government
- Annex 2 Planning and Reporting Timetable
- Annex 3 List of Government-Wide Corporate Guidance and Instructions
- Annex 4 Reward and Remuneration Protocol – (tbc)
- Annex 5 Schedule of Delegated Authorities / Interim Public Bodies Calling-in Arrangements
- Annex 6 Articles of Association (Draft)

## 1. Interpretation

### 1.1 Any reference in this document to:

**LSHW** or the **Company** is to Life Sciences Hub Wales Ltd, 2<sup>nd</sup> Floor, 3 Assembly Square, Cardiff Bay, CF10 4PL. Company number 08719645.

**The Welsh Ministers<sup>1</sup>**: is the main decision-making body of the Welsh Government. They are appointed by the First Minister of Wales and, together with a Counsel General, serve as the Cabinet. The Welsh Ministers are accountable to the National Assembly for Wales which is the legislative body in Wales.

**The Minister**: is the Minister for Health and Social Services who the First Minister of Wales has allocated primary responsibility for oversight of the Company (see **section 3.3.1**).

**Welsh Government Civil Service**: is the non-political administration which supports the Welsh Ministers and is led by the Permanent Secretary. The Welsh Government Civil Service is accountable to the First Minister and the Welsh Ministers. It supports the Welsh Ministers in delivering the Programme for Government.

**Sponsor Team**: is part of the Minister's portfolio and acts as the sponsor team for the Company.

## 2. Introduction and Overarching Principles Governing the Relationship Between the Welsh Ministers and the Life Sciences Hub Wales

2.1 This interim Framework Document sets out the broad framework within which the **Company** operates, details the terms and conditions under which the Welsh Ministers may provide resources to the Company, and defines the roles and responsibilities of the Welsh Ministers and the Company as well as the relationship between them. The Company's articles of association govern the day-to-day management of the Company.

2.2 Payment of funding is conditional upon the satisfactory performance by the Company of all its obligations as set out in this interim Framework document, and such other conditions and requirements the First Minister may, in accordance with sections 70 and 71(1) of the Government for Wales Act 2006, the Minister for Health and Social Services, one of the Ministers, acting pursuant to functions conferred by sections 58A and 60(1)(a) of the Government of Wales Act 2006, may from time to time impose.

2.3 The Welsh Ministers have a range of functions which will continue to accrue and be amended and decisions in relation to each such function are obliged to

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<sup>1</sup> The powers and functions under which LSHW operate originated from the Welsh Development Agency Act 1975 are exercisable by the Welsh Ministers in accordance with paragraph 30, schedule 11 of the Government of Wales Act 2006

be taken in the light of all relevant, and to the exclusion of all irrelevant, considerations. Nothing contained or implied in, or arising under or in connection with, this interim Framework document will in any way prejudice, fetter or affect the functions of the Welsh Ministers or any of them nor oblige the Welsh Ministers or any of them to exercise, or refrain from exercising, any of their functions in a particular way. Any reference in this document to any legislation whether domestic, EU or international law will include all amendments to and substitutions and re-enactments of that legislation in force from time to time.

- 2.4** This interim Framework Document shall be reviewed early 2020 by the Welsh Government and LSHW jointly. The Welsh Government may propose amendments to this interim Framework Document at any time and the Welsh Government, having appropriately consulted with the Company, shall decide what changes are to be implemented. This interim Framework Document has been signed and dated by the Welsh Government Additional Accounting Officer, Director General, Health and Social Services Group and by the Chief Executive Officer of LSHW (the Company).
- 2.5** The principal purpose of the Company is to further the health, economic and social development of Wales, as set out in its Articles of Association (**Annex 6**).
- 2.6** The interim strategy and activities of the Company will be based on the contents of its Business Planning Framework – that is the Remit Letter, 5 year Operational Plan and Annual Business Plans (see **paragraphs 4.3.1 to 4.3.7**). In which the Company must set out how it will achieve its strategic objectives.
- 2.7** The requirements of this interim Framework document apply to the finance provided to the Company by the Welsh Government for the purposes outlined in this document. Where finance is provided by Welsh Government under a separate contract and for different purposes, the terms under that contract will apply provided they are not in conflict with **paragraphs 2.2 and 2.3**. Any potential conflict must be managed effectively and in line with the guidance set out in ‘*Managing Welsh Public Money*’.
- 2.8** The Welsh Ministers routine oversight of the Company shall be carried out by means of the strategic oversight meetings and reporting systems referred to in this interim Framework document.
- 2.9** The Welsh Government and the Company have agreed the relationship between them will be based on the *Governing Principles Defining Relations between Arm’s Length Bodies and the Welsh Government* (**Annex 1**). The Welsh Ministers are the Guarantor Member of the Company, but the day to day relationship with the Company will be overseen by the Sponsor Team.
- 2.10** The Company will:
- (a) ensure, in carrying out its functions, it complies with the following governance principles applicable to public service organisations funded by Welsh Government:

- putting the Citizen First;
- knowing Who does What and Why;
- engaging with Others;
- living Public Service Values;
- fostering Innovative Delivery;
- being a Learning Organisation;
- achieving Value for Money; and

(b) establish and publish in its Operational Plan the well-being objectives of the Company for the purpose of maximising its contribution to achieving the seven (7) well-being goals set out in the Well-being of Future Generations (Wales) Act (2015). The Company must show progress year on year towards the achievement of these goals.

### **3. Governance and Accountability**

#### **3.1 Powers and Duties**

3.1.1 The Company operates pursuant to the powers and functions provided by section 1 of the Welsh Development Agency Act 1975 (as amended)<sup>2</sup> together with section 60(1)(a) of the Government of Wales Act 2006. The section 60(1)(a) powers are powers of the Welsh Ministers to do anything they consider appropriate to achieve the promotion of improvement of the economic well-being of Wales.

3.1.2 In terms of its relationship with Welsh Government some of the Company's activities will be covered under the "Teckal" principles incorporated into the Public Contracts Regulations 2015. The Company shall ensure it complies with these Regulations to the extent applicable to it.

3.1.3 The Company (registered in England and Wales under company number 08719645) is a company limited by guarantee and wholly owned by the Welsh Ministers. It must undertake its activities in accordance with:

- its objects as specified in its articles of association;
- all applicable laws and regulations;
- the terms of any relevant State Aid approvals;
- the remit letter;
- the operational plan as approved by the Welsh Ministers; and

<sup>2</sup> On 1 April 2006, the Welsh Development Agency (the "Agency") was merged into the National Assembly for Wales (the "Assembly") by virtue of The Welsh Development (Transfer of Functions to the National Assembly for Wales and Abolition) Order 2005, and the rights and obligations of the Agency were thereby transferred to the Assembly by operation of law. Section 45(1) of the Government of Wales Act 2006 subsequently created the Welsh Assembly Government; the members of which were the First Minister, the Welsh Ministers appointed under section 48, the Counsel General to the Welsh Assembly Government, and the Deputy Welsh Ministers. On 26 May 2007, by virtue of section 162 and paragraphs 38 and 39 to Schedule 11 of the Government of Wales Act 2006, all executive functions of the Assembly, together with any property, rights and liabilities connected to those functions, were transferred to the Welsh Ministers.



- the principles, rules and guidance in *Managing Welsh Public Money*.

### **3.2 Strategic Oversight by Welsh Ministers**

- 3.2.1 Strategic oversight of the Company is provided to Ministers by the Sponsor team at a minimum Deputy Director level.
- 3.2.2 The Welsh Ministers may, from time to time, carry out a review (or policy review) of the LSHW as they consider appropriate. Before commencing any such review, Welsh Ministers will appropriately consult the Board.

### **3.3 Roles and Responsibilities**

#### **Ministerial Responsibility**

- 3.3.1 The First Minister has allocated primary responsibility for the oversight of the Company to the Minister for Health and Social Services. The Minister generally exercises the functions of the Welsh Ministers in relation to the Company and is ultimately accountable to the National Assembly for Wales for the activities of the Company and its use of resources. The Minister is not responsible for day-to-day operational matters, which are the Company's responsibility.
- 3.3.2 Certain areas of the Company's activities fall within the areas of responsibilities held by other Ministers, and they will engage accordingly with respect to their portfolios and policy objectives. The Minister for Health and Social Services sets the policy framework for the Company is to meet the Chair of the Company each year to review performance and discuss current and future activities.
- 3.3.3 The Minister's responsibilities include:
- Agreeing the Company's strategic objectives and aims and key targets; and
  - Agreeing the budget to be paid to the Company, and securing the necessary approvals from the National Assembly for Wales.
- 3.3.4 The Minister may, where appropriate, act through officials in the Welsh Government in carrying out these responsibilities.

#### **Accountabilities and Responsibilities of the Principal Accounting Officer**

- 3.3.5 The Principal Accounting Officer (PAO) for the Welsh Ministers is the Permanent Secretary to the Welsh Government. The Principal Accounting Officer has responsibilities specified by HM Treasury and is accountable to the National Assembly for Wales (through the National Assembly's Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts) for:

- the regularity and propriety of the Welsh Government's finances;
- the keeping of proper accounts of the Welsh Ministers; and
- the effective and efficient use of resources voted to the Company under the Welsh Government's Annual Budget Motion.

3.3.6 The PAO is also responsible for ensuring the financial and other management controls applied across the Welsh Government are appropriate and sufficient to safeguard public funds.

#### **Accountabilities and Responsibilities of the Lead Sponsor's Additional Accounting Officer**

3.3.7 The Principal Accounting Officer is assisted in these duties by the Director General for Health and Social Services, who they have designated as the Additional Accounting Officer (**AAO**) and to whom they have delegated responsibility for the Division within which the Company's sponsorship team sit.

3.3.8 The AAO has a responsibility to support the PAO in ensuring that:

- a) the financial and other management controls applied by the Welsh Government are appropriate and sufficient to safeguard public funds and, more generally, those applied by the Company conform with the requirements both of propriety and of good financial management;
- b) there is an adequate statement of the financial relationship between the Welsh Government and the Company (i.e. this interim Framework document) and this statement is reviewed regularly; and
- c) the conditions attached to the resources or grant-in-aid awarded conform to the terms of the Budget and that arrangements are in place to monitor compliance with those conditions by the Company.

3.3.9 The AAO is also responsible for advising the Minister on:

- appropriate strategic objectives and targets for the Company in the light of the HSS Group's wider strategic aims and key delivery and performance indicators.
- an appropriate budget for the Company in the light of the Sponsor Team's overall spending priorities; and
- how well the Company is achieving its strategic objectives within the policy and resources framework determined by the Minister, and whether it is delivering value for money.

3.3.10 The AAO is responsible for ensuring arrangements are in place to:

- monitor the Company's activities and its financial position through regular meetings and returns;

- address significant problems within the Company, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the Welsh Government's and the Company's objectives and activities;
- inform the Company of relevant government policy in a timely manner;
- bring to the attention of the Company's full Board any concerns about the activities of the Company, requiring explanations and assurances remedial action will be taken; and
- designate the Chief Executive of the Company as its Accounting Officer.

3.3.11 The AAO must ensure appropriate oversight arrangements are in place.

### **Sponsor Team**

3.3.12 The AAO delegates responsibility for the day to day management of relations between the Welsh Government and the Company to the Deputy Director who heads the Sponsor Team.

3.3.13 The Deputy Director leads the sponsor team within the Welsh Government and is to work closely with the Company's Chief Executive and be answerable to the AAO. They are also the primary source of advice to the Welsh Ministers on the discharge of their responsibilities in respect of the Company.

3.3.14 The role of the Sponsor Team includes providing a policy framework, which is driven by the prevailing Programme for Government. It specifies the role of the Company in contributing to that policy framework and informs and explains wider policy developments which might impact on the Company.

3.3.15 The Sponsor Team specific responsibilities include:

- (i) overseeing the provision of funding from Welsh Government to the Company as it considers appropriate having reviewed the Company's Operational Plan for 2019-24 which incorporates its annual business plan for 2019-20;
- (ii) without prejudice to the financial duties of the Company, its Board and employees, to satisfy itself, for its own purposes, the financial and other management controls applied by the Company in its use of Welsh Ministers' funds are appropriate and sufficient;
- (iii) for liaising with the Company to review its financial performance against its Operational Plan and achievement against 2019-20 targets.

3.3.16 The normal point of contact for the Company in dealing with the Welsh Government is the Sponsor Team, notwithstanding other Welsh Government departments will also have a working relationship with the Company.

## **Accountabilities and Responsibilities of the Chief Executive Officer as Accounting Officer of the Company**

3.3.17 The Company's Chief Executive Officer reports to the Board of the Company. The Chief Executive Officer is responsible as the Accounting Officer for the Company as set out in '*Managing Welsh Public Money*'. As Accounting Officer, the Chief Executive Officer is personally responsible for the proper stewardship of the public funds for which they have charge; for the day-to-day operations and management of the Company; and for ensuring compliance with the requirements of '*Managing Welsh Public Money*'.

3.3.18 The Chief Executive Officer may be assisted in the exercise of their role by employees of the Company. The Chief Executive Officer may also delegate the day-to-day administration of these responsibilities to those employees but remains responsible and accountable to the Permanent Secretary as Principle Accounting Officer for the Welsh Government.

3.3.19 The Board must be fully aware of and have regard to the responsibilities placed upon the Chief Executive Officer as AO.

## **Responsibilities of the Chief Executive to the Welsh Ministers and to the Board of the Company**

3.3.20 The Chief Executive Officer of the Company is accountable to the Welsh Ministers via the Company Board for the following:

- signing the company's accounts and ensuring proper records are kept relating to the accounts;
- ensuring the accounts are prepared and presented in accordance with this Agreement and any other directions issued from the Welsh Ministers;
- signing a statement of responsibilities for inclusion in the accounts;
- signing a Governance Statement for inclusion into the accounts;
- supporting the Director Generals for HSS, ESNR and EPS to give evidence on matters relating to the Company which arise before the National Assembly's Public Accounts Committee, other committees of the National Assembly, the House of Commons Committee on Public Accounts or other Parliamentary Committees, to account for the Company's stewardship of public resources; and
- acting upon recommendations of those Committees which have been accepted by the Welsh Government.

## **Responsibilities in respect of the Sponsor Team**

3.3.21 The Chief Executive Officer of the Company is accountable to the Sponsor Team (acting on behalf of Welsh Ministers) for the following:

- establishing, in agreement with the Sponsor Team, the Life Sciences Hub Wales Operational Plan and Annual Business Plan;

- informing the Sponsor team of progress in achieving the objectives of the Company's Plans (that is, the Company's Operational Plan for 2019-24 which incorporates its annual business plan for 2019- 20), and demonstrating how resources are being used to achieve those objectives;
- ensuring timely forecasts and monitoring information on performance and finance are provided to the Sponsor Team;
- the Sponsor Team is notified promptly if overspends or under spends are likely, and corrective action is taken;
- ensuring significant problems are notified to the Sponsor Team as quickly as possible; and
- providing the Sponsor Team with such information about its performance and expenditure as it may reasonably require.

### **Responsibilities in respect of Life Sciences Hub Wales Board**

3.3.22 The Chief Executive Officer is the Board's principal adviser on the discharge of its functions and is accountable to the Board. The Chief Executive Officer's role is to provide operational leadership to the Company and ensure that the Board's aims and objectives are met and the Company's functions are delivered and targets met. The accounting officer in an organisation should be supported by a Board structured in line with the *Corporate Governance Code*.

3.3.23 They are also responsible for:

- advising the Board on the discharge of its responsibilities as set out in this interim Framework document, relevant law, the Minister's remit letter or other communication to the Company; and any other guidance that may issue from time to time;
- advising the Board on the Company's performance against its aims and objectives;
- ensuring financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and suitable financial appraisal techniques are followed;
- ensuring a system of good corporate governance and assurance in line with the principles of the [Corporate Governance Code for Central Government Departments](#), the [Corporate Governance Code](#), or the [Charity Governance Code](#), as applicable.
- ensuring a system of risk management is maintained to inform decisions on financial and operational planning, and to assist in achieving objectives and targets;
- ensuring robust internal management and financial controls are introduced, maintained and reviewed regularly, including measures to protect against fraud and theft (such measures to incorporate a comprehensive system of internal delegated authorities);
- ensuring there are procedures for handling complaints about the Company;

- ensuring there are policies and procedures for personnel management and that these are maintained and made readily available to all staff; and
- taking action as appropriate if the board or its Chair is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity; does not represent prudent or economical administration, or efficiency or effectiveness; is of questionable feasibility or is unethical.

3.3.24 The Chief Executive is responsible for ensuring the operation of ethical standards of employment, with fair work at the core of its service delivery.

3.3.25 The Chief Executive is responsible for decisions around staffing within the Company. This includes policies covering staff terms and conditions; offering a pension scheme; and ensuring robust, appropriate and fair job evaluation and recruitment practices are followed. However, Welsh Government should be notified of specific change proposals, including redundancy arrangements – please see **Annex 5** for detail.

3.3.26 The Chief Executive is also responsible for ensuring remuneration aligns to Welsh Government public sector pay principles. All pay changes should be notified to and agreed by the Welsh Government's Head of Pay and Remuneration – please see **Annex 5**. Any proposals to make changes outside the pay principles must be agreed by Ministers.

3.3.27 The Chief Executive is also responsible for handling cases involving the Public Service Ombudsman for Wales.

#### **The LSHW Board of Directors (*The Board*)**

3.3.28 The Welsh Ministers will have access to all of the Company's Board papers and may attend board meetings or delegate this responsibility to an observer [appointed in accordance with the Company's articles of association]. For the avoidance of doubt, the WG observer will play no part in the decision-making process of the Board. The Company should also highlight any novel, contentious, repercussive or difficult issues to be addressed at the Board meeting to the sponsor team, prior to the meeting.

3.3.29 The Directors of LSHW are appointed in accordance with the Companies Act 2006 and the Articles of Association of the Company.

3.3.30 The Chair and Board members are appointed for a period of 3 years by the Minister. Where these are regulated appointments, they are to be made in accordance with the Commissioner for Public Appointments' [code of practice](#).

3.3.31 The role of the LSHW Board is to:

- provide effective leadership to the Company; defining and developing strategic direction and setting challenging objectives;

- establishing and taking forward the strategic aims and objectives of the Company consistent with its overall purpose and within the policy and resources framework determined by the Minister;
- ensure that the Minister and sponsor team are kept fully informed of any changes that are likely to impact on the strategic direction of the Company or on the attainability of its targets, and of steps needed to deal with such changes;
- promote high standards of public finance, upholding the principles of regularity, propriety and value for money;
- ensure the Company's activities are conducted efficiently and effectively;
- monitor performance to ensure the Company meets its aims, objectives and performance targets;
- ensure the Company considers equality of opportunity when approving policies and making decisions;
- ensure strategies are developed for meeting the Company's objectives in accordance with the policies and priorities established by the Company in conjunction with the Welsh Ministers and other relevant stakeholders, for example employees, customers and funding providers;
- ensure the Company's banking arrangements are adequate for its purposes;
- ensure effective arrangements are in place to provide assurance on risk management, including information security, governance, internal audit, external audit and internal control in accordance with applicable statutory and regulatory requirements and, where relevant, Codes of Practice or other guidance relevant to the sector; and
- promote the Nolan principles of public life: selflessness, integrity, objectivity, accountability, openness, honest and leadership.

### 3.3.32 The Board is also responsible for:

- ensuring compliance with any statutory or administrative requirements in respect of the use of public funds;
- that the Company operates within the limits of its authority and any delegated authority agreed with the sponsor team, and in accordance with any other conditions relating to the use of public funds;
- ensuring that, in reaching decisions, the Company takes into account guidance issued by the Welsh Government;
- ensuring it receives and reviews regularly financial information concerning the management of the Company;

- ensuring the Minister is informed in a timely manner about any concerns about the Company's activities, including activities that might affect the future level of resources required, and any policy or practice changes that may have wide financial implications; and
- taking appropriate remedial action to address any such concerns or changes with wide financial implications, and providing positive assurances to the Minister via the sponsor team about the same.

3.3.33 To do this, the Board must ensure effective arrangements are in place to provide assurance on risk management, governance and internal control. It must establish an Audit Committee chaired by a non-executive member (but not the Chair) to provide it with independent advice. The Board must assure itself of the effectiveness of the internal control and risk management systems.

3.3.34 The personal responsibility of the Chief Executive Officer as AO is to ensure regularity, propriety and value for money in no way detracts from the duties of the Board members, who each have a duty to act in a way that promotes high standards of public finance, and to ensure the Company's activities are conducted in an efficient and effective manner. The Board must not give the Chief Executive Officer any instructions which conflict with their duties as the Company's AO.

3.3.35 The Board is also responsible for:

- appointing a Board member as the Senior Information Risk Owner (SIRO) with responsibility for ensuring that information assets and risks within the organisation are managed as a business process rather than as a technical issue. The SIRO will ensure that information risks which affect business objectives are highlighted to the Board and addressed; and
- ensuring independent certification of information security arrangements.

3.3.36 To the extent permitted by the relevant Act the Board may delegate responsibility for the administration of day-to-day management issues to staff but it remains ultimately responsible and accountable for all those matters. The Company must maintain a list of matters reserved for decision by its Board, as well as the framework of delegations approved by the Board.

### **The Chair's Personal Responsibilities**

3.3.37 The Chair of the Company shall report to the Welsh Government, via the Company's Annual General Meeting (AGM). The Welsh Ministers shall, through the Welsh Government, be represented at the AGM by the Director General for Health and Social Services or their proxy.

3.3.38 The Chair is accountable to the Minister and may also be held to account by the National Assembly for Wales. Communications between the Board and



the Minister must, in the normal course of business, be conducted through the Chair. The Chair must ensure other Board members are kept informed of all such communications.

3.3.38 The Chair and Board must act in an open and transparent way and must publish agendas and minutes on its website.

3.3.39 The Chair is responsible for ensuring the Board's policies and actions support the Minister's wider strategic policies, and the Company's affairs are conducted with probity. Where appropriate, the Chair must make arrangements to communicate and disseminate these policies and actions throughout the Company.

3.3.40 The Chair has particular leadership responsibility for:

- formulating the Board's strategies;
- ensuring the Board, in reaching decisions, takes proper account of applicable statutory and financial management requirements and all relevant guidance including any relevant guidance provided by the Welsh Ministers;
- promoting the economic, efficient and effective use of staff and other resources;
- ensuring high standards of regularity, propriety and governance; and
- representing the views of the Board to the public.

3.3.14 The Chair must also:

- ensure all Board Members are briefed fully on the terms of their appointment, and on their duties, rights and responsibilities;
- ensure Board Members receive appropriate training, including on the financial management and reporting requirements of public sector bodies, and on the differences, which might exist between private and public sector practice;
- ensure the Board has a balance of skills appropriate to directing the Company's business
- notify the Sponsor Team of any proposed changes to the structure or membership of the Board;
- assess the performance of individual Board Members in accordance with the arrangements agreed with the sponsor team; and
- ensure an appropriate code of conduct for Board Members is in place which is consistent with the Model Code of Conduct for Board Members of Public Bodies in Wales; Code of Good Practice (February 2017) as it applies to Welsh Government Arm's-Length Public Bodies. This must include rules and guidance on Board members' interests and conflicts of interest.

## Individual Board Members' Responsibilities

3.3.42 In undertaking their duties and responsibilities, Board members must:

- comply at all times with both the Company's Code of Conduct for Board Members, and with all applicable rules relating to the use of public funds and conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or political profit, nor seek to use the opportunity of public service to promote their private interests or those of persons or organisations with whom they have a relationship;
- comply with the Company's rules on the acceptance of gifts and hospitality, and of external business interests; and
- act always in good faith and in the best interests of the Company.

## 3.4 Accounting Arrangements, Financial Reporting and Audit

### ***Statutory Accounts***

- 341 The statutory accounting and reporting requirements for the Company are set out in the Companies Act 2006. The Company shall prepare, approve, sign and publish its financial statements each financial year in accordance with the requirements of the Companies Act 2006, and any relevant legislation pertinent to its sector.
- 342 The Company shall ensure its financial statements are audited and approved to meet with the Welsh Government timetable. (**Annex 2**).
- 343 As soon as practicable after the end of each financial year, the Company shall publish an Annual Report of its activities. The Annual Report must be submitted to the Minister prior to its formal publication, usually no later than 30<sup>th</sup> June.
- 344 To support the preparation of accounts, registers of the following are required to be maintained:
- Gifts received and given;
  - Hospitality received and offered;
  - Losses and special payments as described in *Managing Welsh Public Money*.
- 345 These registers enable the disclosure requirements set out in the Government Financial Reporting Manual and *Managing Welsh Public Money* to be met.

### ***Annual Report***

- 346 In addition to Company's Act requirements, Welsh Government requires the Company to:

- outline the Company's main activities and performance during the previous financial year;
- report to the Sponsor team on performance against key performance indicators and other deliverables, and outline progress which has been made in taking account of Welsh Government's cross-cutting themes;
- report on the activities of any corporate bodies under its control;
- include both a summary of the Company's audited accounts and full audited accounts within a single document; and
- set out clearly the relationship between the Company and the Welsh Ministers as Guarantor member of the Company in a way members of the public can understand.
- show the Company's progress towards its contribution to achieving the seven wellbeing goals.

### ***Presentation of the Annual Accounts and Report***

- 34.7 As soon as the audit of the accounts is complete, the Company must liaise with the Auditor General for Wales ("**AGW**") or other external auditor where appropriate and the Sponsor Team regarding the precise timetable for laying and publication of the Annual Accounts and Report.
- 34.8 A draft of the Annual Report must be submitted to the Minister prior to its formal publication. A draft of the report shall be submitted to the sponsor team at least 10 working days before printing.
- 34.9 The Company must submit the signed accounts, together with a letter of representation, to the AGW or other external auditor where appropriate. Two (2) copies of the signed accounts must also be forwarded to the Sponsor team in hard copy.

### **Audit and Risk Committee Arrangements**

- 34.10 The Company must have an Audit and Risk Committee of its Board, responsible for advising its AO and the Board on the adequacy of the arrangements in place for internal audit, external audit and corporate governance matters. The Audit and Risk Committee will report, and be accountable, to the Board.
- 34.11 The Audit and Risk Committee shall be chaired by a non-executive director (but not the Chair) and shall provide the Board with independent advice. The designated non-executive director shall have recent and relevant financial experience and a professional qualification from an accounting body.

### **Internal Audit**

- 34.12 The Company must:

- establish and maintain arrangements for internal audit in accordance with the objectives, standards and practices described in the Public Sector Internal Audit Standards (PSIAS), <https://www.gov.uk/government/publications/public-sector-internal-audit-standards> ;
- ensure, if the internal audit function is provided in-house, arrangements are made for external quality reviews of its internal audit function at least once every five years, and in accordance with PSIAS.
- following approval by the AO and audit committee, submit the audit strategy, periodic audit plans and annual audit report, (including the Head of the Internal Audit Service's opinion on risk management, control and governance) to the sponsor team on an annual basis; and
- notify the sponsor team as soon as possible of any significant changes to the terms of reference of its internal audit arrangements, and/or its Audit and Risk Committee.

34.13 The Welsh Government must:

- have a right of access to all documents prepared by the Company's internal auditor, including where the service is contracted out; and
- in accordance with agreed oversight arrangements, assess the effectiveness of the Company's internal audit arrangements by scrutiny of their plans for future activity, reports on past activity and its annual assurance report (i.e. the opinion of the Company's Head of Internal Audit on its risk management, control and governance).

#### **External Audit**

34.14 The Company shall make its arrangements for external audit in accordance with the requirements of the Companies Act 2006, and any requirements the Welsh Government may, from time to time, specify.

34.15 If required to do so, the Company shall arrange for its external auditor to provide the rationale for its audit opinion to the Welsh Government and to the Welsh Government's external auditors (see **paragraph 3.4.17** below).

34.16 The Company shall provide to the Auditor General for Wales, as the Welsh Government's external auditor, such assistance, information or explanations as he or she reasonably requests in the discharge of his/her responsibilities.

34.17 Under section 145 of the Government of Wales Act 2006 the Auditor General for Wales may carry out examinations into the economy, efficiency and effectiveness with which the Company has used its resources in discharging its functions. Under section 145A, the Auditor General for Wales may undertake studies designed to enable him/her to make recommendations for improving economy, efficiency and effectiveness in the discharge of functions

of bodies, and other studies relating to the provision of services. For the purposes of these examinations, as well as the statutory financial audit, the Auditor General for Wales has a statutory right of access to documents. In addition, the Company shall provide, in conditions to grants and contracts, for the Auditor General for Wales to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the AGW to any other documents required by the Auditor General for Wales which are held by other bodies.

### **Welsh Government / Sponsor Team's Right of Access**

- 34.18 Should the need arise, the Sponsor Team has a right of access to all the Company's records and personnel for monitoring purposes including, for example, audit and operational investigations. The Company's personnel shall provide such assistance, information or explanation as requested by the Sponsor Team, may, acting reasonably, decide to undertake a formal governance review of the Company, in circumstances where a particular concern arises.

### **European Funding**

- 34.19 It is open to the Company to bid for EU funding. Specific arrangements are in place between the Company and the Welsh European Funding Office on accounting for EC receipts, which include provision for maintaining the separation between European monies and Welsh Government funding. The Company must ensure proper records are kept relating to the separation of accounts and notify the Sponsor Team when funding is received.

## **4. Management Arrangements**

### **4.1 General**

- 4.1.1 Unless otherwise agreed in writing by the Sponsor Team, the Company shall at all times follow the principles, rules, guidance and advice in "Managing Welsh Public Money" and this Framework Document, referring any difficulties or requests for exceptions to the Sponsor Team in the first instance. A list of the other guidance and instructions with which the Company must comply are at **Annexes 3 and 5**.
- 4.1.2 The Company must ensure the relationship with the Welsh Government is recognised appropriately through the use of the Welsh Government's sponsor brand mark that is available through the Sponsor Team.
- 4.1.3 From time to time, the Welsh Ministers will request certain information and data from the Company. Advice and guidance that public bodies need to take account of may also be issued from the Welsh Government Permanent Secretary and Public Bodies Unit, as well as HM Treasury.

- 4.1.4 The Company shall ensure copies of all documents which are made available to the public are also made available to the Welsh Government. The Company must obtain the prior written approval of the Welsh Government for press notices or promotional materials/activity for matters which are novel or contentious. A definition of what may constitute novel or contentious appears in **paragraph 5.1.1**.
- 4.1.5 Operational responsibility for compliance with European Commission and European Union rules and regulations rests with the Company; this is particularly relevant in relation to State Aid matters. However, the Company must seek approval from the State Aid Unit within the Welsh Government (through the Sponsor Team) prior to engaging in formal discussions concerning matters which are within the competence of Member States with the European Commission, the UK Representative in Brussels (UKREP), the Department of Business, Energy and Industrial Strategy (BEIS) or any other Governmental institution.
- 4.1.6 The Company must not enter into any arrangement or agreement in relation to the location of any of its offices (including any extension of its occupation of existing offices) without the prior written consent of the Welsh Government.
- 4.1.7 The Company shall not assign, transfer or sub-contract any of its obligations under this interim Framework document to a third party without the prior written consent of the Welsh Government. To the extent the Welsh Government gives its consent, this will be conditional on:
- the third party carrying the necessary indemnity insurance to protect the Welsh Government against insurable losses;
  - the third party being bound by obligations equivalent to those of LSHW under this document on a basis acceptable to the Welsh Government; and
  - the third party not being permitted to assign, transfer or sub-contract any of its obligations without the prior written consent of the Welsh Government.
- 4.1.8 In pursuit of its aims the Company shall work closely with other organisations in Wales including the private sector, local authorities and the voluntary sector, reflecting the commitments of the Welsh Ministers' partnership agreements with the voluntary, business and local government sectors.

## **4.2 Staff**

### **Recruitment, Retention and Management of Staff**

- 4.2.1 The Company is responsible for fair and open recruitment, retention and management of its staff and shall determine its staff structure is within the parameters set out in this document. The Company may vary the total number of staff employed as required but without prejudice to the resources it requires to meet its aims and objectives.

#### 4.2.2 The Company will:

- in the recruitment, management and progression of staff, follow the principles of regularity and propriety in expending resources as set out in “*Managing Welsh Public Money*”, in particular Chapter 4 which deals with internal management and government structures;
- notify any changes to the Company’s Executive Management Team to the Sponsor Team without delay;
- not create any additional posts unless it has the ability to fund them;
- ensure it has a dedicated HR function to serve the Company. It shall develop a range of HR policies, including:
  - staff management and development policies which reflect the arrangements for staff appraisal and performance management, including training and development, to encourage staff to obtain relevant professional, managerial and any other skills and behaviours necessary to carry out their roles;
  - a Code of Conduct for staff to include matters relating to equality, diversity, dignity and respect;
  - appropriate grievance and disciplinary procedures; and
  - appropriate arrangements to handle any staff concerns there may be regarding impropriety (whistleblowing);
- carry out meaningful and proportionate consultation with the relevant staff before taking any final decision which it is known will, or is likely to, have a significant negative impact on them; and
- require all Company staff to observe the principles of integrity, honesty, objectivity, impartiality, and political impartiality.

#### **Pay and Conditions of Service**

4.2.3 All staff of the Company shall be subject to overall levels of remuneration and terms and conditions of service (including superannuation) as have been approved by the Minister. Any changes to those terms and conditions, including levels of remuneration, must be authorised by the Minister.

4.2.4 The Company has no delegated powers to amend its overall terms and conditions. However, the Company may vary individual contracts of employment without recourse to the Minister provided any changes are within the overall framework of the terms and conditions approved by the Minister.

#### **Pay remit**

4.2.6 The Company shall present to the Sponsor team a detailed case for its 3 year pay remit. The pay remit shall be in the format specified by the Welsh Government and must reflect the needs of the organisation for changes in pay, grading and other terms and conditions of service. The proposals must

be fully costed and shown to be affordable. The Company is expected to operate a system of pay which provides all staff with equal opportunity for progression.

- 4.2.7 All pay arrangements have to be subject to an equal pay audit and, in addition, will require evidence from time to time that the Company has obtained independent assurance in respect of its equal pay audit.
- 4.2.8 LSHW must take account of the HM Treasury publication of May 2012, “Review of the tax arrangements of public sector appointees” and the recommendations in relation to individuals engaged ‘off payroll’. The principles being:
- Board members and senior officials with significant financial responsibility should be on the Company’s payroll, unless there are exceptional circumstances – in which case the Accounting Officer should approve the arrangements – and such exceptions should exist for no longer than six months;
  - Engagements of more than six months in duration, for more than a daily rate of £220 (approximately equivalent to £58,200 pa), should include contractual provisions that allow LSHW to seek assurance regarding the income tax and NICS obligations of the engagee – and to terminate the contract if that assurance is not provided;
  - Engagements of more than six months in duration, for a daily rate of £220 or under, the Company should determine where contractual provisions and assurance may be appropriate.

#### **Staff Benefits and Non-Pay Rewards**

- 4.2.9 When setting benefits and non-pay rewards for staff or fees for non-executive directors, the Company must consider whether they represent an appropriate use of public money, and must have regard to HM Treasury’s guidance on “Regularity, Propriety and Value for Money” and the Welsh Government’s “Managing Welsh Public Money”.

#### **Pensions**

- 4.2.10 The Company shall make appropriate superannuation arrangements for its staff.
- 4.2.11 Eligible staff of the Company will be enrolled automatically onto its approved occupational pension scheme. Details as to the number of staff opting out of the occupational pension scheme after being automatically enrolled may be required from time to time by the sponsor team.
- 4.2.12 Employers are legally required to report PAYE in real time. Employers and pension providers will inform HM Revenue and Customs (HMRC) about tax, national insurance contributions and other deductions when or before the payments are made, instead of waiting until after the end of the financial year.



## **Redundancy, Severance and Compensation**

4.2.13 Any redundancy payments or payments of other compensation for loss of office must be made in accordance with a scheme approved by the sponsor team. Any proposal to make payments outside of an approved scheme will require prior written approval from the sponsor team. Proposals on severance must comply with the rules set out in Chapter 4 of “Managing Welsh Public Money”. Any re-employment of staff following redundancy/severance compensation must be agreed by the sponsor team prior to any discussion with the person concerned. The overriding principle is that any member of staff compensated for loss of office/employment will not be re-employed by the Company during the notional period to which and payment equates.

## **4.3 Business Planning Framework**

### **Remit Letter**

4.3.1 At the start of the Government term, or each financial year if required, the Minister will issue the Company with a remit letter setting out strategic objectives agreed for the Company. This arrangement will remain in force for the lifetime of the administration (term of Government), although the remit may be amended on written notice if ministerial priorities change. A summary of the term of Government remit process is available via the Sponsor Team.

4.3.2 The Sponsor Team shall, if applicable, and before the end of the preceding financial year discuss with the Company the draft Remit Letter for the period ahead. The Remit Letter to be issued normally no later than the January prior to the commencement of the financial year to which the Remit Letter relates.

### **Operational and Business Plans**

4.3.3 The Company shall prepare an Operational Plan supported by an annual business plan, setting out how it is to achieve its strategic objectives. The finalised plan, agreed by the Minister, is to reflect the Company’s strategic aims and objectives and is usually to remain in place for the whole term of Government (i.e. covering five years hence) unless specified otherwise. The contents of the Operational Plan will be informed by the Remit Letter, the term of Government business plan and the confirmed level of funding available.

4.3.4 The Operational Plan / Annual Business Plan shall include:

- the Company’s aims and objectives and its strategy for achieving them;
- a statement of its priorities and resources;
- a description of the activities proposed, their costs and proposed outcomes;
- performance indicators and measures of outcomes and any evaluations planned, including interrelationships between the proposed activities;
- cost implications of the proposed activities;

- a statement about the Company's commitment to sustainability, equality and the Welsh language; including how it proposes to meet the requirements contained in the Well-being of Future Generations (Wales) Act 2015;
- a review of performance in the last financial year; and
- a budget for the following (i.e. the current) year and forecast for the next 12 months (i.e. 2020/21), that is the remaining term of Government.

### **Approval of Plans**

4.3.5 The content of the Operational Plan must be approved by the designated Welsh Minister in accordance with the timetable attached at **Annex 2**.

### **Budget Planning**

4.3.6 The Welsh Government's budget planning arrangements are governed by the requirements of the Government of Wales Act 2006 and the Standing Orders of the National Assembly.

4.3.7 The Company must co-operate with the Sponsor Team by providing all necessary assistance and information to the Welsh Government to take forward its budget planning decisions.

4.3.8 The Minister is to confirm the amount of funding to be provided to the Company for the next financial year, along with indicative funding details for the remaining years of the term of Government to inform Budget planning. This will normally be no later than one month after the final budget has been agreed by the National Assembly. Any funding for the year in question must be authorised by the National Assembly in its Annual Budget Motion.

### **Performance Management**

4.3.9 The Company must operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against its objectives and targets. It must inform the Sponsor Team of any changes that might make achievement of objectives more or less difficult.

4.3.10 In accordance with the agreed reporting requirements, each month the Company must provide a brief report to the Sponsor Team which sets out the progress made towards meeting the key targets and milestones set out in the operational plan. The report must also include details of actual and incurred expenditure for the month and year to date against the approved budget, together with details of the forecast expenditure figures for the year and explanations of any significant differences and issues.

4.3.11 The Chair will meet the Minister as required to discuss the Company's performance and there will be regular updates to the AAO and Sponsor Team including monthly meetings to discuss progress in accordance with the Reporting Arrangements in **paragraphs 5.4.1 to 5.4.3**.

4.3.12 It is the duty of the Sponsor team to undertake periodic assessments of the risk assurance available to them and may amend the level of oversight accordingly.

### **Subsidiary Companies and Joint Ventures**

4.3.13 Outside of the approved Plans, the Company shall not establish subsidiary companies or joint ventures which involve setting up special purpose vehicles such as companies, partnerships or any other structure with legal identity and liability without securing the prior written approval of the Minister.

4.3.14 Any subsidiary company or joint venture controlled or owned by the Company must be consolidated as required in accordance with relevant accounting standards, and shall be subject to the controls and requirements set out in this interim Framework document. Any departure from this approach requires prior approval from the Welsh Government Corporate Governance Unit.

### **Fixed Assets**

4.3.15 The Company shall maintain an accurate and up to date register of the physical assets it holds, which shall also record any disposal of such assets from time to time.

4.3.16 Any disposal of surplus assets with an estimated value of more than £25,000 shall, wherever practicable and unless the Sponsor Team agrees otherwise in writing, take the form of a sale by auction or competitive tender.

### **Exception Reporting**

4.3.17 The Company must notify the Sponsor Team as soon as it becomes apparent that:

- the full-year expenditure is likely to exceed its approved provision; or
- it is likely to under spend by more than the equivalent of 3 per cent of its total grant-in-aid.

4.3.18 It shall also provide:

- an annual report of losses written-off and special payments made or sanctioned during the previous twelve months;
- an annual report outlining all cases of fraud and theft to which it has been exposed.

## 5. Financial Responsibilities

### 5.1 Expenditure

5.1.1 In the case where operational grant is applied, the Company may, as soon as its Operational Plan has been approved by the Minister, incur expenditure on the activities outlined in the Operational Plan without further reference to the Sponsor Team, subject to the following conditions:

- it shall comply with the terms of delegation set out in **Annex 5** and;
- it must obtain the prior written approval of the Welsh Government (via Deputy Director of Sponsor Team) before initiating any of the following:-
  - any divergence from the terms of delegation set out in **Annex 5**;
  - incurring any expenditure or carrying out any activity which is novel, contentious or repercussive in line with '*Managing Welsh Public Money*', and for these purposes include but are not restricted to, proposals that:
    - are non-standard practice
    - are politically sensitive and/or likely to attract negative media attention
    - could result in unwelcome consequences for the organisation and/or for the wider public sector.
- actioning any change of policy or practice which has wider implications (other than any change provided for in the Corporate Plan or Operational Plan); or
- making any material change in the strategic operation or funding of any initiative or particular scheme previously approved by the Welsh Government;
- the Company shall comply with all relevant EU and other international procurement rules and follow the policy framework set out in '*Managing Welsh Public Money*';
- the prior written approval of the Sponsor Team is required before the Company lets a contract with a value of £25,000 or more otherwise than pursuant to a competitive procurement process;
- the Company shall resist making payments in advance except in exceptional cases where the principles set out in '*Managing Welsh Public Money*' must be observed.

### Gifts & Hospitality

5.1.2 The Company must be open and transparent in its approach to gifts and hospitality and have clear policies on disclosing information about, and the procedures adopted for, giving and receiving of gifts and hospitality.

- 5.1.3 The Company must keep a record of any gifts and hospitality received and declined by its directors or employees with an estimated value of £20 or over. Directors and employees shall not accept any gift or hospitality which might be seen to compromise their personal judgement or integrity or influence them to show favour or disfavour to any person or organisation, or do anything which might lead to a perception that they have been so compromised or influenced.
- 5.1.4 Any provision of gifts, promotional material or hospitality by the Company must be considered against the criteria of value for money, regularity and propriety. The Company must be open and transparent in its approach to gifts and have clear policies on disclosing information about, and the procedures adopted for, making any gifts.

### **Borrowing, Lending, Guarantees and Investments**

- 5.1.5 The Company shall not, without the Sponsor team's prior written consent:
- borrow, including temporary borrowing facilities in the form of a pre-arranged overdraft facility to bridge any gaps between long-term borrowing arrangements;
  - lend;
  - charge any asset or security;
  - give any guarantee, indemnities or letters of comfort; or
  - incur knowingly any other contingent liability (as described in *Managing Welsh Public Money*) whether or not in a legally binding form.
- 5.1.6 Nor shall it make any investments without securing the prior *written* approval of the sponsor team except in respect of short-term deposits of cash surpluses.

### **Grants to Third Parties**

- 5.1.7 The Company must not develop or implement a grant scheme without prior written consent from the Minister.

## **5.2. Funding**

- 5.2.1 All the streams of income mentioned in the following paragraphs ('Income from Exchequer Sources' and 'Income from Non-Exchequer Sources'), shall be treated as public funds and the requirements of this Agreement shall apply equally to them.

### **Income from Exchequer Sources**

- 5.2.2 The Welsh Ministers may make payments to the Company of grant-in-aid, which are to be paid in monthly instalments, on the basis of an application to the sponsorship team. This must be provided in the form of a financial statement and submitted by a person notified to the sponsor team as authorised to make the application. The Company may not draw down monies in advance of need.

5.2.3 In accordance with *Managing Welsh Public Money*, the financial performance expected should give Welsh Government a fair return on the public funds invested in the business.

#### **Income from Non-Exchequer Sources**

5.2.4 The Company must seek as far as possible to maximise its receipts from sources other than the Exchequer where this is consistent with its functions and is in line with its approved business and operational plans. It may retain receipts up to the level set out in the remit letter, derived from, for example, grants given by the EU, grants given through lottery funds, or any proceeds resulting from the Company's commercial activities and those resulting from the sale of services into wider markets. Such activity must be undertaken in accordance with the terms of *Managing Welsh Public Money* and this document.

#### **Private Funds**

5.2.5 Donations, grants for research from non-public organisations, or bequests given to the Company are deemed to be private funds and are not covered by the terms of this interim Framework document. Such funds should be managed in accordance with the terms of the donation/grant or bequest.

5.2.6 Funds received directly from the Welsh Government, other government departments, agencies and other public organisations, or those funded primarily by the tax payer and any proceeds from the Company's commercial interests or activities, do not count as private funds.

#### **Contracts awarded by the Company to other Entities**

5.2.7 The Company must take steps to appraise the financial standing of the recipient entity, e.g. by reviewing financial statements and compliance with statutory reporting bodies, and carrying out checks with credit reference agencies.

#### **State Aid**

5.2.8 If the Company is engaged in commercial economic activities, it will need to comply with the European state aid rules and ensure all grants or awards are also compliant with the state aid rules. The Company is responsible for ensuring appropriate levels of transparency in reporting on the types of aid that have been provided. The Company will apply the 5 tests of state aid prior to awarding grants and ensure that state aid is appropriately managed, remembering that state aid is an advantage in any form whatsoever, conferred on a selective basis to an undertaking engaged in economic activity, giving it an advantage it would otherwise not have had. Please refer to the state aid pages of the Welsh Government website:

<https://gwedhill.gov.wales/funding/state-aid/?lang=en>

## **5.3 Cash Management**

### **Cash Balances**

#### *In Year*

- 5.3.1 Cash balances accumulated during the course of the financial year from Welsh Government or other Exchequer funds must be kept at the minimum level consistent with the efficient operation of the Company. If a cash surplus should occur, it must be placed on deposit until it can be used.
- 5.3.2 The Company must seek to avoid holding a working balance in excess of the equivalent of 4 per cent of its total annual gross budget when it receives each month's instalment of funding. Any funds exceeding that amount held by the Company as a working balance at the end of each funding period shall be taken into account in determining the amount of resource to be paid in the following period.

#### *End of Year*

- 5.3.3 The Company is permitted to carry-over from one financial year to the next any drawn but unspent cash balances of up to 2 per cent of its agreed total gross annual budget (i.e. as set out in the remit letter and being exclusive of income deemed to be private funds). Any proposal to carry-over sums in excess of this amount must be agreed in writing in advance with the Welsh Government via the Sponsor Team on a case by case basis. Any sum carried-over in excess of the agreed amount shall be taken into account in the subsequent year's funding.

### **Managing Receipts**

- 5.3.4 If receipts realised or expected to be realised in the financial year are less than estimated, the Company must ensure a corresponding reduction in its gross payments so its authorised provision is not exceeded.
- 5.3.5 If receipts realised, or expected to be realised, in the financial year are more than estimated the Company may apply to the Welsh Government to retain such excess income for additional specified expenditure.

### **Interest Earned on Cash and Bank Balances**

- 5.3.6 All interest, net of any bank charges, earned by the Company on its cash and bank balances which arise as a result of funding from the Welsh Government is to be declared each month on the Company's drawdown request form and surrendered to HM Treasury via the Welsh Consolidated Fund.

## **5.4 Reporting Arrangements**

- 5.4.1 **Paragraphs 5.4.2 to 5.4.3** describe the reporting arrangements for the

provision of information by LSHW to the sponsor team, and Annex 2 contains the reporting timetable. As a general rule, the sponsor team will not require the Company to create bespoke reports, but will accept information in the format produced within the Company in the normal course of business.

5.4.2 The main high level update to the sponsor team will be as a minimum:

- a monthly financial update to the end of each quarter showing actual v budget;
- a monthly management highlight report which will set out as a minimum:
  - a report from the Chief Executive Officer or their designated deputy setting out the main priority achievements at that time;
  - a summary of key performance indicators (enabling achievements) with a narrative setting out key facts and issues;
  - a summary of priority activities coming up in the following month together with a brief narrative;
  - any hot or contentious issues; and
  - a report on the risks in terms of finance, resource or virements impacting upon overall delivery and performance activities.

5.4.3 The following regular meetings shall be held:

- a biannual performance monitoring meeting between the Additional Accounting Officer or delegate and the Chief Executive Officer;
- a meeting between the Minister, the Chief Executive Officer and the Chair no less frequently than annually to discuss the performance of the organisation, and progress against its Operational Plan; and
- a monthly performance and finance meeting between the Company and the Sponsor Team to discuss the reports referred to in paragraph 5.4.2.

## **5.5 Virement**

5.5.1 The Company may reallocate funds between its various budgets as notified by the Minister in the remit letter without the Sponsor team's prior written agreement provided that:

- no budget is increased or decreased by more than 10 per cent or £10,000 whichever is the lesser amount;
- the reallocation is not between capital and revenue budget lines; and
- in aggregate, the Company's net payments do not exceed the total approved budget.

5.5.2 Notwithstanding the above, the Company's running costs/administration budget may not be increased without the Sponsor team's prior written agreement.



## **6. Other Requirements**

### **6.1 Risk Management**

- 6.1.1 The Company must develop a risk management strategy to ensure any risks are dealt with in accordance with the relevant guidance on best practice in corporate governance.
- 6.1.2 The Company must adopt and implement policies and practices to safeguard itself against fraud and theft.
- 6.1.3 The Company must take reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract, depending upon the particular circumstances of the procurement or scheme.

### **6.2 Economy, Efficiency and Effectiveness – Appraisal, Research and Evaluation**

- 6.2.1 In order to ensure value for money, the Company must have in place appropriate systems, and the capacity, to ensure its policies and programmes are evidence-based in relation to their development, implementation and evaluation.
- 6.2.2 The Company must provide any information requested by the Welsh Government to demonstrate its overall accountability and strategic effectiveness and how it secures continuous improvement seems reasonable.
- 6.2.3 It shall review its services and activities on a regular basis and shall include within its annual plan to the Sponsor Team its annual efficiency plan for information.
- 6.2.4 The Company must also ensure its approach to carrying out appraisals and evaluations is fully consistent with the principles set out in guidance.

### **6.3 Information Technology**

- 6.3.1 The Company shall make appropriate arrangements for the fulfilment of its Information Technology requirements and any purchase of goods, services or works in this regard shall be competitively procured where this is required by law, and must in any event demonstrate value for money.
- 6.3.2 The Company must make appropriate arrangements to ensure the security of its information systems.
- 6.3.3 The Company must make appropriate arrangements to ensure compliance with the General Data Protection Regulations 2016/679 and Data Protection Act 2018.

## 6.4 Insurance

6.4.1 The Company must ensure it makes adequate arrangements for insurance, including, but not limited to, public and employer liability insurance.

## 6.5 Complaints

6.5.1 The Company shall keep and maintain at all times an up to date Complaints Policy which should be reviewed at regular intervals but at least once in every two years. The Complaint Policy should be explicit in stating in cases where issues cannot be resolved between the complainant and Company then the matter will be referred to the Sponsor Team to review.

The terms of this Interim Framework Document were approved by the Minister for Health and Social Services and became effective on 1 April 2019.

Signed...



Director General for Health and  
Social Services Group, Welsh  
Government

Dated 25 September 2019

Signed



Chief Executive Officer,  
Life Sciences Hub Wales Ltd

Dated 9 October 2019

# Annex 1

## Governing Principles defining relations between Arm's Length Bodies ("ALBs") and the Welsh Government

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### Joint mission and purpose

- 1. Delivering for Wales.** ALBs play a key role in meeting the aspirations of Welsh citizens. From the perspective of the Welsh Government, the primary role of an ALB is to fulfil Welsh Government statutory responsibilities and to meet objectives established by the Welsh Ministers using funds voted by the National Assembly. This relationship is conducted through a sponsorship arrangement managed on behalf of Ministers by the Welsh Government. ALBs have diverse organisational forms, including charities and quasi-judicial bodies and can cover different jurisdictions beyond Wales. Whilst respecting this diversity, Ministers look to ALBs primarily to deliver important functions and services for the people of Wales on their behalf.
- 2. Outcome focus and ALB performance.** Within the constraints set by statute and Ministerial commitments, ALB objectives will, as far as possible, be specified in terms of outcomes which are clear, relevant and challenging. To promote innovation and efficiency, ALBs shall be given as much flexibility as possible in how these outcomes are achieved. Individual remit letters should be no more prescriptive than the ALBs responsibilities require. However, the performance framework should assess the contribution of the ALB in achieving outcomes.

### Relationships between the Welsh Government and ALBs

- 3. Relationships defined by trust and risk.** The relationship between the Welsh Government and ALBs should be based on trust and mutual respect, with a proportionate approach to risk. Where there is evidence of poor performance or weak governance, the Welsh Government will adopt a more prescriptive 'hands-on' approach to the relationship. The Welsh Government will ensure its sponsorship functions perform effectively and meet the expectations set out in these principles.
- 4. Effective collaboration.** ALBs are highly valued for their expertise and experience. ALBs, the Welsh Government and the wider public sector recognise the importance of working together and building 'Team Wales', seeking opportunities for broader and deeper collaboration in policy development supporting each other and celebrating success. Opportunities to save money, identify efficiencies and improve effectiveness should be pursued energetically and jointly.
- 5. Effective communication.** ALBs and the Welsh Government form an extended family and undertake to maintain a consistent, respectful and collegiate approach to dealing with each other in public and private. All parties undertake to strive for effective communication, to be as open as possible, to share information on a 'no surprises' basis and to manage contentious matters through dialogue and negotiation.

## **Governance and accountability**

- 6. ALB chair and board.** ALB boards are accountable to Ministers for achieving the defined objectives, ensuring high quality corporate governance and for oversight of the ALB executive, including the Chief Executive.
- 7. Primary role of the board in ALB oversight.** Governance and the internal control regime should be a matter primarily for the ALB board. The Welsh Government will rely on the Board, internal audit and external auditors for assurance. The sponsorship role should focus on accounting for delivery of objectives and the management of relationships between the ALB and the Welsh Government. Clear roles and expectations for Ministers, Chairs, Boards, Executives, Accounting Officers, Sponsor Teams and Auditors should be set out in the Framework Document.
- 8. Performance management.** While we expect the norm to be good performance, effective governance and a respectful relationship, our approach must be capable of an effective response to poor performance or other problems. Where there is evidence of poor performance in relation to objectives, management of funds, Board effectiveness or other aspects of governance, the Welsh Government has both the right and responsibility to become more involved and more prescriptive. Performance management will be risk-based, relying on evidence of robust internal control to support a lighter touch, or alternatively to apply a stronger grip where risks are managed less satisfactorily.
- 9. Delegation.** Welsh Government and ALB Accounting Officers remain jointly accountable for public funds spent through ALB sponsorship. However, the routine sponsorship management regime should be only as prescriptive as necessary to be assured public funds are managed correctly, and outcomes are being achieved cost-effectively. Financial responsibility will be delegated to the fullest extent possible, consistent with Welsh Ministers and Accounting Officer responsibilities.
- 10. Responding to change.** In a changing world, and with changing Ministerial priorities, it may be necessary to reshape the functions and methods of service delivery of ALBs or, where more appropriate, to review the continued relevance of their objects and constitutional arrangements. The Welsh Government may from time to time conduct tailored organisational or thematic reviews to ensure its ALBs remain fit for purpose, and to make proposals for reform.

## Annex 2

### Planning and Reporting Timetable

Requirement	Responsibility	Month
Submission of monthly progress reports (see <b>paragraph 5.4.2</b> )	LSHW	April – March
Biannual Performance Monitoring Meeting Chief Executive Officer/WG Director for Technology, Digital and Transformation	WG	April; October
Statutory Accounts	LSHW	In line with accounting timetable
Annual Report	LSHW	In line with accounting timetable
Production of Corporate / Operational Plan	LSHW	5 yearly only based on Programme for Government
Discussion regarding draft Remit Letter	WG	November
Issue of Remit Letter	WG	January
Submission of Annual Operational and or Business Plan	LSHW	February
Approval of Annual Operational and or Business Plan	WG	March
Reward and Remuneration Protocol	LSHW	3 yearly

## Annex 3

### List of Government-Wide Corporate Guidance and Instructions

- this Framework Document;
- the Minister's annual Remit Letter to LSHW;
- "Managing Welsh Public Money";
- the Welsh Government Memorandum "Responsibilities the LSHW Accounting Officer";
- LSHW's Accounts Direction;
- Corporate Governance in Central Government Departments: Code of Good Practice;
- HM Treasury's "Government Internal Audit Standards";
- HM Treasury's "Executive NDPBs - Annual Reports and Accounts Guidance";
- HM Treasury's "Departmental Banking: A Manual for Government Departments" (issued as Annex 5.7 of "Managing Public Money"); [http://www.hm-treasury.gov.uk/d/mpm\\_annex5.7.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf)
- HM Treasury's "Regularity, Propriety and Value for Money" [http://www.hm-treasury.gov.uk/d/Reg\\_Prop\\_and\\_VfM-November04.pdf](http://www.hm-treasury.gov.uk/d/Reg_Prop_and_VfM-November04.pdf)
- HM Treasury's "Green Book – Appraisal and Evaluation in Central Government"; [http://www.hm-treasury.gov.uk/d/green\\_book\\_complete.pdf](http://www.hm-treasury.gov.uk/d/green_book_complete.pdf)
- HM Treasury's Audit Committee Handbook; <http://www.hm-treasury.gov.uk/d/auditcommitteehandbook140307.pdf>
- Health and Safety Commission/Department for the Environment and the Regions' "Revitalising Health and Safety"; <http://www.hse.gov.uk/strategy/>
- Cabinet Office's Code of Practice for Public Bodies;
- extant "Chief Executive Officer" letters;
- extant "Dear Accounting Officer" letters;
- management letters from external auditors;
- other relevant instructions and guidance issued by the Welsh Ministers;
- those recommendations of the National Assembly of Wales's Public Accounts Committee, other Committees of the National Assembly of Wales; the House of Commons Committee on Public Accounts, other Parliamentary Committees or Parliamentary authority that have been accepted by the Welsh Government which are relevant to the Group.

In addition, in the conduct of business LSHW shall ensure, inter alia:

- it conforms with any Welsh Language Standards imposed upon LSHW by the Welsh Language Commissioner under the Welsh Language (Wales) Measure 2011, or, if LSHW is not liable to comply with Welsh Language Standards, with the terms of its Welsh Language Scheme if it has one. If LSHW does not

have a Welsh Language Scheme, it shall ensure it conforms to the Welsh Language Standards specified in the compliance notices imposed on Welsh Ministers by the Welsh Language Commissioner from time to time. A copy of the latest version can be found on the Welsh Language Commissioner's website;

- its functions are exercised in a manner compatible with the Welsh Ministers' duty to promote and facilitate the use of the Welsh language as set out in the Welsh Government's strategy as published from time to time;
- its functions comply with the Equality Act 2010, which places a duty on Welsh Public Authorities to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, as well as to advance equality of opportunity and to foster good relations between people who share a protected characteristic and those who do not;
- it adopts and maintains a scheme, approved by the Information Commissioner, for the publication of information as required by the Freedom of Information Act and follows the approach to openness set out in the Welsh Government's Code of Practice on Access to Information;
- it makes appropriate arrangements to ensure compliance with the General Data Protection Regulations 2016/679 and Data Protection Act 2018;
- its functions support the goals and principles as set out in the Well-being of Future Generations (Wales) Act 2015, which are:

#### Well-being Goals

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales

#### Five Principles of Working

- Long-Term** The importance of balancing short-term needs with the need to safeguard the ability to also meet long-term needs.
- Prevention** How acting to prevent problems occurring or getting worse may help public bodies meet their objectives.
- Integration** Considering how the public body's well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies.
- Collaboration** Acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives.
- Involvement** The importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves.

- it has due regard to the Commissioner for Public Appointment's Code of Practice for Ministerial Appointments to Public Bodies;
- it shall follow the policy framework set out in Managing Welsh Public Money in relation to the procurement of goods and services;
- As regards openness, where practicable and appropriate, the LSHW shall be expected to hold its meetings in public. At least one meeting per year must be an open meeting. Where practicable and appropriate, the LSHW shall release summary reports or make minutes of its meetings publicly available.

As regards health, safety and welfare, the LSHW must:

- comply with all relevant statutory duties in respect of health, safety and welfare as they relate to all its functions, projects, programmes and activities;
- require organisations that it funds and any contractors and sub-contractors to those organisations to comply similarly; and
- comply fully with UK Government policy on health, safety and welfare.



## **Annex 4**

### **Reward and Remuneration Protocol – tbc**

## Annex 5

### SUMMARY OF APPROVAL REQUIREMENTS AND AGREED DELEGATION LIMITS INCLUDING CALLING-IN ARRANGEMENTS

<b>Approval Requirements</b>	
<b>Subject</b>	<b>Approval Limit</b>
Appointment of Chief Executive	<b>Ministerial Approval</b>
Pension and compensation/redundancy scheme arrangements	<b>Welsh Government Approval</b>
Business Plan	<b>Ministerial approval</b>
Corporate Plan	<b>Ministerial approval</b>
Operational Plan	<b>Ministerial approval</b>
Subsidiary companies and joint ventures	<b>Welsh Government approval</b>
Virement outside of specified limits	<b>Welsh Government approval</b>
Novel, contentious or repercussive proposals	<b>Welsh Government approval</b>
Any borrowing, lending, guarantees, indemnities or investment	<b>Welsh Government approval</b>
Retention of receipts over and above limit set out in remit letter	<b>Welsh Government approval</b>
<b>Agreed Delegation Limits*</b>	
<b>Subject</b>	<b>Delegation Limit</b>
Capital projects	<b>Not to exceed Capital expenditure in excess of £25,000</b>
Revenue and bid submission	<b>Not to exceed Revenue and bid submission expenditure in excess of £30,000 per case; £250,000 annual aggregate limit</b>
Consultancy contracts	<b>Up to £50,000 per contract</b>
Single tender departures	<b>Up to £25,000 per contract</b>
Prizes	<b>£100 per case; £1000 annual aggregate limit.</b>
Sponsorship	<b>£1,000 per case; £5,000 annual aggregate limit.</b>
Losses and special payments	<b>£2,000 per case; £5,000 annual aggregate limit.</b>
Carry-over	<b>End-of-year – 2% of total annual gross budget</b>

\* NB – delegation limits are set for activities approved under the Company's Business Planning Framework only. There is no delegation for the Company to undertake activity that is not described in their Business Planning Framework without prior consent from the Welsh Government.

## Public Bodies Calling-in Arrangements – Approval, Pre-notification and Notification Arrangements.

1. For 2019/20 we have agreed with the First Minister transitional arrangements to provide assurance to him and the Permanent Secretary that the removal of the calling-in procedures with Arms-length bodies does not pose any risk to the Welsh Government, or to the effective delivery of the Government’s Programme. These are interim arrangements to provide the Welsh Government with baseline data by which it can assess the volume of issues where responsibility is being transferred and to be sighted on the approach each body is taking to the new arrangements.
2. The intention of the transitional arrangements is to keep the Welsh Government informed of how the new process is working in practice, rather than the continuation of a mechanism for approval by the Welsh Government.
3. We have agreed with the First Minister that for this year we will put in place **Approval, Pre-notification and Notification** arrangements for decisions previously the subject of calling-in arrangements.
4. Accounting Officers in Public Bodies will be accountable for the decisions requiring notification. The Welsh Government may give advice on issues requiring pre-notification, as set out in Table B, but it is ultimately for the Chief Executive to take the decision. In the event of the Company deciding to disregard Welsh Government’s advice, the partnership team (sometimes known as the sponsor team) will recommend to the Minister that a discussion is held with the Chair with the Minister reserving the right to overrule a decision falling into this category where the Company has chosen for no justifiable reason to disregard Welsh Government advice.
5. The exceptions will be the decisions contained in Table A where the Welsh Government will be responsible for the decision.

**Table A Approvals**

Decision	Approval
Appointment of Chief Executive	Additional Accounting Officer and Minister
Term of Government Business Plan	Minister
For Public Bodies classified as central Government organisations for accounting purposes: <ol style="list-style-type: none"> <li>a) Cash carry-over in year in excess of 4% of total <b>Grant-In-Aid/ Cash</b></li> <li>b) Cash carry-over end of year in excess of 2% of total <b>Grant-In-Aid/ Cash</b></li> <li>c) Establishing new subsidiary companies/joint ventures</li> <li>d) Any borrowing, lending, guarantees,</li> </ol>	Welsh Government Finance Director

<p>indemnities or investment related to public money</p> <p>e) Retention of receipts over and above that set out in funding letter.</p> <p>Any decision set out in legislation as requiring consent of Welsh Ministers e.g. The Natural Resources Body for Wales (Establishment) Order 2012 requires Ministerial approval of an annual corporate plan</p>	<p>Minister</p>
<p>Redundancy arrangements based on the Civil Service Compensation Scheme (bodies with Civil Service Pension)</p>	<p>Head of Pay and Remuneration who will seek advice of the Minister as appropriate.</p>

**Table B Pre-notification Arrangements**

CEOs should notify their partnership or sponsor team of any proposed decisions falling under the following categories as and when they arise to allow Welsh Government to provide appropriate advice. The partnership or sponsor team will aim as far as possible to respond within two weeks. Should the Body decide to disregard Welsh Government’s advice, the partnership or sponsor team may escalate the matter to the Minister, who reserves the right to overrule a decision taken by a Public Body which, after discussion, is not justifiable.

These decisions should also form part of a ‘stocktake’ discussion at monthly/quarterly monitoring meetings:

<b>Decision</b>	<b>Pre-notification Action</b>	<b>Further Advice</b>
<p>Novel, contentious or repercussive proposals in line with Managing Welsh Public Money, including, but not restricted to, proposals that:</p> <ul style="list-style-type: none"> <li>• Are non-standard practice</li> <li>• Are politically sensitive and/or likely to attract negative media attention</li> <li>• Could result in unwelcome</li> </ul>	<p>Partnership team, in conjunction with the appropriate policy teams, to prepare advice to discuss with Public Bodies Unit, who will seek written advice of the Corporate Governance Centre of Excellence and any other Body with expertise in the issue.</p>	<p>Additional Accounting Officer and Minister, as appropriate</p>

consequences for the organisation and/or for the wider public sector		
Any course of action considered by the Board that would contravene the principles of regularity, propriety, prudent and economic administration, efficiency and effectiveness and which the CEO has advised against.	Partnership team to prepare advice to Additional Accounting Officer	Additional Accounting Officer
Policy or practice change that has wide financial implications	Partnership team to prepare advice to Head of Budgetary Control copied to Public Bodies Unit	Minister, as appropriate
Staff remuneration & terms and conditions	Partnership team to submit proposals to Head of Pay and Remuneration, Public Bodies Unit on: <ul style="list-style-type: none"> <li>• changes falling outside WG public sector pay principles;</li> <li>• organisational design changes likely to lead to severances</li> </ul>	Minister, as appropriate
Anything that might affect the future level of resources required, e.g. potential budget pressures or underspends	Partnership team to consider	Welsh Government Finance Director, as appropriate

**Other Notification Arrangements**

During the transition period, CEOs should notify their partnership or sponsor teams at their prescribed monitoring meetings of any other decisions they have made or are likely to make in the next period that would previously have been referred to the Welsh Government.

# Annex 6 – Draft Articles of Association

THE COMPANIES ACT 2006

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PRIVATE COMPANY  
LIMITED BY GUARANTEE

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ARTICLES OF ASSOCIATION

OF

LIFE SCIENCES HUB WALES LIMITED (Company number: 08719645)

(Adopted by special resolution passed on 5 December 2013)

## 1. PRELIMINARY

The regulations contained in the model articles of association for private companies limited by guarantee contained in Schedule 2 to The Companies (Model Articles) Regulations 2008) in force at the time of adoption of these Articles shall not apply to the Company and these Articles shall be the regulations of the Company.

## 2. DEFINITIONS AND INTERPRETATION

2.1 In these Articles the following expressions have the following meanings unless inconsistent with the context:

“these Articles”	these Articles of Association, whether as originally adopted or as from time to time altered by special resolution
“the 2006 Act ”	the Companies Act 2006 (as amended from time to time)
“chairman”	the chairman of the Company appointed by the Guarantor Member in accordance with Article 9.5 or approved by the Guarantor Member in accordance with Article 15.2
“Connected”	in relation to a director of the Company has the meaning given in section 252 of the 2006 Act
“Directors”	the directors for the time being of the Company or (as the context shall require) any of them acting as the board of

	directors of the Company
<b>“electronic address”</b>	any address or number used for the purposes of sending or receiving documents or information by electronic means
<b>“electronic form” and “electronic means”</b>	have the meaning given in section 1168 of the 2006 Act
<b>“executed”</b>	includes any mode of execution
<b>“hard copy form”</b>	has the meaning given in section 1168 of the 2006 Act
<b>“Guarantor Member”</b>	means a member of the Company whose name is entered in the register of members of the Company
<b>“office”</b>	the registered office of the Company
<b>“ordinary resolution”</b>	has the meaning given in section 282 of the 2006 Act
<b>“seal”</b>	the common seal of the Company (if any)
<b>“secretary”</b>	the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary
<b>“special resolution”</b>	has the meaning given in section 283 of the 2006 Act
<b>“the Statutes”</b>	the Companies Acts as defined in section 2 of the 2006 Act and every other statute, order, regulation, instrument or other subordinate legislation for the time being in force relating to companies and affecting the Company
<b>“subsidiary”</b>	has the meaning given in section 1159 of the 2006 Act.
<b>“United Kingdom”</b>	Great Britain and Northern Ireland.
<b>“in writing”</b>	hard copy form or to the extent agreed (or deemed to be agreed by virtue of a provision of the Statutes) electronic form or website communication

2.2 Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Statutes but excluding any statutory

modification thereof not in force when these Articles become binding on the Company.

- 2.3 Words importing the masculine gender only shall include the feminine gender and the neuter (as appropriate).
- 2.4 References to any Statute or statutory provision include, unless the context otherwise requires, a reference to that Statute or statutory provision as modified, replaced, re-enacted or consolidated and in force from time to time and any subordinate legislation made under the relevant Statute or statutory provision.
- 2.5 Where the word “address” appears in these Articles it is deemed to include postal address and, where applicable, electronic address.
- 2.6 The expression “working day” in relation to a period of notice means any day other than Saturday, Sunday and Christmas Day, Good Friday or any day that is a bank holiday under the Banking and Financial Dealing Act 1971 in the part of the UK where the company is registered.
- 2.7 The expression “clear days” in relation to a period of notice to call a meeting means the number of days referred to excluding the day when the notice is given and the day of the meeting.

### **3. OBJECTS AND RESERVED MATTERS**

#### **Objects**

#### **3.1 The objects of the Company (“Objects”) are specifically restricted to the following:**

3.1.1 to discharge the functions of the Guarantor Member, including those under section 60 of the Government of Wales Act 2006 and section 1 of the Welsh Development Agency Act 1975, in particular:-

3.1.1.1 **Convene and orchestrate the healthcare innovation ecosystem in Wales**, by bringing activity, people, policy, and knowledge together in one place, across industry, clinical, academia and investor communities.

3.1.1.2 **Improve health and well-being outcomes for the people in Wales**, by sourcing and accelerating the development of innovative opportunities, to deliver a pipeline of adoptable solutions which meet health and care challenges.



- 3.1.1.3 **Accelerate the growth of Life Sciences in Wales**, by promoting Wales globally as an integrated, prudent and value-based healthcare innovation system, to attract new opportunities and investment to Wales and by supporting the commercialisation and export of Welsh innovation.
- 3.1.1.4 **Improve efficiency and value within the health and social care system**, by fostering and cultivating relationships with and between the health and social care community in Wales, to identify and promote the national adoption of existing innovation and best practice.
- 3.1.1.5 **Attract new opportunities and investment to Wales** by fostering collaboration and joint venture between key stakeholders to develop consortia funding proposals in response to public and private funding opportunities.
- 3.1.1.6 **Act in an advisory capacity in connection with healthcare innovation** by providing support and expertise across the healthcare innovation ecosystem and Welsh Government.

**312 to undertake any action whatsoever which in the opinion of the Guarantor Member is necessary or desirable for the furtherance of the Objects including without limitation providing any assistance required by the Guarantor Member in relation thereto.**

#### **Reserved Matters**

**3.2 Notwithstanding any other provision of these articles, the Company shall not and the Directors shall procure that the Company shall not undertake the following matters without the prior written consent of the Guarantor Member:**

**321 unless set out, provided for or referred to in the relevant annual remit letter, annual operational plan or business plan of the Company, approve any revenue or capital expenditure, lending or leasing arrangements, bid submission, acquisition or disposal of any land, property or other capital asset;**

- 322** unless set out, provided for or referred to in the relevant annual remit letter, annual operational plan or business plan of the Company, approve any project which materially increases the Company's risk profile and/or which involves any obligations, restrictions or liabilities of an unusual, onerous or exceptional nature not in the ordinary course of business;
- 323** enter into any borrowing or incur any indebtedness, issue any bank mandates, guarantees, bonds, indemnities or letters of comfort;
- 324** acquire or form any subsidiary or acquire shares in any other company or participate in any joint venture, partnership or contractual arrangement with similar effect;
- 325 enter into any arrangement which would extend or materially change the activities of the Company outside the scope of the business carried out by the Company at the date of adoption of these articles;
- 326** permit the registration of any person as a Guarantor Member of the Company;
- 327 amend the articles of association of the Company;
- 328 create or grant any security over the whole or any part of the business of the Company;
- 329 appoint and remove the auditors of the Company;
- 32.10 appoint and remove any of the Directors of the Company;
- 32.11 make any acquisition or disposal of assets by the Company;
- 32.12 amalgamate or merge with any other company or business undertaking;
- 32.13 the dissolution, winding up or liquidation or the presentation of any petition for winding-up or petition for an administration order, in respect of the Company;
- 32.14 enter into, alter or vary any contract of employment or any increase or variation in the basis of calculating the payment of remuneration (including pension and other benefits) not already provided for in any agreed budgets, remit letters, annual operational plans or business plans of the Company;

- 3215 make any gift or political or charitable donation;
- 3216 alter the Company's name;
- 3217 adopt or amend any annual operational plan or business plan or budget of the Company, or enter into any contract or commitment not provided for in the annual operational plan or business plan or budget;
- 3218 establish or amend any pension scheme or granting any pension rights to any director, officer, employee, former director, officer or employee, or any member of any such person's family;
- 3219 enter into any material contract or arrangement outside the ordinary course of the business of the Company;
- 3220 change the nature or scope or geographical area of the business of the Company as carried on from time to time or commence any new business not being ancillary or incidental to such business;
- 3221 invest any surplus cash balances of the Company except in respect of short-term cash deposits;
- 3222 institute, settle or compromise any material legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against the Company or submit to arbitration or alternative dispute resolution any dispute involving the Company.

3.3 Each of the Directors (so far as he is able) and the Company shall procure that no subsidiary takes any action which would constitute a breach of any provision in Article 3.2 as if any reference in this clause (express or implied) to the Company were construed as a reference to each subsidiary for the time being.

#### **4. DISTRIBUTIONS AND APPLICATION OF INCOME AND PROPERTY**

4.1 Subject to **Article 4.2** below, the income and property of the Company shall be applied solely towards the promotion of the Objects.

4.2 No dividends or bonus may be paid or capital otherwise returned to the Guarantor Member, provided that nothing in these Articles shall prevent any payment in good faith by the Company of:

- 421 reasonable and proper remuneration to any member, officer or servant of the Company for any services rendered to the Company;

422 any interest on money lent by any member or any director at a reasonable and proper rate;

423 reasonable and proper rent for premises demised or let by any member or director; or

424 reasonable out-of-pocket expenses properly incurred by any director.

4.3 If at the conclusion of the winding up or dissolution of the Company there remains after the satisfaction of all its debts and liabilities any property or operating surplus whatsoever, the same shall be transferred to the Guarantor Members or to another body with similar objects (whether or not the body is a Guarantor Member of the Company) as may determined by the Guarantor Members.

## **5. LIABILITY OF GUARANTOR MEMBERS**

5.1 The liability of the Guarantor Members is limited.

5.2 Every Guarantor Member of the Company undertakes to contribute such amount as may be required (not exceeding £1.00) to the Company's assets if it should be wound up while such party is a Guarantor Member or within one year after such party ceases to be a Guarantor Member, for payment of the Company's debts and liabilities contracted before such party ceases to be a Guarantor Member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves.

## **6. GUARANTOR MEMBERS**

6.1 No person shall be admitted as a Guarantor Member of the Company unless he is approved by the existing Guarantor Members. Every person who wishes to become a Guarantor Member shall deliver to the Company an application for membership in such form as the Directors require to be executed by him agreeing to be bound by these Articles and on being so admitted his name shall be entered in the register of members of the Company.

6.2 A Guarantor Member may at any time withdraw from the Company by giving at least seven clear days' notice in writing to the Company provided that after such retirement the number of Guarantor Members remaining is not less than one.

6.3 Membership shall not be transferable.

## **7. GENERAL MEETINGS**

7.1 The Directors may call general meetings of their own volition and at the request of the Guarantor Member.

7.2 If at any time:

721 there are not within the United Kingdom sufficient Directors capable of acting to form a quorum; or

722 the Directors have failed to give notice convening a general meeting within 10 days of receiving a request by the Guarantor Member to convene such meeting,

then any director of the Company or Guarantor Member may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

## **8. NOTICE OF GENERAL MEETINGS**

8.1 A notice convening a general meeting of the Company shall be called by at least fourteen clear days' notice in writing. The notice shall specify the time and place of the meeting and the general nature of the business to be transacted, in case of special business.

8.2 Subject to the provisions of these Articles notice of general meetings shall be given to all Guarantor Members, to all Directors and to the auditors.

8.3 Notwithstanding the foregoing provisions of these Articles a general meeting may be called by shorter notice if it is so agreed in accordance with section 307(4) of the 2006 Act.

8.4 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

8.5 Notwithstanding that the Company does not have a share capital, every notice convening a general meeting shall comply with the provisions of section 325(1) of the 2006 Act as to giving information to Guarantor Members in regard to their right to appoint proxies.

8.6 Every notice convening a general meeting shall be given in accordance with section 308 of the 2006 Act that is, in hard copy form, electronic form or by means of a website.

8.7 The Company may send a notice of meeting by making it available on a website or by sending it in electronic form and if notice is sent in either way it will be valid provided it complies with the relevant provisions of the 2006 Act.

## 9. PROCEEDINGS AT GENERAL MEETINGS

9.1 No business shall be transacted at any general meeting unless a quorum of Guarantor Members is present at the commencement of the meeting and also when that business is voted on.

9.2 Where the Company has only one Guarantor Member for the time being, one qualifying person (as defined in section 318 of the 2006 Act) present at the meeting shall be a quorum. In any other case the quorum shall be two Guarantor Members present in person, by proxy or authorised representative.

9.3 If within half an hour from the time appointed for the general meeting a quorum is not present the general meeting shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such other time and place as the Directors may determine; and if at the adjourned general meeting a quorum is not present within half an hour from the time appointed therefore the Guarantor Member or Guarantor Members present in person or by proxy or (being a body corporate) by representative and entitled to vote upon the business to be transacted shall constitute a quorum and shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

9.4 Any decision taken by a sole Guarantor Member pursuant to **Article 9.2** above shall be recorded in writing and delivered by that Guarantor Member to the Company for entry in the Company's minute book.

9.5 The Guarantor Member may appoint any person to be the chairman of the Company by ordinary resolution which person shall become a Director. The chairman shall preside at every meeting of Directors and at every general meeting of the Company at which he is present.

9.6 The Guarantor Member may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned

meeting other than the business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

9.7 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of the show of hands, a poll is duly demanded. Subject to the provisions of the Statutes, a poll may be demanded:

9.7.1 by the chairman; or

9.7.2 by any one Guarantor Member having the right to vote at the meeting; or

9.7.3 by a Guarantor Member or Guarantor Members representing not less than one-tenth of the total voting rights of all the Guarantor Members having the right to vote at the meeting,

and a demand by a person as a proxy for a Guarantor Member shall be the same as a demand by the Guarantor Member.

9.8 Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

9.9 The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

9.10 A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be Guarantor Members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

9.11 A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs not being more than thirty days after the poll is demanded. The demand for a poll shall not prevent the

continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

9.12 No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

## **10. VOTES OF GUARANTOR MEMBERS**

10.1 On a written resolution, every Guarantor Member has one vote, on a show of hands every Guarantor Member (being an individual) present in person or by proxy (not being himself a Guarantor Member entitled to vote) or (being a corporation) present by a duly authorised representative or proxy (not being himself a Guarantor Member entitled to vote) has one vote and on a poll every Guarantor Member present in person or by proxy or by a duly authorised representative (as the case may be) has one vote.

10.2 A Guarantor Member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, by his receiver, curator bonis or other person authorised in that behalf. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be deposited at the office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable. In calculating the time period in this **Article 10.2**, no account shall be taken of any part of a day that is not a working day.

10.3 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

10.4 An instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor and shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the Directors may approve):



“NAME [Limited]

I [NAME] of [ADDRESS] being a Guarantor Member of the above-named Company hereby appoint [NAME] of [ADDRESS] as my proxy to vote in my name and on my behalf at a general meeting of the Company to be held on [DATE], and at any adjournment thereof.

Signed on [DATE].”

- 10.5 Where it is desired to afford Guarantor Members an opportunity of instructing the proxy how he shall act the instrument appointing a proxy shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the Directors may approve):

“[NAME] [Limited]

I [NAME] of [ADDRESS] being a Guarantor Member of the above named Company, hereby appoint [NAME] of [ADDRESS] or failing him [NAME] of [ADDRESS] as my proxy to vote for me in my name and on my behalf at a general meeting of the Company to be held on [DATE], and at any adjournment thereof.

This form is to be used in respect of the resolutions mentioned below as follows:

Resolution No 1 \*for \*against

Resolution No 2 \*for \*against

\* Strike out whichever is not desired

Unless otherwise instructed, the proxy may vote as he thinks fit or abstain from voting.

Signed on [DATE].”

- 10.6 The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

- 10.7 The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a copy of that power or authority notarially or in some other way approved by the Directors may:

10.7.1 in the case of a proxy not being sent in electronic form be deposited at the office or at such other place within the United Kingdom as is specified for that purpose in the notice convening the meeting or in any instrument of

proxy sent out by the Company in relation to the meeting not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or

10.72 in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

10.73 where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman of that meeting or to the secretary or to any director,

10.8 A proxy appointment which is being sent in electronic form must be received at an address specified by the Company for the purpose of receiving such communications in electronic form:

10.81 in (or by way of a note to) the notice convening the meeting; or

10.82 in any form of proxy appointment sent out by the Company; or

10.83 in any invitation contained in an electronic form to appoint a proxy issued by the Company

in each case not less than 48 hours before the time for holding the meeting at which the person named in the instrument proposes to vote or in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the poll is taken or where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman of that meeting or to the secretary or to any director.

An instrument of proxy which is not deposited or delivered in a manner so permitted shall be invalid.

10.9 In calculating the time periods in **Article 10.7 and 10.8**, no account shall be taken of any part of a day that is not a working day.

10.10 A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the Company at the office or at such other place at which the instrument of proxy was duly deposited before commencement of the meeting or

adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.

## **11. WRITTEN RESOLUTIONS**

11.1 A written resolution, proposed in accordance with section 288(3) of the 2006 Act, will lapse if it is not passed before the end of the period of 28 days beginning with the circulation date.

11.2 For the purposes of this **Article 11** “circulation date” is the day on which copies of the written resolution are sent or submitted to Guarantor Members or, if copies are sent or submitted on different days, to the first of those days.

## **12. NUMBER OF DIRECTORS**

Unless otherwise determined by ordinary resolution the maximum number of Directors shall be ten and the minimum number of Directors shall be two.

## **13. POWERS OF DIRECTORS**

13.1 Subject to the provisions of the 2006 Act and these Articles and to any directions given by the Guarantor Member, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of these Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

13.2 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine provided that not less than two approved signatories shall be required to sign all physical cheques drawn against the Company.

## **14. DELEGATION OF DIRECTORS’ POWERS**

14.1 The Directors may delegate any of their powers to:

14.1.1 any committee consisting of one or more directors and such other persons (if any) not being directors co-opted on to such committee as the Directors think fit provided that the number of co-opted persons not being directors

shall not exceed one half of the total number of members of such committee; or

14.12 the chief executive officer (for the time being) of the Company or any Director holding any other executive office.

14.2 Any such delegation may be made subject to any conditions the Directors may impose and may be collateral to their own powers and may be revoked or altered. Subject to any such conditions the proceedings of a committee with two or more members shall be governed by the Articles regulating the proceedings of Directors so far as they are capable of applying.

## **15. APPOINTMENT AND REMOVAL OF DIRECTORS**

15.1 The Company may by ordinary resolution appoint a person who is willing to be a director either to fill a vacancy or as an additional director and may also determine the rotation in which any additional directors are to retire.

15.2 The Directors may, with the prior written consent of the Guarantor Member:-

1521 appoint a person who is willing to act to be a director either to fill a vacancy or as an additional director; and

1522 appoint a director to be the chairman of the Company and the chairman shall preside at every meeting of Directors and at every general meeting of the Company at which he is present.

15.3 Notwithstanding the foregoing provisions of these Articles, the Guarantor Member may at any time and from time to time appoint any person to be a director, either as an additional director or to fill a vacancy and may remove from office any director however appointed. Any such appointment or removal shall be effected by notice in writing to the Company signed by the Guarantor Member.

15.4 The Guarantor Member has the right to nominate an observer to attend all meetings of the board of Directors and the Company (“the Observer”). The Observer shall have the right to attend but not speak (unless invited to do so by the chairman of such meeting) or vote at such meetings.

## **16. DISQUALIFICATION AND REMOVAL OF DIRECTORS**

The office of a director shall be vacated if:

- 16.1 he ceases to be a director by virtue of any provision of the Statutes or these Articles or he becomes prohibited by law from being a director; or
- 16.2 he becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- 16.3 he is, or may be, suffering from mental disorder and either:
  - 1631 he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960; or
  - 1632 an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
- 16.4 he resigns his office by notice to the Company; or
- 16.5 he shall for more than two consecutive meetings have been absent without permission of the Directors from meetings of Directors and the Directors resolve that his office be vacated; or
- 16.6 he is removed by the Guarantor Member in accordance with **Article 15.3**.

## **17. DIRECTORS' INTERESTS**

- 17.1 Subject to the provisions of the Statutes, and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a director notwithstanding his office:
  - 17.1.1 may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is in any way interested;
  - 17.1.2 may hold any other office or employment with the Company (other than the office of auditor);
  - 17.1.3 may be a director or other officer of or employed by or be a party to any transaction or arrangement with or otherwise interested in any body

corporate promoted by the Company or in which the Company is in any way interested;

17.14 may, or any firm or company of which he is a member or director may, act in a professional capacity for the Company or any body corporate in which the Company is in any way interested other than as an auditor;

17.15 shall not by reason of his office be accountable to the Company for any benefit which he derives from such office, service or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and

17.16 save for a vote under section 175(4) of the 2006 Act authorising any conflict of interest which the director or any other interested director may have or where the terms of authorisation of such conflict provide that the director may not vote in situations prescribed by the Directors when granting such authorisation shall be entitled to vote on any resolution and (whether or not he shall vote) shall be counted in the quorum on any matter referred to in any of **Articles 17.1.1 to 17.1.4** (inclusive) or on any resolution which in any way concerns or relates to a matter in which he has, directly or indirectly, any kind of interest whatsoever and if he shall vote on any resolution as aforesaid his vote shall be counted.

**17.2** For the purposes of **Article 17.1:**

17.21 a general notice to the Directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified;

17.22 an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; and

17.23 an interest of a person who is for any purpose of the 2006 Act (excluding any statutory modification not in force when the Company was incorporated) connected with a director shall be treated as an interest of the director and in relation to an alternate director an interest of his

appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

## **18. DIRECTORS' GRATUITIES AND PENSIONS**

The Directors may exercise any powers of the Company conferred by its constitution to give and provide pensions, annuities, gratuities or any other benefits whatsoever to or for past or present Directors or employees (or their dependants) of the Company or any subsidiary undertaking (as defined in section 1162 of the 2006 Act) or associated undertaking (as defined in section 479(4) of the 2006 Act) of the Company and the Directors shall be entitled to retain any benefits received by them or any of them by reason of the exercise of any such powers.

## **19. CALLING A DIRECTORS' MEETING**

**19.1 Meetings of the Directors shall take place at least four times in each year. Any Director may call a directors' meeting by giving notice of the meeting to each Director or by authorising the Company secretary (if any) to give such notice.**

**19.2 Notice of any directors' meeting must indicate:**

19.2.1.1 the proposed date and time of the meeting;

19.2.1.2 where the meeting is to take place; and

19.2.1.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

**19.3 Notice of a directors' meeting shall, if practicable, be given at least ten Business Days prior to a meeting of directors or in writing to an address given by him to the Company for that purpose or, if none has been given, to his last known address.**

**19.4 A director may waive his entitlement to notice of any directors' meeting either prospectively or retrospectively. Where notice is so waived, the validity of the meeting, or any business conducted at it, shall not be called into question on the grounds that notice was not given to that director.**

## **20. PROCEEDINGS OF THE DIRECTORS**

**20.1** Subject to the provisions of these Articles, the Directors may regulate their meetings, as they think fit. A director may, and the secretary at the request of a director shall,

call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. Notice of every meeting of the Directors shall be given to each director, including Directors who may for the time being be absent from the United Kingdom and have given the Company an address within the United Kingdom for service.

- 20.2 Any director may participate in a meeting of the Directors or a committee constituted pursuant to **Article 14** of which he is a member by means of a conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting and, subject to these Articles and the Statutes, shall be entitled to vote and be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.
- 20.3 The quorum for the transaction of the business of the directors shall be half the number of Directors currently appointed (rounded up to the nearest whole number) one of whom must be a Director appointed to the Company by the Guarantor Member pursuant to Article 15.3.
- 20.4 Notwithstanding any vacancies in their number, the continuing Directors or where there is only one, the sole continuing Director, may continue to act but if the number of Directors is less than the number fixed as the quorum they, or (in the case of a sole director) he, may only act for the purpose of filling vacancies or calling a general meeting.
- 20.5 If at any meeting there is no chairman; or the chairman is not present within five minutes of the time appointed for the start of the meeting; or the chairman is unwilling to preside, the Directors present may appoint one of their number to be chairman of the meeting.
- 20.6 All acts done by any meeting of the Directors or of a committee constituted pursuant to **Article 14**, or by any person acting as a director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any director or person acting as aforesaid, or that they or any of them were disqualified from holding office or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote.



- 20.7 A resolution in writing, signed by all the Directors entitled to receive notice of a meeting of directors or of a committee constituted pursuant to **Article 14** shall be as valid and effectual as if it had been passed at a meeting of the Directors or (as the case may be) such a committee duly convened and held and may consist of several documents in the like form each signed by one or more Directors or members of the committee (as the case may be).
- 20.8 If, and as a consequence of section 175(6) of the 2006 Act a director cannot vote or be counted in the quorum at a meeting of the Directors then the following apply:
- 2081 if the meeting is inquorate then the quorum for that purpose of that meeting shall be one;
- 2082 notwithstanding **Article 20.8.1** if the meeting is still inquorate then it must be adjourned to enable the Guarantor Members of the Company to authorise any situation in which a director has a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

## **21. SECRETARY**

- 21.1 Subject to the provisions of the Statutes, the secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them; provided always that no director may hold office as secretary where such office is remunerated.
- 21.2 A provision of the Statutes or these Articles requiring or authorising a thing to be done by or to a director and the secretary shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, the secretary.

## **22. MINUTES**

The Directors shall cause minutes to be made in books kept for the purposes:

- 22.1 of recording the names and addresses of all Guarantor Members; and
- 22.2 of all appointments of officers made by the Directors; and
- 22.3 of all proceedings at meetings of the Company and of the Directors and of committees constituted pursuant to **Article 14** including the names of Directors and Guarantor Members (as appropriate) present at each such meeting.

**23. THE SEAL**

If the Company has a seal it shall only be used with the authority of the Directors or of a committee constituted pursuant to **Article 14** which is comprised entirely of Directors. The Directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined, every instrument to which the seal is affixed shall be signed by one director whose signature shall be attested in the presence of a witness or by one director and the secretary or by two directors.

**24. ACCOUNTS**

The Guarantor Member shall (as such) be entitled to inspect any accounting records or other books or documents of the Company or any subsidiary of the Company.

**25. NOTICES**

25.1 Any notice to be given to or by any person pursuant to these Articles (other than a notice calling a meeting of the Directors) shall be in writing and sent to an address for the time being notified for that purpose to the person giving the notice.

25.2 The Company may give any notice to a Guarantor Member either personally or by sending it by first class post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by giving it in electronic form to an address for the time being notified to the Company by the Guarantor Member. A Guarantor Member who gives to the Company an address either within or outside the United Kingdom at which notices may be given to him, or an address to which notices may be sent in electronic form, shall be entitled to have notices given to him at that address, but otherwise no such Guarantor Member shall be entitled to receive any notice from the Company.

25.3 A Guarantor Member present, either in person or by proxy, at any meeting of the Company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

25.4 Proof that an envelope containing a notice was properly addressed, prepaid and posted shall be conclusive evidence that the notice was given. Proof that a notice in electronic form was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice was given. A notice shall be deemed to be given at the expiration of 24 hours after the envelope containing it was posted or, in the case of a notice contained in electronic form, at the expiration of 24 hours after the time it was sent.

25.5 If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Company is unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by a notice advertised in at least one national daily newspaper and such notice shall be deemed to have been duly served on all Guarantor Members entitled thereto at noon on the day when the advertisement appears. In any such case the Company shall send confirmatory copies of the notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.

## **26. INDEMNITIES FOR DIRECTORS**

26.1 Subject to the provisions of, and so far as may be permitted by, the 2006 Act but without prejudice to any indemnity to which the person concerned may be otherwise entitled, the Company may indemnify every director, alternate director, secretary or other officer of the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or the exercise of his powers or otherwise in relation to or in connection with his duties, powers or office, including any liability which may attach to him in respect of any negligence, default, breach of duty or breach of trust in relation to anything done or omitted to be done or alleged to have been done or omitted to be done by him as a director, alternate director, secretary or other officer of the Company and against any such liability incurred by him in connection with the Company's activities as trustee of an occupational pension scheme as defined in section 235(6) of the 2006 Act.

26.2 The directors may buy and maintain at the cost of the Company insurance cover for or for the benefit of every director, alternate director, secretary or other officer of the Company or of any associated company (as defined in section 256 of the 2006 Act) against any liability which may attach to him in respect of any negligence, default, breach of duty or breach of trust by him in relation to the Company (or such associated company), including anything done or omitted to be done or alleged to have been done or omitted to be done by him as a director, alternate director, auditor, secretary or other officer of the Company or associated company.

26.3 Subject to the provisions of, and so far as may be permitted by, the Statutes, the Company shall be entitled to fund the expenditure of every director, alternate director or other officer of the Company incurred or to be incurred:

263.1 in defending any criminal or civil proceedings; or

2632 in connection with any application under sections 661(3), 661(4) or 1157 of the 2006 Act.

**27. DOCUMENTS SENT IN ELECTRONIC FORM OR BY MEANS OF A WEBSITE**

27.1 Where the 2006 Act permits the Company to send documents or notices to its Guarantor Members in electronic form or by means of a website, the documents will be validly sent provided the Company complies with the requirements of the 2006 Act.

27.2 Subject to any requirement of the 2006 Act only such documents and notices as are specified by the Company may be sent to the Company in electronic form to the address specified by the Company for that purpose and such documents or notices sent to the Company are sufficiently authenticated if the identity of the sender is confirmed in the way the Company has specified.

**28. REGISTERED OFFICE**

The Company's registered office is to be situated in Wales.