UK Green Investment Bank PLC
(the “Company”)
MINUTES
Minutes of Meeting of the Board of Directors of the Company held at 21-24 Millbank Tower,
Millbank, London SW1P 4QP on Thursday 14 March 2013 at 12:00 pm

Present: Lord Smith (in the Chair)
Anthony Odgers
Professor Dame Julia King
Shaun Kingsbury
Fred Maroudas
Tom Murley
David Nish
Isobel Sharp
Tessa Tennant (by video conference)

In Attendance: Dr Irene Adams
Jennifer Black
Jeremy Burke
Alan Mitchelson

In Part: Peter Knott
Ian Nolan
Dr Patricia Rodrigues

Apologies: Sir Adrian Montague

1. Introduction

The Chairman welcomed everyone to the meeting.

2. Notice and Quorum

It was noted that a quorum was present, that due notice of the meeting had been given to all Directors and that the meeting had been duly convened in accordance with the articles of association of the Company.

3. Directors Duties and Interests

Each of the Directors present confirmed that for the purposes of section 177 of the Companies Act 2006 there had been no change to the general notice given to the Company and authorisation given by the Board and that there were no new transactions or arrangements that require notification and approval by the Company that could conflict with the business of the meeting.

4. Documents

The following documents were produced to the meeting:
a) Minutes of the meeting of the Board of Directors of the Company held on 15 January 2013;
b) Resolution of the Board dated 17 January 2013;
c) Minutes of Meeting of the Chair’s Committee dated 24 January 2013;
d) Minutes of Meeting of the Audit & Risk Committee dated 15 January 2013;
e) Minutes of Meeting of the Remuneration Committee dated 15 January 2013;
f) Terms of Reference for the Interim Green Committee;
g) Chief Executive’s Report incorporating:
   - Transaction and Portfolio update;
   - Spending review;
   - Transparency recommendation;
   - State Aid update;
   - Finance Report.
h) Strategic Review incorporating:
   - Waste Strategy (2 papers);
   - Bio Energy Strategy (2 papers).
i) Risk Management, Strategy and Process by Peter Knott;
j) Portfolio Management Process by Patricia Rodrigues;
k) Ratification of Delegated authority;
l) Notice convening a General Meeting of the Company;
m) New Articles of Association;
n) Shareholder Relationship Document;
o) Timetable for finalising 2012-13 Accounts;

5. **Board**

The Directors considered the draft minutes from the meeting of the Directors held on 15 January 2013 and considered that they were a true and accurate record of that meeting.

6. **Chair’s Committee**

The minutes of the Committee Meeting held on 24 January 2013 in relation to changes to the funding arrangements for The Green Deal Finance Company were approved by the Board.

7. **Audit & Risk Committee**

The Minutes of the Committee meeting held on 15 January 2013 were approved by the Board. The Committee Chair updated the Board on the meeting which had been held earlier that morning. The Committee reviewed the draft Risk Management Framework and the Risk and Compliance policies. Statutory audit work was being carried out by the National Audit Office in accordance with the plan and internal audit work undertaken by BIS had identified no substantial issues.
8. **Remuneration Committee**

The Minutes of the Committee meeting held on 15 January 2013 were approved by the Board. The Committee Chair updated the Board on the meeting which had been held earlier that morning and had focussed on the LTIP scheme for the current financial year.

9. **Interim Green Committee**

The Terms of Reference of the Green Committee were approved by the Board and “Green” would be a standing agenda item at future Board meetings.

The Green Policies would be circulated to the Board by 28th March with a view to being signed off on 17 April. Recruitment was on-going to increase the appropriate skills in this area and PWC would carry out a review to provide assurance on the process.
10. **Chief Executive’s Report**

The Board were updated on the following areas:

**Areas of Focus**
This included employees and diversity and at the end of the current recruitment process 39 employees would be located in Edinburgh and 62 in London. Currently 35% of staff are female and 65% are male.

**Ongoing Funding**
As part of the Government’s Spending Review a presentation would be made to the Shareholder for funding for 2015-16.

**Transparency**
As part of the Board’s commitment to transparency the following recommendations were approved by the Board:

The following information would available on the website:

- Board Minutes - within 2 months.
- Investment Committee Minutes – Deal highlights via a case study when details in public domain.
- Executive Remuneration – Full salary, benefits and LTIP as appropriate of Chairman, Directors, CEO and CEO’s direct reports will be included in the Annual Report.
- Performance Pay – a clear and simple explanation of how performance pay is awarded will be set out in the Remuneration Report within the Annual Report.
- Executive Expenses and Hospitality – Expenses incurred by the Chairman, CEO, and Senior Leadership team and Register of Hospitality will be published on a quarterly basis.
- Review of Board Effectiveness – The Chairman has committed to review Board effectiveness after a full year and to publish the findings.

11. **Risk and Compliance Policies**
The first phase of Risk and Compliance policies had been reviewed by the Audit and Risk Committee and would be presented to the Board for approval on 17 April.

12. **Green Policies**
The Green and Sustainability policies continue to be developed and after review by the Interim Green Committee would be presented to the Board for approval on 17 April.

Consideration would also be given to what should be put on the Company’s website in relation to the Company’s position on Green and the internal processes.

13. **Enterprise and Regulatory Reform Bill**
The Company has undertaken to report in 2013 as if the new reporting requirements relating to Green House Gas Emissions were already in force and to measure carbon reduction using a methodology which reflects best practice.

14. **State Aid**
The State Aid approval issued by the commission on 18 October 2012 dealt only with the provision of state funding to the Company. Separate approval is required to establish the breadth of activities which the Company can undertake on a “Market Economy Investor Principle” and this was being followed up.

15. **Transaction and Portfolio Update**
To date the Company has committed a total of £685m with a visible pipeline of £1.2 billion. Greencoat had announced their intention to float and the process was underway. A regular update would be provided to the Board on investments.

16. **Finance**
Jeremy Burke updated the Board on the financial position covering profit and loss, including staff and other costs.

The proposed 2013-14 Budget was tabled. Assumptions had been made on the levels of potential investment by sector, deal completion dates and draw down timing. Operational expenditure was based on the current operations and staffing plan with cashflow based on reasonable assumptions for receipts and payments.

It was resolved that the Budget for 2013-14 be and is hereby approved.

A funding allocation letter would be sent to the Shareholder as confirmation.

17. **Strategy Review**
Presentations were tabled in relation to the proposed strategies for (NDEE) and Offshore Wind (OSW)

**NDEE**

NDEE deals score among the highest in Green impact. It is a large and complex market with significant fragmentation across multiple host customer sectors and efficiency technology types. Significant investment will be required to deliver in addition to overcoming challenges with regards to information, project risks and skills.

The Company is focused on six key energy efficiency technology clusters - building retrofit, renewable heat, combined heat and power, industrial process, outdoor lighting and smart meters. More than 50% of the potential investment required will be funded internally by the host. Of the remaining funding opportunity, the investible market is estimated at £1bn-£1.9bn. A phased strategy with initial focus on three technology sectors (Industrial, CHP and Smart Meters), a customer segment (Local Authorities) and the external fund managers is proposed.
A potential portfolio of £300m-£1bn is envisaged.

The deals are smaller and less developed than the other market sectors and therefore more challenging.

**OSW**

OSW has the potential to provide more than 15% of UK electricity production by 2020 considering the project pipeline available.

Very substantial investment is required to meet DECC’s 18GW “central scenario” target by 2020. The potential required investment into the market to 2020 is estimated to be £49.4bn with a funding shortfall of more than £30bn and of this total £15bn is construction capital. The 2015 market investment opportunity is estimated to be £13.4bn reflecting a need for significant additional capacity and investment. After applying qualifying criteria, there is an investible market of £2.7bn - £3.7bn

18. **Risk Management, Strategy and Process**
   A paper covering the current status was tabled. Peter Knott updated the Board on the following:
   
   - Risk function organisation chart
   - Policy framework
   - Risk framework
   - Internal Audit

   This would be a standing agenda item at future Board Meetings.

19. **Portfolio Management Process**

   Dr Patricia Rodrigues, Head of Portfolio Investment Management, addressed the Board on the team’s role in looking for risks and anticipating unforeseen events, assessing risk during investment execution and the risk mitigation systems and the processes involved.

20. **Directors and Officers Insurance**

   An acceptable proposal had been received from Marsh and Directors and Officers Insurance cover was being put in place. Indemnities from the Company to the Directors were being prepared.

21. **2012-13 Accounts and Annual General Meeting**

   It is proposed to hold an Annual General Meeting of the company on 24 or 25 June to approve the accounts ahead of the Secretary of State laying the accounts before Parliament on 25 or 26 June. Thereafter it is planned to make industry presentations in Edinburgh on 26 June and London on 27 June.
22. **General Meeting**

The Chairman reported that it was proposed to consider and, if thought fit, approve:

(a) the convening of a general meeting of the Company to adopt new constitutional documents and to obtain approval to authorise the directors to allot shares up to an aggregate nominal amount of £3 billion; and

(b) the proposed allotment of one hundred and forty five million eight hundred thousand (145,800,000) Ordinary Shares of £1.00 each to the Secretary of State for the Department for Business, Innovation and Skills.

**ORDINARY RESOLUTION**

**1. AUTHORITY TO ALLOT**

THAT, in accordance with section 551 of the Companies Act 2006 (the “Act”), the directors of the Company (the “Directors”) be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (the “Rights”) up to an aggregate nominal amount of £3 billion provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 13 March 2018 save that the Company may, before such expiry, make an offer or agreement which would or might require shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

**AS A SPECIAL RESOLUTION**

**2. ADOPTION OF NEW CONSTITUTIONAL DOCUMENTS**

THAT, the articles of association attached hereto and marked “A” for the purposes of identification and the provisions contained in the document attaching hereto and marked “B” for the purposes of identification be and are hereby approved and adopted as the constitution of the Company in substitution for and to the exclusion of the existing constitution of the Company.

IT WAS RESOLVED:

a) To approve the New Articles of Association of the Company and the Shareholder Relationship Framework Document; and,

b) To convene a general meeting of the Company on short notice that afternoon to consider the Proposed Resolutions.

Following the general meeting the Chairman reported to the Board that the general meeting had been held and that the Proposed Resolutions had been passed.

**ADOPTION OF NEW CONSTITUTIONAL DOCUMENTS**

Following the adoption of the new constitutional documents of the Company by the sole shareholder at the general meeting, the Chairman instructed that the Company Secretary arrange for such documents to be filed with the Registrar of Companies within 15 days of their adoption in accordance with section 26 of the Act.

**ALLOTMENT AND ISSUE OF SHARES**
IT WAS RESOLVED,

To accept the applications for the allotment of 145,800,000 shares and to allot and issue to the applicant, in accordance with the terms of the application, the shares applied for by the applicant credited as fully paid;

To instruct the Company Secretary to:

a) Prepare a share certificate in respect of the allotted and issued shares and to arrange for such share certificate to be executed by the Company and delivered to the applicant; and

b) Enter the applicant’s name on the register of members of the Company as the holder of the shares allotted and issued to that applicant and make all other necessary and appropriate entries in the books and registers of the Company;

c) Authorise any director and/or the Company Secretary to do all such acts and things and agree and execute on behalf of the Company all such documents to which the Company is a party and all other documents as may be required in connection with the Proposed Allotment and generally to sign all such certificates and notices and other documents as may be necessary or desirable in connection with the Proposed Allotment, subject in each case to such amendments as those executing the same on behalf of the Company consider fit.

FILING
The Chairman instructed that the Company Secretary file all the necessary documentation with the Registrar of Companies.

15. Close of Meeting
There being no further business the Meeting closed.