
STATES OF JERSEY



PRESENTATION TO THE STATES ASSEMBLY OF THE UPDATED MEMORANDA OF UNDERSTANDING WITH THE WHOLLY OWNED STATES- OWNED ENTITIES

Presented to the States on 22nd April 2022
by the Minister for Treasury & Resources

STATES GREFFE

REPORT

Background

In accordance with Article 53 of the Public Finances (Jersey) Law, 2019, the Minister for Treasury and Resources (the “Minister”) is responsible for managing the States of Jersey’s shares in a company, wherever incorporated, on behalf of the States, and may exercise the rights and is responsible for any liabilities attached to the shares. These companies are referred to as the States Owned Entities (“SOEs”).

The relationship between the Minister and the wholly owned SOE Boards is governed by Memoranda of Understanding (‘MoU’) which include, *inter alia*, reporting requirements, provisions for meetings with the shareholder, director appointment and remuneration, risk management and decisions requiring Ministerial approval.

Report

In her report entitled “The States as Shareholder – Follow Up” dated 14 March 2019 the Comptroller and Auditor General (“C&AG”) recommended that all outstanding recommendations from her report of 24 July 2014 entitled “The States as Shareholder – Jersey Telecom” (the “2014 Report”) be reviewed in the context of all the States owned companies.

One of the recommendations contained in the 2014 Report was that a thorough review be undertaken of the MoU between Jersey Telecom and the States and there were other recommendations with respect to the content and terms of the MoU.

A thorough review of the existing MoUs has been undertaken with the assistance of PwC Jersey as advisors and, in consultation with the Boards of the SOEs, new MoUs have been produced that address the recommendations of the 2014 Report and other reports of the C&AG. The new MoUs build on the requirements of the existing MoUs and ensure the SOEs operate in accordance with modern standards of corporate governance, including adhering to the Principles of the 2018 UK Corporate Governance Code. An additional benefit from the new MoUs is that the terms are broadly consistent whereas the existing MoUs contain disparate provisions.

The new MoUs appear in the **Appendix**.

Engagement

The Law Officers’ Department have reviewed and opined on the form of the MoUs.

The Minister has engaged with the Economic and International Affairs Scrutiny Panel and wishes to thank the Panel for their feedback.

Conclusion

The new MoUs will come into effect on 1 May 2022.

Re-issue Note

This report was reissued on 29th April 2022 to include an updated Andium Memoranda of Understanding.

APPENDIX

**The new Memoranda of Understanding between the Minister for Treasury and
Resources and the wholly owned States-Owned Entities**

MEMORANDUM OF UNDERSTANDING BETWEEN THE GUARANTOR AND ANDIUM HOMES LIMITED

1. Introduction

1.1. States Owned Entities (“**SOEs**”) play an important role in our economy and society, delivering and supporting Government policy and building shareholder value. They are active across many sectors, from public utilities to managing the Islands’ gateways. Ministers rely on independent boards to lead each SOE. In turn, it is right that there should be clear and effective engagement with boards on the expectations of them in areas such as financial and non-financial performance, board conduct, and the relationship of boards with Government. High-performing boards and clear performance expectations enable SOEs to maximise their contribution to Jersey’s overall economic efficiency and wellbeing, and to better deliver the objectives for which they were established. Against this background, Islanders legitimately have an expectation of robust and thorough governance arrangements between the Guarantor and each SOE which is likely to extend beyond those obligations which apply to the private sector. This is best demonstrated through transparency and accountability with quality, timely and reliable reporting of performance which goes beyond financial reporting and helps to build trust with the Guarantor and the public of the Island.

2. Background

- 2.1.** The States of Jersey (the “**States**”) adopted on 16 May 2013 P.33/2013: The Reform of Social Housing and approved the incorporation of States owned Housing as a Company Limited by Guarantee wholly owned by the States. The States further adopted the Social Housing (Transfer) (Jersey) Law 2013 (the “**Transfer Law**”); to, amongst other things, transfer (the “**Transfer**”) the functions of, and the assets and liabilities administered by, the Housing Department into a company incorporated for this purpose, limited by guarantee, and wholly owned by the States. The States then, by its Act of 5 June 2014, adopted P.60/2014: Housing Transformation Programme: Memorandum and Articles of Andium Homes. This approved the Articles of Association and the Memorandum of Association for Andium Homes, a guarantee company with the States as the guarantor member, acting through the Minister for Treasury and Resources in accordance with the Transfer Law. On the previous day, the States adopted P.58/2014: Social Housing (Transfer) (Jersey) Regulations 2014 which effected the transfers from the Housing Department to Andium Homes.
- 2.2.** Following the Transfer, the Housing Department was dissolved, and new arrangements were made with regard to the formulation of housing policy, through the creation, within the States, of a Strategic Housing Unit, which reports to the Minister for Housing.
- 2.3.** The Minister for Housing remains charged with responsibility for Housing Policy and associated matters.
- 2.4.** The States transferred to Andium Homes the responsibility for the direction, strategy and management of the social housing assets transferred to it under the terms of

Article 4 of the Transfer Law. The Guarantor recognises the independence of the Board in managing the business.

- 2.5. The Policy Leads that are relevant to the activities of the Company will be agreed between the Guarantor and the Company from time to time.

3. Definitions

- 3.1. Defined terms used in this Memorandum of Understanding (“**MoU**”), including associated schedules, are set out in Schedule 1 (Definitions) of this MoU.

4. Duration

- 4.1. This MoU applies from the date of signing by the Minister until it is superseded or agreed between the parties that it is no longer valid. This MoU will be formally reviewed between the parties, anticipated to be no less frequently than every three years.

5. Purpose

- 5.1. The purpose of this MoU is to ensure the appropriate conduct of Andium Homes and the Guarantor and to put in place an accountability framework appropriate to Andium Homes as an independent business wholly owned by the States having regard to the GoJ policies and the Company’s corporate, social, and other responsibilities.
- 5.2. This MoU establishes the respective and distinct roles and responsibilities of the Board on the one hand and the Guarantor on the other. Interactions between the two will be conducted in accordance with this MoU.
- 5.3. This MoU aims to foster a sound working relationship between the Guarantor and Andium Homes based on a mutual understanding of expectations for the sharing of information, regular dialogue on key issues as they emerge and develop, and key business decisions which have the potential to impact on GoJ.
- 5.4. The Governance Framework, set out in Schedule 2 of this MoU, details the Guarantor’s requirements for how the Company will interact with the Guarantor and for the Company’s governance and reporting.

6. Company’s Business

- 6.1. In its business operations, Andium Homes will:
- 6.1.1. adhere to the provisions of this MoU;
 - 6.1.2. carry on business in a manner consistent with its SBP, as approved in accordance with section 9 of Schedule 2 of this MoU;
 - 6.1.3. adhere to the provisions of the Governance Framework as set out in Schedule 2 of this MoU;
 - 6.1.4. adhere to the provisions set out in Schedule 4 of this MoU;
 - 6.1.5. unless specifically contemplated in an approved SBP, seek the consent of the Minister before it sells, transfers, licences or in any way disposes of the Properties (other than a residential tenancy);
 - 6.1.6. adhere to all other applicable laws, regulations and applicable States industry standards and guidelines; and

- 6.1.7. operate at all times with a view to the best interests of the Company as required by the terms of Article 74 of the Companies (Jersey) Law 1991 (as amended) or any successor legislation.
- 6.2. All parties shall follow the programme of meetings as set out in Schedule 3 (Calendar of Meetings with the Guarantor) of this MoU.
- 6.3. Nothing in this MoU requires the Directors of the Company to do, or not to, anything which is inconsistent with their fiduciary duties as Directors.

7. Andium Homes's Objectives

- 7.1. Andium Homes's Objectives are to:
 - 7.1.1. provide affordable housing, together with any associated facilities, amenities or services, which meet the GoJ policy objectives for housing;
 - 7.1.2. carry on from time to time any other activities relating or ancillary to housing subject to obtaining the consent of the Guarantor;
 - 7.1.3. progress detailed development proposals for existing and new sites in accordance with the SBP as agreed with the Guarantor; and
 - 7.1.4. ensure the sustainability of Andium Homes as the key provider of affordable housing and other ancillary services;
 - 7.1.5. Create long-term value for the Guarantor through:
 - a. supporting GoJ's wider policy objectives by prioritising and fully engaging in the activities agreed with the relevant Policy Leads and ultimately the Guarantor through the SBP; and
 - b. creating a sustainable and long-term return to the Guarantor in accordance with any agreed proportion of accumulated profit and capital reserves or other measure; and
 - 7.1.6. demonstrate good corporate citizenship and role model behaviour for companies in Jersey, as set out in its KPIs on an annual basis.

8. Commercially Sensitive Information

- 8.1. Nothing in this MoU shall be construed as requiring the inclusion in the SBP, annual report, financial statements, or other published reports of any information, where making available of the information would be likely to unreasonably prejudice the commercial position of the Company or that of the person who supplied, or who is the subject of, the information.
- 8.2. It is recognised that the Company is subject to the Freedom of Information (Jersey) Law 2011 (as amended) ("FOI"). In the event that the States receives an FOI request relating to the Company which is appropriately directed to the States, the Guarantor will make every reasonable effort to advise the Company as appropriate, before making any disclosure.

9. Without Prejudice

- 9.1. This MoU does not prejudice in any way the rights, powers, duties and liabilities that exist in law between the parties and otherwise.

10. Notices and Communications

10.1. Any notices served on or communications to the Guarantor shall be delivered in all cases by email to:

shareholder@gov.je

and may also be delivered by hand, or post (recorded delivery), to:

The Treasurer of the States

19-21 Broad Street,

St Helier, Jersey, JE2 3RR

Or to such other address as the Guarantor may notify to the Company in writing at any time as the address for service or communication

10.2. Any notices served on or communications to the Company shall be delivered by hand, post (recorded delivery), or email to:

Ian Gallichan, CEO

33-35 Don Street, St Helier, Jersey JE2 4TQ

and/or by email to : I.Gallichan@andiumhomes.je

Or to such other address as the Company may notify to the Guarantor in writing at any time as the address for service or communication

Signed: _____ Date: _____

Chairman: _____

Signed: _____ Date: _____

Position: _____

Schedule 1 - Definitions

Defined terms used in this Memorandum of Understanding include:

- “Andium Homes” or the “Company” means Andium Homes Limited and any subsidiaries.
- “Board” means the Board of Directors of Andium Homes.
- “Code” has the meaning given at section 3.1 of Schedule 2 of this MoU.
- “Cottage Homes” means all of the land and any building, garden, landscaped area, boundary enclosure, road, pavement, footpath or other appurtenances detailed in Parts 72 and 148 of Schedule 1 to the Social Housing (Transfer) (Jersey) Regulations 2014 (P.58/2014).
- “Guarantor” means the States of Jersey, represented by the Minister.
- “GoJ” means the Government of Jersey.
- “Jersey RPI” means the Retail Prices Index published by the States as the main measure of inflation in Jersey.
- “Material” shall take its meaning from the concept of materiality as from time to time understood for the purposes of auditing the annual accounts of Andium Homes in line with accounting practices generally accepted in the Island of Jersey. Issues with a low financial impact, but a potentially high social, economic or political impact, will also be Material. Numerical guidance as to materiality with regard to specific financial matters, will be agreed in the SBP from time to time.
- “Minister” means the Minister for Treasury and Resources of the States. It shall include any other States Member to whom functions are delegated by the Minister.
- “Minister for Housing” means the Minister for Housing of the States.
- “Ministers” means Ministers of the States.
- “Operational Budget” has the meaning set out at section 9.2.8 of Schedule 2 of this MoU.
- “Policy Leads” means the Ministers of the States of Jersey with responsibility for the strategies and policies that are relevant to the activities of the Company as identified and agreed between both parties from time to time.
- “Properties” means the properties described and set out in Schedule 5 of this MoU owned by the Company.
- “Quarterly Update Meeting” means one of 4 regular meetings taking place in respect of each 3-month period of the Company’s financial year between the Company and the Guarantor and in accordance with Schedule 3 of this MoU and “Q1, Q2 (etc) Update Meeting” shall be construed accordingly.
- “Risk Register” means the register maintained by the Company in respect of its key risks which shows as a minimum the nature of the risk, its likelihood, impact and timing, and the steps to be taken to mitigate it, with regular updates as the risk changes and the mitigation steps are carried out.
- “SBP” means Strategic Business Plan as defined at Section 9 of Schedule 2 of this MoU.
- “Social Housing Standard” means the standard for the condition of and amenities of residential property as described in the guidance issued in June 2006 by the UK Department for Communities and Local Government.
- “Strategic Housing Unit” means the administration of the States, or unit within an administration of the States, responsible for the housing policy of the States.

Schedule 2 - Governance Framework

1. Background

- 1.1. This Schedule details how the Company and Guarantor will interact and the requirements for the Company's governance and reporting.
- 1.2. This Schedule will be updated as required from time to time in consultation and mutually agreed with the Company.

2. Objectives of States of Jersey ownership

- 2.1. The objectives of the States of Jersey's ownership of companies are:
 - 2.1.1. to maximise overall financial, social and environmental benefit consistent with increasing long-term shareholder value;
 - 2.1.2. to invest in and safeguard Jersey's economic and strategic assets, and interests vital to Islanders and to innovate where appropriate;
 - 2.1.3. to support the development and delivery of GoJ policy and strategic priorities in partnership; and
 - 2.1.4. to encourage sustainable growth in the economy of Jersey in the medium to long term.

3. Corporate Governance

- 3.1. Unless in direct conflict with other provisions of the Company's Memorandum and Articles of Association, or this MoU, the Company and its Board shall adhere to the Principles of Good Governance in the 2018 UK Corporate Governance Code (the "Code") or any successor document that is incorporated into the listing rules of the UK Listings Authority, or its successor body.
- 3.2. The Company shall not engage anywhere in any political activity or provide funds in connection with the carrying on by any third party of any political activity.

4. Key Performance Indicators (KPIs)

- 4.1. KPIs are to be set by the Company, as discussed and agreed annually with the Guarantor or as applicable the Policy Lead in advance. Performance updates are to be reported in the Guarantor Update Meetings as set out in Schedule 3 (Calendar of Meetings with the Guarantor) of this MoU.
- 4.2. The following principles should guide the development of the KPIs:
 - 4.2.1. the focus should be on a small number of key measures that either the Guarantor and the Company agree are relevant;
 - 4.2.2. the measures should relate to matters over which the Company has sufficient control;
 - 4.2.3. performance measures will be unambiguous and verifiable and the cost of providing the measurement should not outweigh the benefits of doing so;
 - 4.2.4. as far as possible, performance measures should be outcome-oriented; and
 - 4.2.5. performance measures should have regard to appropriate external reference points for assessing performance.

- 4.3.** The minimum number of KPIs shall be one for each of the following performance areas:
- 4.3.1. financial;
 - 4.3.2. support of GoJ policy development;
 - 4.3.3. environmental, social and governance (ESG); and
 - 4.3.4. organisation resources and capability.

5. Obligation to Inform

- 5.1.** In the interest of keeping the Guarantor fully informed under a “no surprises” approach, the Company shall provide on a timely basis, any information which is relevant to the reputation of the States of Jersey. This includes but is not limited to the following:
- 5.1.1. matters that could reasonably be deemed to cause reputational damage to the Guarantor;
 - 5.1.2. any Material breach or alleged Material breach of law or regulation;
 - 5.1.3. strategic communications with other governments;
 - 5.1.4. activities that may be reasonably seen as politically sensitive;
 - 5.1.5. major successes in delivering or promoting GoJ policy objectives; and
 - 5.1.6. any statement or media release that the Company intends to make about or with reference to the Guarantor.
- 5.2.** The Guarantor will make every reasonable effort, where appropriate, to provide advance notice to the Company of statements it intends to make about the Company.
- 5.3.** In addition, the Company shall provide the Guarantor with formal reports from the Company as set out in Schedule 3 (Calendar of Meetings with the Guarantor) of this MoU.

6. Obligation to Consult

- 6.1.** The Guarantor requires to be consulted in respect of certain matters. These are:
- 6.1.1. Material contracts proposed to be entered into as a buyer or seller, being those which are some or all of:
 - a) outside the normal course of business unless contemplated by the SBP; or
 - b) with other Governments; or
 - c) contain Non-Disclosure Agreement terms which can reasonably be expected to override the obligations set out in this MoU; or
 - d) other than contracts entered into by the Company in the normal course of business that give rise to what would be considered to be normal, every-day commercial risk/liability, a contract that has the potential to create an uninsured liability, including additional pension liabilities, for the Company or Guarantor; or
 - e) contain any other matters which the Company could reasonably have been expected to identify would be likely to be considered contentious by the Guarantor;

- 6.1.2. Where the Company is considering, or a third party has started, or is planning, to commence litigation or administrative proceedings which could create a Material uninsured liability for the Company or against another GoJ department or States owned entity; and
 - 6.1.3. Any planned response to a consultation; publicly-stated position; or Company action, which contravenes Government policy or reasonably could be seen to do so.
- 6.2. In respect of matters on which the Guarantor is to be informed or consulted, in accordance with Section 5 and 6 of this Schedule, the Company will raise these matters and notify the Guarantor as soon as it is aware that a matter of this nature will or could arise. It will do this regardless of whether or not full details are available and will not delay its timing merely because the information can be included at a later Quarterly Update Meeting or in the SBP or any other report to be presented at a Guarantor meeting.
- 6.3. The Guarantor will respond within 10 business days, from acknowledged receipt of notification, as to how it wishes to engage on the matter. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales. If a response is not received in this timeframe, then there will be deemed to be no further requirement for the Company to consult with the Guarantor and it may proceed with the relevant matter.
- 6.4. The Guarantor's response will set out any further information it requires on such matters and the process for further consultation if this is required.
- 6.5. If the Guarantor's response is sought via the Quarterly SBP Update Meeting, the Guarantor shall set out at the meeting:
 - 6.5.1. any requests for further information, which may be sought before the next Quarterly Update Meeting;
 - 6.5.2. its consultation response and/or a statement of how it wishes to conduct any further discussion; and
 - 6.5.3. its confirmation if applicable that the consultation has been satisfactorily concluded which it will confirm in writing to the Company.

7. Obligation for Approval

- 7.1. The Company will seek the approval of the Guarantor which will not be unreasonably withheld or delayed before it:
 - 7.1.1. makes any change in the nature of its business as carries on or commences any new business by purchasing Material interests or acquiring other businesses or assets not being ancillary or incidental to its core business, other than those already specifically approved in the SBP;
 - 7.1.2. sells, transfers, leases, licences or in any way disposes of all or a Material part of its business or assets, other than in the ordinary course of business or in line with an approved SBP;

- 7.1.3. creates any mortgage or security interest, other than any arising out of operation of law or arising by prior agreed limits, over any of the Company's assets;
 - 7.1.4. gives any guarantee, indemnity or security in respect of the obligations of any person, other than any arising out of operation of law or in the ordinary course of business;
 - 7.1.5. borrows any sum or factors any Material book debts, except in respect of the leasing of plant or equipment in the ordinary course of trading and of any working capital and capital expenditure facilities which are entered into in the ordinary course of business;
 - 7.1.6. undertakes in any financial year any single item or series of items of Material capital expenditure (including finance leases but excluding operating leases as respectively defined in GAAP) involving an aggregate liability during that financial year in excess of the sums provided for capital expenditure in its Operational Budget and approved SBP, where the excess amounts in aggregate a Material percentage of turnover or a Material percentage of the Balance Sheet of the most recent year's consolidated audited financial statements;
 - 7.1.7. changes the financial year end of the Company; and
 - 7.1.8. undertakes any activity where such approval was given via an approved SBP and the item has since changed in substance or Material amount since SBP approval.
- 7.2.** Where the Company proposes any of the above actions as part of investment in a new entity or business, its request for approval should show how the investment will benefit the delivery or price of the Company's service to its customers or, if not, how it will directly contribute to delivering other Objectives of the Company and/or the Guarantor. Specific measures of success in delivering these benefits should, wherever possible, be proposed and subsequently be reported on in SBP updates.
- 7.3.** In order to discuss the matters for which approval is sought, senior management of the Company will make themselves available, at the Guarantor's request, to present matters or answer queries.

8. Process for Guarantor approval

- 8.1.** The Company shall make the Guarantor aware in a timely way of any matter requiring approval, even if all the information is not yet available.
- 8.2.** The Guarantor will respond within 10 Business Days from acknowledged receipt of notification as to how it wishes to engage and any further information that it may need to satisfy its review for approval. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales.
- 8.3.** Responses will be given formally in writing, clearly stating what has been approved, or not approved, and any conditions attached to such approval, as appropriate.
- 8.4.** For the avoidance of doubt, any failure by the Guarantor to provide a response within the timelines set out will not enable the Company to deem its proposal approved. Approval will only be given in writing as set out at section 8.3 above.

9. Strategic Business Plan (SBP)

- 9.1.** The Company shall produce an SBP and submit this for review, discussion and approval by the Guarantor. The Company shall engage the Policy Leads that are most relevant to the activities of the Company in the formulation of the SBP.
- 9.2.** As part of preparing the SBP, the Company, supported by the Guarantor, shall make all reasonable efforts to consult with affected Ministers as applicable prior to presenting the SBP to the Guarantor, and record in the SBP a summary of such consultation. The SBP shall specify, in respect of the financial year to which it relates and each of the following two financial years, or such period as is agreed with the Guarantor, information in respect of the following:
- 9.2.1. the environment within which the business is operating, including an assessment of the key challenges;
 - 9.2.2. the key business objectives of the Company for the SBP period which are consistent with the Guarantor Objectives set out at section 2 of this Governance Framework and with the Company's objectives as set out in section 7 of this MoU;
 - 9.2.3. the nature and scope of the activities to be undertaken;
 - 9.2.4. a review of the key risks, as set out below in section 12 and of the opportunities facing the Company, and proposed responses to these;
 - 9.2.5. any planned or contemplated activities covered by the Obligations to Inform (section 5) and Consult the Guarantor (section 6), regardless of whether there is sufficient information to complete such requirement at the time of the SBP, making it clear if the information in the SBP is intended to meet the requirement to inform or commence consultation;
 - 9.2.6. any foreseeable matters during the next year for which Guarantor approval will or could be required under section 7 of this Governance Framework, regardless of whether there is sufficient information to complete such approval at the time of the SBP;
 - 9.2.7. KPIs to be measured over the year, in accordance with section 4 of this Governance Framework, as agreed in consultation with the Guarantor and/or impacted Ministers as applicable; and
 - 9.2.8. an Operational Budget covering as a minimum the next two financial years (with the first year in detail and the following years in summary), with an accompanying forecast for the period of the SBP. The Operational Budget shall contain:
 - a) budgeted figures for the two years to which it relates including profit and loss account, balance sheet and cashflow statements with sufficient detail for the Guarantor to understand the make up of revenues and costs, sources of forecast growth and the source and use of funds;
 - b) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Guarantor or

- otherwise remitted, such as through direct investment in GoJ projects as agreed with the Guarantor; and
- c) such other matters as are agreed by the Guarantor and the Company.
- 9.3.** The Company shall deliver to the Guarantor a final SBP and/or annual update, as appropriate, and present it at the Quarterly Update Meeting as per the meeting calendar outlined in Schedule 3 of this MoU.
- 9.4.** The Company shall provide quarterly updates in writing to the Guarantor for the Quarterly Update Meetings no later than the times set out in Schedule 3 of this MoU. The quarterly updates should include, but not be limited to:
- 9.4.1. progress against the SBP including matters under Obligations to Inform and Consult;
 - 9.4.2. financial results for the year to date and any reforecast annual outturn as presented in management accounts to include profit and loss statements in sufficient detail to compare to the Operational Budget in the SBP;
 - 9.4.3. an explanation of any major variances;
 - 9.4.4. a report on KPI performance in the year to date;
 - 9.4.5. results delivered in relation to the benefits identified from approved and executed acquisitions and investments in the last 2 years in accordance with section 7.2;
 - 9.4.6. any major events impacting the Company;
 - 9.4.7. any new matters that fall under the Obligations to Inform and Consult; and any revisions to the SBP strategies or plans. Where the update includes matters reported in accordance with Obligations to Inform and Consult, these shall be clearly indicated; and
 - 9.4.8. a review of the Company's emerging and principal risks and mitigation approaches particularly including those risks which may have reputational impact on the Guarantor.
- 9.5.** The Guarantor shall provide the Company with formal written notification of its approval of the SBP within 6 weeks of Quarterly Update Meeting at which it is presented. The support of relevant Policy Leads, as appropriate, must be formally obtained prior to Guarantor approval.
- 9.6.** The Guarantor may provide SBP approval with reservations as to certain items, in relation to which it may require conditions to be met or additional information provided. Once such conditions have been met or the Company has provided such information and the Guarantor has reviewed this to its satisfaction, the Guarantor will notify the Company of its approval of those reserved items in writing within 10 Business Days.
- 9.7.** For the avoidance of doubt, the Guarantor review required under section 9.6 above may include the Guarantor conducting further analysis and review of the relevant information. In such a case, the Guarantor will provide the Company with an estimate of the timing for its approval and with updates when and if that timing is foreseen as requiring extension.

10. Annual report

- 10.1.** Within 4 months after the end of each financial year of the Company, the Board shall deliver its Annual Report and Accounts to the Guarantor, including any disclosures under the Code.
- 10.2.** In addition, the Company will deliver to the Guarantor, such reporting required on an annual and ad hoc basis for the purpose of preparing the financial statements of the GoJ and information required to assist with the financial planning of the GoJ.

11. Meetings with the Guarantor

- 11.1.** For the purposes of ensuring open communications between the Guarantor and the Company, meetings will, at a minimum, take place during the Company's financial year as detailed in Schedule 3 of this MoU unless agreed by both parties.
- 11.2.** Other meetings to discuss matters arising, including those to comply with the Obligations to Inform and Consult, or to obtain approval in accordance with section 8 of this Schedule 2 of this MoU, will be scheduled as agreed between the Guarantor and Company in the course of each year.

12. Risk Management

- 12.1.** The Company will implement and maintain a sound system of risk management to safeguard its value to the Guarantor. In particular, the Company shall:
 - 12.1.1.** as part of its Q2 Meeting Update outlined in Schedule 3 of this MoU provide a robust assessment of the principal risks and how they are being managed and mitigated, such assessment carried out by the Directors in accordance with the Code; and
 - 12.1.2.** as part of the Q4 Meeting Update outlined in Schedule 3 of this MoU, and in accordance with the Code, present a report on the Board's review of the effectiveness of the Company's systems of risk management and internal control.
- 12.2.** The Company will review its Risk Register with the Guarantor in accordance with Schedule 3 of this MoU.
- 12.3.** The Company will inform the Guarantor of and provide any Internal Audit report that identifies major findings or a significant deficiency in controls.

13. Provision of Information

- 13.1.** Except as stated below, the Company shall supply to the Guarantor such information relating to the affairs of the Company as the Guarantor may reasonably request from time to time.
- 13.2.** The Company will give the Guarantor access to information to assist the Guarantor to properly and effectively respond, within the necessary timescales, to requests for information for Ministerial questions and other information required for the Guarantor to fulfil its responsibilities on behalf of the States of Jersey or according to the law. Where such response leads to a request for the provision of information directly from the Company, the Company will provide the response or information in an expeditious manner.

- 13.3.** For the avoidance of doubt, in no circumstances shall the Company be obliged by this MoU to supply to the Guarantor any information which compromises its GDPR obligations or otherwise (including its obligations under the Data Protection (Jersey) Law 2018 (as amended)) on an individual employee, or customer of the Company, or any other person, if the information supplied would enable the identification of the person concerned, except in the case of any information required for the administration of the Public Employees Contributory Retirement Scheme and any equivalent scheme.
- 13.4.** If considered necessary, the Guarantor may seek such information or commission an independent review of the Company. The Company shall comply with the reasonable request for information pursuant to such a review being commissioned.

14. Directors' Appointments and Removal

- 14.1.** The Directors shall be appointed in accordance with the Companies (Jersey) Law 1991 (as amended), the Company's Articles of Association and this Schedule 2 (Governance Framework) of this MoU.
- 14.2.** All appointments and re-appointments will follow the Jersey Appointments Commission's "Guidelines for the recruitment of Senior States Employees, appointees and members of independent bodies" or subsequent guidelines that replace them.
- 14.3.** The Company shall invite the Guarantor to all meetings where substantive decisions are to be taken on the appointments of the Chairman and the Chief Executive and, with the agreement of the Jersey Appointments Commission, will invite the Guarantor to participate in any nominations panel established for the appointment of Chairman or Chief Executive Officer.
- 14.4.** The Company shall publish, in its Annual Report, details of other Directorships and appointments held by Executive Directors of the Company.
- 14.5.** In accordance with the Code, the Board shall undertake a formal and rigorous annual evaluation of its own performance, including composition, diversity, and how effectively members work together; and of its Committees, Chair and individual Directors. Outcomes of the review are to be presented to the Guarantor at a Chair and Guarantor Quarterly meeting; timing as mutually agreed.

15. Directors' Remuneration

- 15.1.** Changes to either the structure or quantum of remuneration paid to Executive Directors for their executive responsibilities in the business, including those relating to bonus payments, are to be approved by the Guarantor in advance of them taking effect.
- 15.2.** Any changes to the level of remuneration paid to Non-Executive Directors must be agreed, in advance, by the Guarantor. Newly appointed Non-Executive Directors will have the terms of their appointment approved, if appropriate, in accordance with normal practice at the annual general meeting subsequent to their appointment or in accordance with any other process specifically set out in applicable legislation.
- 15.3.** In accordance with best practice, the annual remuneration report of the Remuneration Committee will be specifically voted on by the Guarantor at the Company's annual general meeting.

15.4. The Company, in designing remuneration schemes for its executive and non-executive directors, shall have due regard to the remuneration policies published by the Guarantor from time to time.

16. Insurance

16.1. In consultation with the Guarantor, the Company shall determine the level of insurance it should maintain and establish if there is an appetite to maintain adequate insurance covers through the Guarantor's insurance arrangements.

16.2. Unless otherwise agreed, the Company shall take out and maintain in effect insurance policies with a reputable insurer in respect of its business and any new business the company undertakes after the above date which it is usual for a business of this nature to have and which the Company Directors consider prudent having taken into account the policy limits, excess/deductibles and retention of risk, including within (or combined with) the Guarantor's portfolio of insurance assets and liabilities.

Schedule 3 - Calendar of Meetings with the Guarantor

	AGM	Quarterly Update Meetings				Chair's meeting*
	Q2	Q1	Q2	Q3	Q4	Each quarter
Attendance	Guarantor^ Senior Independent Director	Guarantor, Policy Leads as appropriate Chair or designate, NEDs as appropriate CEO FD	Guarantor, Policy Leads as appropriate Head of Risk Chair or designate, NEDs as appropriate CEO FD	Guarantor, Policy Leads as appropriate Chair or designate, NEDs as appropriate CEO FD	Guarantor, Policy Leads as appropriate, Head of Risk Chair or designate, NEDs as appropriate CEO FD	Guarantor Chair
Documents	Annual Report	SBP update Key changes to the Risk Register	SBP update Principal Risks and Mitigations	SBP update Key changes to the Risk Register	SBP update Risk Management effectiveness and internal controls assessment	
Agenda (standing) Other specific items to be tabled as required	Annual report and required statutory matters	SBP update plus -SBP outturn and KPI review for prior year -Risk Register update as set out at 12.2	SBP update plus -Principal risks and mitigations review as set out at 12.1.1 Could be combined with AGM	SBP update plus -KPIs review -Risk Register update as set out at 12.2 -	New SBP presentation or annual SBP update , if appropriate plus -Risk management and internal controls -Effectiveness of Principal management and internal control system as set out in 12.1.2 -Y/E Forecast	Executive performance; KPIs and remuneration; Governance and Board Structure; Board Effectiveness review (examples)
Documents circulated by	In accordance with Articles of Association	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	N/A
Indicative Timing	To be agreed between the Guarantor and Company in each case to reflect the reporting calendar of the Company and Guarantor commitments.					

*Can be incorporated into the Quarterly Update Meeting if appropriate

^May also include officers of the Shareholder Team from the relevant Ministerial department

Schedule 4

1. Finance

A Income Support

- 1.1** The States makes payment to Andium Homes of such amounts of Income Support (and not just the housing component thereof) as equal all or the relevant amount of the rent and service charge payable by Andium Homes's tenants entitled to Income Support so as to ensure that such tenants do not by reason of non-payment or non-receipt of Income Support fail to comply with their rent and service charge obligations to Andium Homes.

B The Gateway

- 1.2** For so long as the States shall operate the Affordable Housing Gateway, it shall be a policy of Andium Homes to select suitable tenants for its properties firstly from the Gateway and, only if no suitable tenant is available for the applicable category of housing, from the open market.

C Social Housing Standard

- 1.3** Subject to sections 1.4 to 1.5 Andium Homes agrees to carry out the refurbishment and other works required to maintain the Social Housing Standard for its properties.
- 1.4** The provision contained in section 1.3 shall not apply to such properties as Andium Homes reasonably deems unsuitable for such refurbishment either because such work is not cost effective or practical or for any other reason as set out in the SBP.
- 1.5** Andium Homes's duty under section 1.3 is subject to the following:
- 1.5.1 circumstances reasonably beyond Andium Homes's control which prevent or render more difficult the carrying out of the said work in a timely and cost-effective way;
 - 1.5.2 for the avoidance of doubt, any changes to the Social Housing Standard as required by the States or by any future Regulator;
 - 1.5.3 tenants declining to have work carried out (in which case the refused work shall be deemed to have been carried out in assessing compliance with section 1.3 and/or the achievement of the Social Housing Standard); and
 - 1.5.4 in order to make efficient use of time and resources Andium Homes shall be entitled to plan work over 5-year periods in order to best achieve compliance with the Social Housing Standard.

D Rent policy

- 1.6** Subject to section 1.7 Andium Homes shall comply with such policy or policies as the States and/or any future Regulator shall adopt in relation to the rents payable by Andium Homes's tenants.
- 1.7** The rent policy at the coming into effect of this MoU is as follows:
- 1.7.1 Rental amounts shall be adjusted annually on 1 January in each year, by the annual change in the Jersey RPI measured at the end of September (Q3) plus 0.75%, with a minimum increase of 2.5% and a maximum of 4%, However, if the effect of an increase would be that the rent would be more than 80% of the current market rent then the rent will be capped at 80% of the then current market rent. Rent that is greater than 80% of the then current market rent shall not be increased;
 - 1.7.2 New tenants (including new tenants of Cottage Homes properties) shall pay rent at 80% of the then current market rent (subject to increase thereafter in accordance with this policy);
 - 1.7.3 Existing occupiers of Cottage Homes properties shall pay contributions to costs that increase in accordance with this policy as if such contributions were rental payments.

2. Consultation with tenants

- 2.1** Andium Homes undertakes to have arrangements to take into account the views of tenants and, where appropriate, potential future tenants, on procedures relating to housing management matters.

Schedule 5 (section 6.1.5)

List of properties subject to prohibition on disposal

All of the land and any building, garden, landscaped area, boundary enclosure, road, pavement, footpath or other appurtenances detailed in the following parts of Schedule 1 of the Social Housing (Transfer) (Jersey) Regulations 2014:-

- Part 10, relating to Clos du Fort Phases 1 and 2;
- Part 152, relating to Sandybrook Court and Car Park; and
- Part 153, relating to The Cedars.

MEMORANDUM OF UNDERSTANDING BETWEEN THE SHAREHOLDER AND JERSEY POST

1. Introduction

1.1. States Owned Entities (“**SOEs**”) play an important role in our economy and society, delivering and supporting Government policy and building shareholder value. They are active across many sectors, from public utilities to managing the Islands’ gateways. Ministers rely on independent boards to lead each SOE. In turn, it is right that there should be clear and effective engagement with boards on the expectations of them in areas such as financial and non-financial performance, board conduct, and the relationship of boards with Government. High-performing boards and clear performance expectations enable SOEs to maximise their contribution to Jersey’s overall economic efficiency and wellbeing, and to better deliver the objectives for which they were established. Against this background, Islanders legitimately have an expectation of robust and thorough governance arrangements between the Shareholder and each SOE which is likely to extend beyond those obligations which apply to the private sector. This is best demonstrated through transparency and accountability with quality, timely and reliable reporting of performance which goes beyond financial reporting and helps to build trust with the Shareholder and the public of the Island.

2. Background

- 2.1.** The States of Jersey (the “**States**”) adopted the Postal Services (Jersey) Law 2004 (the “**Law**”) to, amongst other things, “abolish the exclusive privilege of the States in Postal Services”. The Postal Trading Operation of the Economic Development Department (the “**PTOEDD**”) of the States was subsequently dissolved and new arrangements were made in regard to the operation and regulation of Postal Services in Jersey.
- 2.2.** A group of companies, the principal of which is Jersey Post International Limited (“**JP**”), was established for the purposes of vesting the required assets and liabilities of the PTOEDD. The issued share capital of JP is held by the States.
- 2.3.** The States handed over to JP the responsibility for the direction, strategy and management of the business and under the terms of Article 27 (6) of the Law and agreed “In that exercise of powers, the Minister shall act in the interests of the States as holder of securities in the principal Company, JP”. In this regard, the Shareholder recognises the independence of the Board in managing the business”.
- 2.4.** JP has been issued with a licence by the JCRA which is responsible for regulating the postal services sector in Jersey. The JCRA is also responsible for the administration of the Competition (Jersey) Law 2005 (as amended). The Policy Leads that are relevant to the activities of the Company will be agreed between the Shareholder and the Company from time to time.

3. Definitions

3.1. Defined terms used in this Memorandum of Understanding (“**MoU**”), including associated schedules, are set out in Schedule 1 (Definitions) of this MoU.

4. Duration

4.1. This MoU applies from the date of signing by the Minister until it is superseded or agreed between the parties that it is no longer valid. This MoU will be formally reviewed between the parties, anticipated to be no less frequently than every three years.

5. Purpose

5.1. The purpose of this MoU is to ensure the appropriate conduct of JP and the Shareholder and to put in place an accountability framework appropriate to JP as an independent business wholly owned by the States having regard to the GoJ policies and the Company’s corporate, social, and other responsibilities.

5.2. This MoU establishes the respective and distinct roles and responsibilities of the Board on the one hand and the Shareholder on the other. Interactions between the two will be conducted in accordance with this MoU.

5.3. This MoU aims to foster a sound working relationship between the Shareholder and JP based on a mutual understanding of expectations for the sharing of information, regular dialogue on key issues as they emerge and develop, and key business decisions which have the potential to impact on GoJ.

5.4. The Governance Framework, set out in Schedule 2 of this MoU, details the Shareholder’s requirements for how the Company will interact with the Shareholder and for the Company’s governance and reporting.

6. Company’s Business

6.1. In its business operations, JP will:

6.1.1. adhere to the provisions of this MoU;

6.1.2. comply with the conditions of its Licence;

6.1.3. carry on business in a manner consistent with its SBP, as approved in accordance with section 9 of Schedule 2 of this MoU;

6.1.4. adhere to the provisions of the Governance Framework as set out in Schedule 2 of this MoU;

6.1.5. unless specifically contemplated in an approved SBP, seek the consent of the Minister before it sells, transfers, leases, licences or in any way disposes of the Properties, or creates any Material mortgage or security interest, other than any arising by operation of law or prior agreed limits, over the Properties;

6.1.6. adhere to all other applicable laws, regulations and applicable States industry standards and guidelines; and

6.1.7. operate at all times with a view to the best interests of the Company as required by the terms of Article 74 of the Companies (Jersey) Law 1991 (as amended) or any successor legislation.

- 6.2.** All parties shall follow the programme of meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.
- 6.3.** Nothing in this MoU requires the Directors of the Company to do, or not to, anything which is inconsistent with their fiduciary duties as Directors.

7. Jersey Post's Objectives

- 7.1.** JP's Objectives are to:
- 7.1.1. Be the postal service provider in Jersey, fulfilling those requirements placed on JP by the Law and the Government of Jersey by international legislation especially with regard to its membership of the Universal Postal Union (UPU);
 - 7.1.2. Provide those services required in a resilient, secure and efficient manner whilst maintaining their relevance to the needs of the Island;
 - 7.1.3. Ensure the sustainability of JP as the provider of a range of postal, logistics and other ancillary services;
 - 7.1.4. Create long-term value for the Shareholder through:
 - a. investment in, and maintenance of a resilient, secure, relevant and contemporary national postal service for Jersey;
 - b. supporting GoJ's wider policy objectives by fully engaging in the activities agreed with the relevant Policy Leads and ultimately the Shareholder through the SBP; and
 - c. providing a sustainable and long-term return to the Shareholder in accordance with any agreed proportion of accumulated profit and capital reserves or other measure as shown in the approved SBP.
 - 7.1.5. Support the GoJ in delivery of its postal services policy objectives as defined whilst ensuring that these are not contradictory with JP's Licence and its obligations to the UPU; and
 - 7.1.6. Demonstrate good corporate citizenship and role model behaviour for companies in Jersey, as set out in its KPIs on an annual basis.

8. Commercially Sensitive Information

- 8.1.** Nothing in this MoU shall be construed as requiring the inclusion in the SBP, annual report, financial statements, or other published reports of any information, where making available of the information would be likely to unreasonably prejudice the commercial position of the Company or that of the person who supplied, or who is the subject of, the information.
- 8.2.** In the event that the States receives a request under the Freedom of Information (Jersey) Law 2011 (as amended) ("FOI") relating to the Company, the Shareholder will make every reasonable effort to advise the Company as appropriate, before making any disclosure.

9. Postal Unions

- 9.1.** The Minister will afford to the Postal Unions and representative bodies of JP's employees the right to consult with it should a particular circumstance occur with

regard to the participation of those employees within the Public Employees Pension Fund in any underlying scheme ("PEPF").

- 9.2.** That circumstance occurs if notice is given (either by JP to the Committee of Management of the PEPF or by the States of Jersey Employment Board as Principal Employer under the PEPF to JP) under the PEPF Regulations, to the effect that any postal employees who are members of the scheme shall, six months from the date of the notice, cease to participate in the scheme.

10. Without Prejudice

- 10.1.** This MoU does not prejudice in any way the rights, powers, duties and liabilities that exist in law between the parties and otherwise.

11. Notices and Communications

- 11.1.** Any notices served on or communications to the Shareholder shall be delivered in all cases by email to:

shareholder@gov.je

and may also be delivered by hand, or post (recorded delivery), to:

The Treasurer of the States
19-21 Broad Street,
St Helier, Jersey, JE2 3RR

Or to such other address as the Shareholder may notify to the Company in writing at any time as the address for service or communication

- 11.2.** Any notices served on or communications to the Company shall be delivered by hand, post (recorded delivery), or email to:

Tim Brown, Managing Director
Jersey Post, Postal Headquarters, St Saviour, Jersey JE1 1AA

and/or by email to : Tim.Brown@jerseypost.com

Or to such other address as the Company may notify to the Shareholder in writing at any time as the address for service or communication

Signed: _____ Date: _____

Chairman: _____

Signed: _____ Date: _____

Position: _____

Schedule 1 - Definitions

Defined terms used in this Memorandum of Understanding include:

- “Board” means the Board of Directors of JP.
- “Code” has the meaning given at section 3.1 of Schedule 2 of this MoU.
- “GoJ” means the Government of Jersey.
- “JCRA” means the Jersey Competition Regulatory Authority.
- “JP” or “the Company” means Jersey Post International Limited and all its subsidiaries
- “Licence” means Public Postal Operator’s License Class II License for Jersey
- “Material” shall take its meaning from the concept of materiality as from time to time understood for the purposes of auditing the annual accounts of JP in line with accounting practices generally accepted in the Island of Jersey. Issues with a low financial impact, but a potentially high social, economic or political impact, will also be Material. Numerical guidance as to materiality with regard to specific financial matters, will be agreed in the SBP from time to time.
- “Minister” means the Minister for Treasury and Resources of the States. It shall include any other States Member to whom functions are delegated by the Minister.
- “Ministers” means Ministers of the States.
- “Operational Budget” has the meaning set out at section 9.2.8 of Schedule 2 of this MoU.
- “Policy Leads” means the Ministers of the States of Jersey with responsibility for the strategies and policies that are relevant to the activities of the Company as identified and agreed between both parties from time to time.
- “Properties” means the properties bearing the numbers of 15 and 17 Broad Street, 7 and 9 Commercial Street and the three sites bearing the numbers 8, 10 and 26 and forming part of Rue des Pres Trading Estate.
- “Quarterly Update Meeting” means one of 4 regular meetings taking place in respect of each 3-month period of the Company’s financial year between the Company and the Shareholder and in accordance with Schedule 3 of this MoU and “Q1, Q2 (etc) Update Meeting” shall be construed accordingly.
- “Risk Register” means the register maintained by the Company in respect of its key risks which shows as a minimum the nature of the risk, its likelihood, impact and timing, and the steps to be taken to mitigate it, with regular updates as the risk changes and the mitigation steps are carried out.
- “SBP” means Strategic Business Plan as defined at Section 9 of Schedule 2 of this MoU.
- “Shareholder” means the States of Jersey, represented by the Minister.

Schedule 2 - Governance Framework

1. Background

- 1.1. This Schedule details how the Company and Shareholder will interact and the requirements for the Company's governance and reporting.
- 1.2. This Schedule will be updated as required from time to time in consultation and mutually agreed with the Company.

2. Objectives of States of Jersey ownership

- 2.1. The objectives of the States of Jersey's ownership of companies are:
 - 2.1.1. to maximise overall financial, social and environmental benefit consistent with increasing long-term shareholder value;
 - 2.1.2. to invest in and safeguard Jersey's economic and strategic assets, and interests vital to Islanders and to innovate where appropriate;
 - 2.1.3. to support the development and delivery of GoJ policy and strategic priorities in partnership; and
 - 2.1.4. to encourage sustainable growth in the economy of Jersey in the medium to long term.

3. Corporate Governance

- 3.1. Unless in direct conflict with other provisions of the Company's Memorandum and Articles of Association, or this MoU, the Company and its Board shall adhere to the Principles of the Good Governance in the 2018 UK Corporate Governance Code (the "**Code**") or any successor document that is incorporated into the listing rules of the UK Listings Authority, or its successor body.
- 3.2. The Company shall not engage anywhere in any political activity or provide funds in connection with the carrying on by any third party of any political activity.

4. Key Performance Indicators (KPIs)

- 4.1. KPIs are to be set by the Company, as discussed and agreed annually with the Shareholder in advance. Performance updates are to be reported in the Shareholder Update Meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.
- 4.2. The following principles should guide the development of the KPIs:
 - 4.2.1. the focus should be on a small number of key measures that the Shareholder and the Company agree are relevant;
 - 4.2.2. the measures should relate to matters over which the Company has sufficient control;
 - 4.2.3. performance measures will be unambiguous and verifiable and the cost of providing the measurement should not outweigh the benefits of doing so;
 - 4.2.4. as far as possible, performance measures should be outcome-oriented; and
 - 4.2.5. performance measures should have regard to appropriate external reference points for assessing performance.

4.3. The minimum number of KPIs shall be one for each of the following performance areas:

- 4.3.1. financial;
- 4.3.2. support of GoJ policy development;
- 4.3.3. environmental, social and governance (ESG); and
- 4.3.4. organisational resources and capability.

5. Obligation to Inform

5.1. In the interest of keeping the Shareholder fully informed under a “no surprises” approach, the Company shall provide on a timely basis, any information which is relevant to the reputation of the States of Jersey. This includes but is not limited to the following:

- 5.1.1. matters that could cause reputational damage to the Shareholder;
- 5.1.2. any Material breach or alleged breach of law or regulation;
- 5.1.3. strategic communications with other governments;
- 5.1.4. activities that may be seen as politically sensitive;
- 5.1.5. major successes in delivering or promoting GoJ policy objectives; and
- 5.1.6. any statement or media release that the Company intends to make about or with reference to the Shareholder.

5.2. The Shareholder will make every reasonable effort, where appropriate, to provide advance notice to the Company of statements it intends to make about the Company.

5.3. In addition, the Company shall provide the Shareholder with formal reports from the Company as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.

6. Obligation to Consult

6.1. The Shareholder requires to be consulted in respect of certain matters. These are:

- 6.1.1. Material contracts proposed to be entered into as a buyer or seller, being those which are :
 - a) outside the normal course of business unless contemplated by the SBP; or
 - b) with other Governments and outside the normal course of business unless contemplated by the SBP; or
 - c) contain Non-Disclosure Agreement terms which can reasonably be expected to override the obligations set out in this MoU; or
 - d) other than contracts entered into by the Company in the normal course of business that give rise to what would be considered to be normal, every-day commercial risk/liability, a contract that has the potential to create an uninsured liability, including additional pension liabilities, for the Company or Shareholder; or

- e) contain any other matters which the Company could reasonably have been expected to identify would be likely to be considered contentious by the Shareholder;
 - 6.1.2. Where the Company is considering, or a third party has started, or is planning, to commence litigation or administrative proceedings which could create an uninsured liability for the Company or against another GoJ department or States owned entity; and
 - 6.1.3. Any planned response to a consultation; publicly-stated position; or Company action, which contravenes Government policy or reasonably could be seen to do so.
- 6.2. In respect of matters on which the Shareholder is to be informed or consulted, in accordance with Section 5 and 6 of this Schedule, the Company will raise these matters and notify the Shareholder as soon as it is aware that a matter of this nature will or could arise. It will do this regardless of whether or not full details are available and will not delay its timing merely because the information can be included at a later Quarterly Update Meeting or in the SBP or any other report to be presented at a Shareholder meeting.
- 6.3. The Shareholder will respond within 10 business days, from acknowledged receipt of notification, as to how it wishes to engage on the matter. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales. If a response is not received in this timeframe, then there will be deemed to be no further requirement for the Company to consult with the Shareholder and it may proceed with the relevant matter.
- 6.4. The Shareholder's response will set out any further information it requires on such matters and the process for further consultation if this is required.
- 6.5. If the Shareholder's response is sought via the Quarterly SBP Update Meeting, the Shareholder shall set out at the meeting:
 - 6.5.1. any requests for further information, which may be sought before the next Quarterly Update Meeting;
 - 6.5.2. its consultation response and/or a statement of how it wishes to conduct any further discussion; and
 - 6.5.3. its confirmation if applicable that the consultation has been satisfactorily concluded which it will confirm in writing to the Company.

7. Obligation for Approval

- 7.1. The Company will seek the approval of the Shareholder which will not be unreasonably withheld or delayed before it:
 - 7.1.1. makes any change in the nature of its business as carries on or commences any new business by purchasing Material interests or acquiring other businesses or assets not being ancillary or incidental to its core business, other than those already specifically approved in the SBP;
 - 7.1.2. sells, transfers, leases, licences or in any way disposes of all or a Material part of its business or assets, other than in the ordinary course of business or in line with an approved SBP;

- 7.1.3. creates any mortgage or security interest, other than any arising out of operation of law or arising by prior agreed limits, over any of the Company's assets;
 - 7.1.4. gives any guarantee, indemnity or security in respect of the obligations of any person, other than any arising out of operation of law or in the ordinary course of business;
 - 7.1.5. borrows any sum or factors any Material book debts, except in respect of the leasing of plant or equipment in the ordinary course of trading and of any working capital and capital expenditure facilities which are entered into in the ordinary course of business;
 - 7.1.6. undertakes in any financial year any single item or series of items of Material capital expenditure (including finance leases but excluding operating leases as respectively defined in GAAP) involving an aggregate liability during that financial year in excess of the sums provided for capital expenditure in its Operational Budget and approved SBP, where the excess amounts are in aggregate a Material percentage of turnover or a Material percentage of the Balance Sheet of the most recent year's consolidated audited financial statements;
 - 7.1.7. changes the financial year end of the Company; and
 - 7.1.8. undertakes any activity where such approval was given via an approved SBP and the item has since changed in substance or Material amount since SBP approval.
- 7.2.** Where the Company proposes any of the above actions as part of investment in a new entity or business, its request for approval should show how the investment will benefit the delivery of the Universal Services Obligation or, if not, how it will directly contribute to delivering other Objectives of the Company and/or the Shareholder. Specific measures of success in delivering these benefits should, wherever possible, be proposed and subsequently be reported on in SBP updates.
- 7.3.** In order to discuss the matters for which approval is sought, senior management of the Company will make themselves available, at the Shareholder's request, to present matters or answer queries.

8. Process for Shareholder approval

- 8.1.** The Company shall make the Shareholder aware in a timely way of any matter requiring approval, even if all the information is not yet available.
- 8.2.** The Shareholder will respond within 10 Business Days from acknowledged receipt of notification as to how it wishes to engage and any further information that it may need to satisfy its review for approval. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales.
- 8.3.** Responses will be given formally in writing, clearly stating what has been approved, or not approved, and any conditions attached to such approval, as appropriate.
- 8.4.** For the avoidance of doubt, any failure by the Shareholder to provide a response within the timelines set out will not enable the Company to deem its proposal approved. Approval will only be given in writing as set out at section 8.3 above.

9. Strategic Business Plan (SBP)

- 9.1.** The Company shall produce an SBP and submit this for review, discussion and approval by the Shareholder. The Company shall engage the Policy Leads that are most relevant to the activities of the Company in the formulation of the SBP.
- 9.2.** As part of preparing the SBP, the Company, supported by the Shareholder, shall make all reasonable efforts to consult with affected Ministers as applicable prior to presenting the SBP to the Shareholder, and record in the SBP a summary of such consultation. The SBP shall specify, in respect of the financial year to which it relates and each of the following two financial years, or such period as is agreed with the Shareholder, information in respect of the following:
- 9.2.1. the environment within which the business is operating, including an assessment of the key challenges;
 - 9.2.2. the key business objectives of the Company for the SBP period which are consistent with the Shareholder Objectives set out at section 2 of this Governance Framework and with the Company's objectives as set out in section 7 of this MoU;
 - 9.2.3. the nature and scope of the activities to be undertaken;
 - 9.2.4. a review of the key risks, as set out below in section 12 and of the opportunities facing the Company, and proposed responses to these;
 - 9.2.5. any planned or contemplated activities covered by the Obligations to Inform (section 5) and Consult the Shareholder (section 6), regardless of whether there is sufficient information to complete such requirement at the time of the SBP, making it clear if the information in the SBP is intended to meet the requirement to inform or commence consultation;
 - 9.2.6. any foreseeable matters during the next year for which Shareholder approval will or could be required under section 7 of this Governance Framework, regardless of whether there is sufficient information to complete such approval at the time of the SBP;
 - 9.2.7. KPIs to be measured over the year, in accordance with section 4 of this Governance Framework, as agreed in consultation with the Shareholder and/or impacted Ministers as applicable; and
 - 9.2.8. an Operational Budget covering as a minimum the next two financial years (with the first year in detail and the following years in summary), with an accompanying forecast for the period of the SBP and showing additionally comparable outturn amounts for each of the preceding two years. The Operational Budget shall contain:
 - a) budgeted figures for the two years to which it relates including profit and loss account, balance sheet and cashflow statements with sufficient detail for the Shareholder to understand the make up of revenues and costs, sources of forecast growth and the source and use of funds;
 - b) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholder or

otherwise remitted, such as through direct investment in GoJ projects as agreed with the Shareholder; and

- c) such other matters as are agreed by the Shareholder and the Company.

- 9.3.** The Company shall deliver to the Shareholder a final SBP and/or annual update, as appropriate, and present it at the Quarterly Update Meeting as per the meeting calendar outlined in Schedule 3 of this MoU.
- 9.4.** The Company shall provide quarterly updates in writing to the Shareholder for the Quarterly Update Meetings no later than the times set out in Schedule 3 of this MoU. The quarterly updates should include, but not be limited to:
 - 9.4.1. progress against the SBP including matters under Obligations to Inform and Consult;
 - 9.4.2. financial results for the year to date and any reforecast annual outturn as presented in management accounts to include profit and loss statements in sufficient detail to compare to the Operational Budget in the SBP;
 - 9.4.3. an explanation of any major variances;
 - 9.4.4. a report on KPI performance in the year to date;
 - 9.4.5. results delivered in relation to the benefits identified from approved and executed acquisitions and investments in the last 2 years in accordance with section 7.2;
 - 9.4.6. any major events impacting the Company;
 - 9.4.7. any new matters that fall under the Obligations to Inform and Consult; and any revisions to the SBP strategies or plans. Where the update includes matters reported in accordance with Obligations to Inform and Consult, these shall be clearly indicated; and
 - 9.4.8. a review of the Company's emerging and principal risks and mitigation approaches particularly including those risks which may have reputational impact on the Shareholder.
- 9.5.** The Shareholder shall provide the Company with formal written notification of its approval of the SBP within 6 weeks of the Quarterly Update Meeting at which it is presented. The support of relevant Policy Leads, as appropriate, must be formally obtained prior to Shareholder approval.
- 9.6.** The Shareholder may provide SBP approval with reservations as to certain items, in relation to which it may require conditions to be met or additional information provided. Once such conditions have been met or the Company has provided such information and the Shareholder has reviewed this to its satisfaction, the Shareholder will notify the Company of its approval of those reserved items in writing within 10 Business Days.
- 9.7.** For the avoidance of doubt, the Shareholder review required under section 9.6 above may include the Shareholder conducting further analysis and review of the relevant information. In such a case, the Shareholder will provide the Company with an estimate of the timing for its approval and with updates when and if that timing is foreseen as requiring extension.

10. Annual report

- 10.1.** Within 4 months after the end of each financial year of the Company, the Board shall deliver its Annual Report and Accounts to the Shareholder, including any disclosures under the Code.
- 10.2.** In addition, the Company will deliver to the Shareholder, such reporting required on an annual and ad hoc basis for the purpose of preparing the financial statements of the GoJ and information required to assist with the financial planning of the GoJ.

11. Meetings with the Shareholder

- 11.1.** For the purposes of ensuring open communications between the Shareholder and the Company, meetings will, at a minimum, take place during the Company's financial year as detailed in Schedule 3 of this MoU unless agreed by both parties.
- 11.2.** Other meetings to discuss matters arising, including those to comply with the Obligations to Inform and Consult, or to obtain approval in accordance with section 8 of this Schedule 2 of this MoU, will be scheduled as agreed between the Shareholder and Company in the course of each year.

12. Risk Management

- 12.1.** The Company will implement and maintain a sound system of risk management to safeguard its value to the Shareholder. In particular, the Company shall:
 - 12.1.1.** as part of its Q2 Meeting Update outlined in Schedule 3 of this MoU provide a robust assessment of the principal risks and how they are being managed and mitigated, such assessment carried out by the Directors in accordance with the Code; and
 - 12.1.2.** as part of the Q4 Meeting Update outlined in Schedule 3 of this MoU, and in accordance with the Code, present a report on the Board's review of the effectiveness of the Company's systems of risk management and internal control.
- 12.2.** The Company will review its Risk Register with the Shareholder in accordance with Schedule 3 of this MoU.
- 12.3.** The Company will inform the Shareholder of and provide any Internal Audit report that identifies major findings or a significant deficiency in controls.

13. Provision of Information

- 13.1.** Except as stated below, the Company shall supply to the Shareholder such information relating to the affairs of the Company as the Shareholder may reasonably request from time to time.
- 13.2.** The Company will give the Shareholder access to information to assist the Shareholder to properly and effectively respond, within the necessary timescales, to requests for information for Ministerial questions and other information required for the Shareholder to fulfil its responsibilities on behalf of the States of Jersey or according to the law. Where such response leads to a request for the provision of information directly from the Company, the Company will provide the response or information in an expeditious manner.

- 13.3.** For the avoidance of doubt, in no circumstances shall the Company be obliged by this MoU to supply to the Shareholder any information which compromises its GDPR obligations or otherwise (including its obligations under the Data Protection (Jersey) Law 2018 (as amended)) on an individual employee (other than Executive Directors), or customer of the Company, or any other person, if the information supplied would enable the identification of the person concerned, except in the case of any information required for the administration of the Public Employees Contributory Retirement Scheme and any equivalent scheme.
- 13.4.** If considered necessary, the Shareholder may seek such information or commission an independent review of the Company. The Company shall comply with the reasonable request for information pursuant to such a review being commissioned.

14. Directors' Appointments and Removal

- 14.1.** The Directors shall be appointed in accordance with the Companies (Jersey) Law 1991 (as amended), the Company's Articles of Association and this Schedule 2 (Governance Framework) of this MoU.
- 14.2.** All appointments and re-appointments will follow the Jersey Appointments Commission's "Guidelines for the recruitment of Senior States Employees, appointees and members of independent bodies" or subsequent guidelines that replace them.
- 14.3.** The Company shall invite the Shareholder to all meetings where substantive decisions are to be taken on the appointments of the Chairman and the Chief Executive and, with the agreement of the Jersey Appointments Commission, will invite the Shareholder to participate in any nominations panel established for the appointment of Chairman or Chief Executive Officer.
- 14.4.** The Company shall publish, in its Annual Report, details of other Directorships and appointments held by Executive Directors of the Company.
- 14.5.** In accordance with the Code, the Board shall undertake a formal and rigorous annual evaluation of its own performance, including composition, diversity, and how effectively members work together; and of its Committees, Chair and individual Directors. Outcomes of the review are to be presented to the Shareholder at a Chair and Shareholder Quarterly meeting; timing as mutually agreed.

15. Directors' Remuneration

- 15.1.** Changes to either the structure or quantum of remuneration paid to Executive Directors for their executive responsibilities in the business, including those relating to bonus payments, are to be approved by the Shareholder in advance of them taking effect.
- 15.2.** Any changes to the level of remuneration paid to Non-Executive Directors must be agreed, in advance, by the Shareholder. Newly appointed Non-Executive Directors will have the terms of their appointment approved, if appropriate, in accordance with normal practice at the annual general meeting subsequent to their appointment or in accordance with any other process specifically set out in applicable legislation.

- 15.3.** In accordance with best practice, the annual remuneration report of the Remuneration Committee will be specifically voted on by the Shareholder at the Company's annual general meeting.
- 15.4.** The Company, in designing remuneration schemes for its executive and non-executive directors, shall have due regard to the remuneration policies published by the Shareholder from time to time.

16. Insurance

- 16.1.** In agreement with the Shareholder, the Company shall determine the level of insurance it should maintain and establish if there is an appetite to maintain adequate insurance covers through the Shareholder's insurance arrangements.
- 16.2.** Unless otherwise agreed, the Company shall take out and maintain in effect insurance policies with a reputable insurer in respect of its business and any new business the company undertakes after the above date which it is usual for a business of this nature to have and which the Company Directors consider prudent having taken into account the policy limits, excess / deductibles and retention of risk, including within (or combined with) the Shareholder's portfolio of insurance assets and liabilities.

Schedule 3 - Calendar of Meetings with the Shareholder

	AGM	Quarterly Update Meetings				Chair's meeting*
	Q2	Q1	Q2	Q3	Q4	Each quarter
Attendance	Shareholder^ Board	Shareholder, Policy Leads, as appropriate Chair or designate, NEDs as appropriate MD FD	Shareholder, Policy Leads, as appropriate Head of Risk Chair or designate, NEDs as appropriate MD FD	Shareholder, Policy Leads, as appropriate Chair or designate, NEDs as appropriate MD FD	Shareholder, Policy Leads, as appropriate, Head of Risk Chair or designate, NEDs as appropriate MD FD	Shareholder Chair
Documents	Annual Report	SBP update Key changes to the Risk Register 2	SBP update Principal Risks and Mitigations	SBP update Key changes to the Risk Register	SBP update Risk Management effectiveness and internal controls assessment	
Agenda (standing) Other specific items to be tabled as required	Annual report and required statutory matters	SBP update plus -SBP outturn and KPI review for prior year -Risk Register update as set out at 12.2	SBP update plus -Principal risks and mitigations review as set out at 12.1.1 Could be combined with AGM	SBP update plus -KPIs review -Risk Register as set out at 12.2	New SBP presentation or annual SBP update, if appropriate plus -Effectiveness of management and internal control system as set out in 12.1.2 -Y/E Forecast	Executive performance; KPIs and remuneration; Governance and Board Structure; Board Effectiveness review (examples)
Documents circulated by	In accordance with Articles of Association	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	N/A
Indicative Timing	To be agreed between the Shareholder and Company in each case to reflect the reporting calendar of the Company and Shareholder commitments.					

*Can be incorporated into the Quarterly Update Meeting if appropriate

^May also include officers of the Shareholder Team from the relevant Ministerial department

MEMORANDUM OF UNDERSTANDING BETWEEN THE SHAREHOLDER AND JT

1. Introduction

1.1. States Owned Entities (“**SOEs**”) play an important role in our economy and society, delivering and supporting Government policy and building shareholder value. They are active across many sectors, from public utilities to managing the Islands’ gateways. Ministers rely on independent boards to lead each SOE. In turn, it is right that there should be clear and effective engagement with boards on the expectations of them in areas such as financial and non-financial performance, board conduct, and the relationship of boards with Government. High-performing boards and clear performance expectations enable SOEs to maximise their contribution to Jersey’s overall economic efficiency and wellbeing, and to better deliver the objectives for which they were established. Against this background, Islanders legitimately have an expectation of robust and thorough governance arrangements between the Shareholder and each SOE which is likely to extend beyond those obligations which apply to the private sector. This is best demonstrated through transparency and accountability with quality, timely and reliable reporting of performance which goes beyond financial reporting and helps to build trust with the Shareholder and the public of the Island.

2. Background

- 2.1. The States of Jersey (the “**States**”) adopted the Telecommunications (Jersey) Law 2002 (the “**Law**”) on 31st July 2001 and the Competition (Jersey) Law 2005 (as amended) on 23rd June 2004 (the “**Competition Law**”) to, amongst other things, “abolish the exclusive privilege of the States in telecommunications” i.e. to establish a competitive market on Jersey in Telecommunications. The States of Jersey Telecommunications Board (the “**Telecommunications Board**”) was subsequently dissolved and new arrangements were made regarding the operation and regulation of telecommunications in Jersey.
- 2.2. JT has been issued with a licence by the JCRA which is responsible for regulating the telecommunications sector in Jersey. The JCRA is also responsible for the administration of the Competition Law.
- 2.3. A group of companies, the principal of which is JT, was established for the purposes of vesting the required assets and liabilities of the Telecommunications Board in a corporate structure. The issued share capital of JT is held by the States in the name of nominees of the Minister.
- 2.4. The States handed over to JT the responsibility for the direction, strategy and management of the business and, under the terms of Article 32(6) of the Law¹, agreed that in exercising the powers of the States as shareholder “the Minister shall act in the interests of the States as holder of securities in a principal Company (JT Group Limited)”. In this regard, the Shareholder recognises the necessity of

¹ As amended by the States of Jersey (Amendments and Construction Provisions No.4) Regulations 2005

independence of the Board of Directors in managing the business in a competitive marketplace.

- 2.5. The GoJ Digital Policy Framework was published in 2017 and sets out the GoJ's long-term digital policy for Jersey. The Digital Policy Unit has been established within GoJ to deliver these objectives. These include the adoption of new technologies, and innovation across the digital sector.
- 2.6. GoJ's Telecoms Strategy was published in 2018 and outlines the long-term strategy for the telecom's infrastructure required to support digital services and economic growth for Jersey.
- 2.7. The Policy Leads that are relevant to the activities of the Company will be agreed between the Shareholder and the Company from time to time.

3. Definitions

- 3.1. Defined terms used in this Memorandum of Understanding ("**MoU**"), including associated schedules, are set out in Schedule 1 (Definitions) of this MoU.

4. Duration

- 4.1. This MoU applies from the date of signing by the Minister until it is superseded or agreed between the parties that it is no longer valid. This MoU will be formally reviewed between the parties from time to time, anticipated to be no less frequently than every three years.

5. Purpose

- 5.1. The purpose of this MoU is to ensure the appropriate conduct of JT and the Shareholder and to put in place an accountability framework appropriate to JT as an independent business wholly owned by the States having regard to the GoJ policies and the Company's corporate, social and other responsibilities.
- 5.2. This MoU establishes the respective and distinct roles and responsibilities of the Company on the one hand and the Shareholder on the other. Interactions between the two will be conducted in accordance with this MoU.
- 5.3. This MoU aims to foster a sound working relationship between the Shareholder and JT based on a mutual understanding of expectations for the sharing of information, regular dialogue on key issues as they emerge and develop, and key business decisions which have the potential to impact on GoJ.
- 5.4. The Shareholder commits neither to undertake any actions that give JT an unfair competitive position in the market or cause it to breach the provisions of the Competition Law or the terms of its Licence.
- 5.5. The Governance Framework, set out in Schedule 2 of this MoU, details the Shareholder's requirements for how the Company will interact with the Shareholder and for the Company's governance and reporting.

6. Company's Business

- 6.1. In its business operations, JT will:
 - 6.1.1. adhere to the provisions of this MoU;

- 6.1.2. comply with the conditions of its Licence;
 - 6.1.3. carry on business in a manner consistent with its SBP, as approved in accordance with section 9 of Schedule 2 of this MoU as required;
 - 6.1.4. adhere to the provisions of the Governance Framework as set out in Schedule 2 of this MoU;
 - 6.1.5. unless specifically contemplated in an approved SBP, seek the consent of the Minister before it sells, transfers leases, licences or in any way disposes of the Properties, or creates any Material mortgage or security interest, other than any arising by operation of law or prior agreed limits, over the Properties;
 - 6.1.6. adhere to all other applicable laws, regulations and applicable States industry standards and, where practical, guidelines; and
 - 6.1.7. operate at all times with a view to the best interests of the Company as required by the terms of Article 74 of the Companies (Jersey) Law 1991 (as amended) or any successor legislation.
- 6.2.** All parties shall follow the programme of meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.
- 6.3.** Nothing in this MoU requires, and the Shareholder may not require, the Directors of the Company to do, or not to do, anything which is contrary to any law, regulation or other requirements applicable in the jurisdictions where the Company operates or which is inconsistent with their fiduciary or other duties as Directors.

7. JT's Objectives

- 7.1.** JT's Objectives are to:
- 7.1.1. be as efficient as comparable telecommunications businesses that are not owned by the Shareholder;
 - 7.1.2. be profitable and generate funds for:
 - a. investment in, and maintenance of resilient and secure critical national infrastructures for Jersey consumers, businesses, wholesale customers and others who depend on those infrastructures;
 - b. provision of a portfolio of innovative and value generating products for its customers;
 - c. a sustainable and long-term return to the Shareholder, such return being an agreed proportion of the accumulated profit and capital reserves of JT, or such other measure as shown in the approved SBP.
 - 7.1.3. Support GoJ's wider policy objectives by prioritising and fully engaging in the activities agreed with the relevant Policy Leads and ultimately the Shareholder through the SBP; and
 - 7.1.4. demonstrate good corporate citizenship and role model behaviour for companies in Jersey, as set out in its KPIs on an annual basis.

8. Commercially Sensitive Information

- 8.1.** Nothing in this MoU shall be construed as requiring the inclusion in the SBP, annual review, financial statements, or other published reports of any information, where making available of the information would be likely to unreasonably prejudice the

commercial position of the Company or that of the person who supplied, or who is the subject of, the information.

- 8.2.** In the event that the States receives a request under the Freedom of Information (Jersey) Law 2011 (as amended) (“**FOI**”) relating to the Company, the Shareholder shall use their best endeavours to notify the Company in an appropriate manner, before making any disclosure under FOI.

9. Without Prejudice

- 9.1.** This MoU does not prejudice in any way the rights, powers, duties and liabilities that exist in law between the parties and otherwise.

10. Notices and Communications

- 10.1.** Any notices served on or communications to the Shareholder shall be delivered in all cases by email to:

shareholder@gov.je
and may also be delivered by hand, or post (recorded delivery), to:
The Treasurer of the States
19-21 Broad Street,
St Helier, Jersey, JE2 3RR

Or to such other address as the Shareholder may notify to the Company in writing at any time as the address for service or communication

- 10.2.** Any notices served on or communications to the Company shall be delivered by hand, post (recorded delivery), or email to:

For the attention of the CEO
No 1 The Forum, Grenville Street, St Helier, Jersey, JE4 8PB
and/or by email to: legal.inbox@jtglobal.com

Or to such other address as the Company may notify to the Shareholder in writing at any time as the address for service or communication

Signed: _____ Date: _____

Chairman: _____

Signed: _____ Date: _____

Position: _____

Schedule 1 - Definitions

Defined terms used in this Memorandum of Understanding include:

- “Annual Budget” means the annual budget covering a 12 month period presented to the Shareholder by JT.
- “Board” means the Board of Directors of JT.
- “Code” has the meaning given at section 3.1 of Schedule 2 of this MoU.
- “GoJ” means the Government of Jersey.
- “GoJ Digital Policy” means the Digital Policy Framework or such successor policy for digital on the Island of Jersey as published by GoJ from time to time.
- “JCRA” means the Jersey Competition Regulatory Authority or any successor authority which performs the same functions.
- “JT” or “the Company” means JT Group Limited and, where relevant, all its subsidiaries.
- “JT’s Objectives” means the objectives detailed in section 7 of this MoU above.
- “Licence” means JT’s Class III (modified) licence granted by JCRA under the Telecommunications Law or its replacement.
- “Material” shall take its meaning as agreed by JT and the Shareholder from time to time either in the SBP or by a form of notice sent to the Shareholder by JT.
- “Minister” means the Minister for Treasury and Resources of the States. It shall include any other States Member to whom functions are delegated by the Minister.
- “Ministers” means Ministers of the States.
- “Operational Budget” has the meaning set out at section 9.2.8 of Schedule 2 of this MoU.
- “Policy Leads” means the Ministers of the States of Jersey with responsibility for the strategies and policies that are relevant to the activities of the Company as identified and agreed between both parties from time to time.
- “Properties” means the properties owned by JT at Minden Place, St Helier and Five Oaks, St Saviour.
- “Quarterly Update Meeting” means one of 4 regular meetings taking place in respect of each 3-month period of the Company’s financial year between the Company and the Shareholder and in accordance with Schedule 3 of this MoU and “Q1, Q2 (etc) Update Meeting” shall be construed accordingly.
- “Remuneration Structure” means the structure of remuneration to be paid to executive and non-executive directors as agreed between JT and the Shareholder annually in advance or as agreed from time to time.
- “Risk Register” means the register maintained by the Company in respect of its key risks which shows as a minimum the nature of the risk, its likelihood, impact and timing, and the steps to be taken to mitigate it, with regular updates as the risk changes and the mitigation steps are carried out.
- “SBP” means Strategic Business Plan as defined at Section 9 of Schedule 2 of this MoU.
- “Shareholder” means the States of Jersey, represented by the Minister.
- “Shareholder Objectives” means the objectives detailed at Section 2 of Schedule 2 of this MoU below.
- “Telecoms Strategy” means “A Telecoms Strategy for Jersey” or such successor strategy for telecoms on the Island of Jersey as published by GoJ from time to time.

Schedule 2 - Governance Framework

1. Background

- 1.1. This Schedule details how the Company and Shareholder will interact and the requirements for the Company's governance and reporting.
- 1.2. This Schedule will be updated as required from time to time in consultation and as mutually agreed with the Company.

2. Objectives of States of Jersey ownership

- 2.1. The objectives of the States of Jersey's ownership of companies are:
 - 2.1.1. to maximise overall financial, social and environmental benefit consistent with increasing long-term shareholder value;
 - 2.1.2. to invest in and safeguard Jersey's economic and strategic assets, and interests vital to Islanders and to innovate where appropriate;
 - 2.1.3. to support the development and delivery of GoJ policy and strategic priorities in partnership; and
 - 2.1.4. to encourage sustainable growth in the economy of Jersey in the medium to long term.

3. Corporate Governance

- 3.1. Unless in direct conflict with other provisions of the Company's Memorandum and Articles of Association, any law, regulation or other requirements in the jurisdictions where JT operates, or this MoU, the Company and its Board shall adhere to the Principles of Good Governance in the 2018 UK Corporate Governance Code (the "**Code**") or any successor document that is incorporated into the listing rules of the UK Listings Authority, or its successor body.
- 3.2. The Company shall not engage anywhere in any political activity or provide funds in connection with the carrying on by any third party of any political activity.

4. Key Performance Indicators (KPIs)

- 4.1. KPIs are to be set by the Company, as discussed and agreed annually with the Shareholder in advance. Performance updates are to be reported in the Shareholder Update Meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.
- 4.2. The following principles should guide the development of the KPIs:
 - 4.2.1. the focus should be on a small number of key measures that the Shareholder and the Company agree are relevant;
 - 4.2.2. the measures should relate to matters over which the Company has sufficient control;
 - 4.2.3. performance measures will be unambiguous and verifiable and the cost of providing the measurement should not outweigh the benefits of doing so;
 - 4.2.4. as far as possible, performance measures should be outcome-oriented; and

4.2.5. performance measures should have regard to appropriate external reference points for assessing performance.

4.3. The minimum number of KPIs shall be one for each of the following performance areas:

- 4.3.1. financial;
- 4.3.2. support of GoJ policy;
- 4.3.3. environmental, social and governance (ESG); and
- 4.3.4. organisational resources and capability.

5. Obligation to Inform

5.1. In the interest of keeping the Shareholder fully informed under a “no surprises” approach, the Company shall provide on a timely basis (which can be either before or after the JT Board has taken action), any information which is relevant to the reputation of the States of Jersey. This includes but is not limited to the following:

- 5.1.1. matters that could cause reputational damage to the Shareholder;
- 5.1.2. any Material breach or alleged Material breach of law or regulation;
- 5.1.3. strategic communications with other governments;
- 5.1.4. activities that may be seen as politically sensitive;
- 5.1.5. major successes in delivering or promoting GoJ policy objectives; and
- 5.1.6. any statement or media release that the Company intends to make about or with reference to the Shareholder.

5.2. The Shareholder will make every reasonable effort, where it is possible to do so, to provide advance notice to the Company of statements it intends to make about the Company.

5.3. In addition, the Company shall provide the Shareholder with formal reports from the Company as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.

6. Obligation to Consult

6.1. The Shareholder requires to be consulted in respect of certain matters. These are:

- 6.1.1. any Material contracts proposed to be entered into as a buyer or seller, where those contracts are some or all of the following:
 - a) outside the normal course of business or contemplated by the SBP; or
 - b) with other Governments; or
 - c) contain Non-Disclosure Agreement terms which can reasonably be expected to override the obligations set out in this MoU and which relate to any matters mentioned in Schedule 2 Clause 7.1 of this MoU; or
 - d) have the potential to create uninsured pension liabilities for the Company or Shareholder; or
 - e) contracts entered into by the Company outside the normal course of business which have the potential to create a Material uninsured liability for the Company or Shareholder; or

- f) contain any other matters which the Company could reasonably have been expected to identify would be to the Material detriment of JT or the Shareholder when considered in the context of the Shareholder's Objectives;
 - 6.1.2. where the Company is considering, or a third party has started, or is planning, to commence Material litigation or Material administrative proceedings which could create an uninsured liability for the Company or against another GoJ department or States owned entity; and
 - 6.1.3. any planned response to a consultation; publicly-stated position; or Company action, which contravenes Government policy or reasonably could be seen to do so.
- 6.2.** In respect of matters on which the Shareholder is to be informed or consulted, in accordance with Section 5 and 6 of this Schedule, the Company will raise these matters and notify the Shareholder as soon as it is practically possible (which may include informing or consulting with the Shareholder after the JT Board has taken action). It will not delay its timing merely because the information can be included at a later Quarterly Update Meeting or in the SBP or any other report to be presented at a Shareholder meeting. Matters that have been approved in the SBP or actions taken solely in order to execute the SBP will not require further consultation.
- 6.3.** The Shareholder will use its best endeavours to respond within 2 business days, and in any case no more than 10 business days, from receipt of notification, as to how it wishes to engage on the matter. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales. If a response is not received in this timeframe, then there will be deemed to be no further requirement for the Company to consult with the Shareholder and it may proceed with the relevant matter.
- 6.4.** The Shareholder's response will set out any further information it requires on such matters and the process for further consultation if this is required.
- 6.5.** If the Shareholder's response is sought via the Quarterly SBP Update Meeting, the Shareholder shall set out at the meeting:
- 6.5.1. any requests for further information, which may be sought before the next Quarterly Update Meeting;
 - 6.5.2. its consultation response and/or a statement of how it wishes to conduct any further discussion; and
 - 6.5.3. its confirmation if applicable that the consultation has been satisfactorily concluded which it will confirm in writing to the Company.

7. Obligation for Approval

- 7.1.** The Company will seek the approval of the Shareholder which will not be unreasonably withheld or delayed before it:
- 7.1.1. makes any Material change in the nature of its business as carried on or commences any Material new business by purchasing Material interests or acquiring other businesses or assets not being ancillary or incidental to its core business, other than those already specifically approved in the SBP;

- 7.1.2. sells, transfers, leases, licences or in any way disposes of all or a Material part of its business or assets, other than in the ordinary course of business or in line with an approved SBP;
 - 7.1.3. creates any Material mortgage or security interest, other than any arising out of operation of law or being within prior agreed limits, over any of the Company's assets;
 - 7.1.4. gives any Material guarantee, indemnity or security in respect of the obligations of any person, other than any arising out of operation of law or in the ordinary course of business;
 - 7.1.5. borrows any Material sum or factors any Material book debts, except in respect of the leasing of plant or equipment in the ordinary course of trading and of any working capital and capital expenditure facilities which are entered into in the ordinary course of business;
 - 7.1.6. undertakes in any financial year any single item or series of items of Material capital expenditure (including finance leases but excluding operating leases as respectively defined under GAAP) involving an aggregate liability during that financial year in excess of the sums provided for capital expenditure in its Operational Budget and approved SBP, where the excess amounts are in aggregate a Material percentage of turnover or a Material percentage of the balance sheet of the most recent year's consolidated audited financial statements per the agreed SBP;
 - 7.1.7. changes the financial year end of the Company; and
 - 7.1.8. undertakes any activity where such approval was given via an approved SBP and the item has since changed in substance or Material amount since SBP approval.
- 7.2.** Where the Company proposes any of the above actions as part of investment in a new entity or business, its request for approval should show how the investment will benefit the delivery or price of the Company's service to its customers or, if not, how it will directly contribute to delivering other JT's Objectives and/or Shareholder Objectives. Specific measures of success in delivering these benefits should, wherever possible, be proposed and subsequently be reported on in SBP updates.
- 7.3.** In order to discuss the matters for which approval is sought, senior management of the Company will make themselves available, at the Shareholder's request, to present matters or answer queries.

8. Process for Shareholder approval

- 8.1.** The Company shall make the Shareholder aware in a timely way of any matter requiring approval, even if all the information is not yet available.
- 8.2.** The Shareholder will use its best endeavours to respond within 2 business days, and in any case no more than 10 business days from receipt of notification as to how it wishes to engage and any further information that it may need to satisfy its review for approval. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales.

- 8.3. Responses will be given formally in writing, clearly stating what has been approved, or not approved, and any conditions attached to such approval, as appropriate.
- 8.4. For the avoidance of doubt, any failure by the Shareholder to provide a response within the timelines set out will not enable the Company to deem its proposal approved. Approval will only be given in writing as set out at section 8.3 above.

9. **Strategic Business Plan (SBP)**

- 9.1. The Company shall produce an SBP and submit this for review, discussion and approval by the Shareholder. The Company shall engage the Policy Leads that are most relevant to the activities of the Company in the formulation of the SBP.
- 9.2. As part of preparing the SBP, the Company, supported by the Shareholder, shall make all reasonable efforts to consult with affected Policy Leads as applicable prior to presenting the SBP to the Shareholder, and record in the SBP a summary of such consultation. The SBP shall specify, in respect of the financial year to which it relates and each of the following two financial years, or such period as is agreed with the Shareholder, information in respect of the following:
 - 9.2.1. the environment within which the business is operating, including an assessment of the key challenges;
 - 9.2.2. the key business objectives of the Company for the SBP period which are consistent with the Shareholder Objectives and with JT's Objectives;
 - 9.2.3. the nature and scope of the activities to be undertaken;
 - 9.2.4. a review of the key risks, as set out below in section 12 and of the opportunities facing the Company, and proposed responses to these;
 - 9.2.5. any planned or contemplated activities covered by the Obligations to Inform (section 5) and Consult the Shareholder (section 6), regardless of whether there is sufficient information to complete such requirement at the time of the SBP, making it clear if the information in the SBP is intended to meet the requirement to inform or commence consultation;
 - 9.2.6. any foreseeable matters during the next year for which Shareholder approval will or could be required under section 7 of this Governance Framework, regardless of whether there is sufficient information to complete such approval at the time of the SBP;
 - 9.2.7. KPIs to be measured over the year, in accordance with section 4 of this Governance Framework, as agreed in consultation with the Shareholder; and
 - 9.2.8. an Operational Budget covering as a minimum the next two financial years (with the first year in detail and the following years in summary), with an accompanying forecast for the period of the SBP and showing additionally comparable outturn amounts for each of the preceding two years. The Operational Budget shall contain:
 - a) budgeted figures for the two years to which it relates including profit and loss account, balance sheet and cashflow statements with sufficient detail for the Shareholder to understand the make up of

- revenues and costs, sources of forecast growth and the source and use of funds;
 - b) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholder or otherwise remitted, such as through direct investment in GoJ projects as agreed with the Shareholder; and
 - c) such other matters as are agreed by the Shareholder and the Company.
- 9.3.** The Company shall deliver to the Shareholder a final SBP and/or Annual Budget, as appropriate, and present it at the Annual Budget, Remuneration Structure & SBP Meeting as per the meeting calendar outlined in Schedule 3 of this MoU.
- 9.4.** The Company shall provide quarterly updates in writing to the Shareholder for the Quarterly Update Meetings no later than the times set out in Schedule 3 of this MoU. The quarterly updates should include, but not be limited to:
- 9.4.1. progress against the SBP including matters under Obligations to Inform and Consult;
 - 9.4.2. financial results for the year to date and any reforecast annual outturn as presented in management accounts to include profit and loss statements in sufficient detail to compare to the Operational Budget in the SBP;
 - 9.4.3. an explanation of any major variances;
 - 9.4.4. a report on KPI performance in the year to date;
 - 9.4.5. results delivered in relation to the benefits identified from approved and executed acquisitions and investments in the last 2 years in accordance with section 7.2;
 - 9.4.6. any major events impacting the Company;
 - 9.4.7. any new matters that fall under the Obligations to Inform and Consult; and any revisions to the SBP strategies or plans. Where the update includes matters reported in accordance with Obligations to Inform and Consult, these shall be clearly indicated; and
 - 9.4.8. a review of the Company's emerging and principal risks and mitigation approaches particularly including those risks which may have reputational impact on the Shareholder.
- 9.5.** The Shareholder shall provide the Company with formal written notification of its approval of the SBP within 6 weeks of the Annual Budget, Remuneration Structure & SBP Meeting at which it is presented. The support of relevant Policy Leads, as appropriate, must be formally obtained prior to Shareholder approval.
- 9.6.** The Shareholder may provide SBP approval with reservations as to certain items, in relation to which it may require conditions to be met or additional information provided. Once such conditions have been met or the Company has provided such information, the Shareholder will use its best endeavours to notify the Company of its approval of those reserved items in writing within 2 business days, and in any case within no more than 10 business days.
- 9.7.** For the avoidance of doubt, the Shareholder review required under section 9.6 above may include the Shareholder conducting further analysis and review of the relevant

information. In such a case, the Shareholder will provide the Company with an estimate of the timing for its approval and with updates when and if that timing is foreseen as requiring extension.

10. Annual report

- 10.1.** Within 4 months after the end of each financial year of the Company, the Board shall deliver its Annual Report and Accounts to the Shareholder, including any disclosures under the Code.
- 10.2.** In addition, the Company will deliver to the Shareholder, such reporting required on an annual and ad hoc basis for the purpose of preparing the financial statements of the GoJ and information required to assist with the financial planning of the GoJ.

11. Meetings with the Shareholder

- 11.1.** For the purposes of ensuring open communications between the Shareholder and the Company, meetings will, at a minimum, take place during the Company's financial year as detailed in Schedule 3 of this MoU unless otherwise agreed by both parties.
- 11.2.** Other meetings to discuss matters arising, including those to comply with the Obligations to Inform and Consult, or to obtain approval in accordance with section 8 of this Schedule 2 of this MoU, will be scheduled as agreed between the Shareholder and Company in the course of each year.

12. Risk Management

- 12.1.** The Company will implement and maintain a sound system of risk management to safeguard its value to the Shareholder. In particular, the Company shall:
 - 12.1.1.** as part of its Q2 Meeting Update outlined in Schedule 3 of this MoU provide a robust assessment of the principal risks and how they are being managed and mitigated, such assessment carried out by the Directors in accordance with the Code; and
 - 12.1.2.** as part of the Q4 Meeting Update outlined in Schedule 3 of this MoU, and in accordance with the Code, present a report on the Board's review of the effectiveness of the Company's systems of risk management and internal control.
- 12.2.** The Company will review its Risk Register with the Shareholder in accordance with Schedule 3 of this MoU.
- 12.3.** The Company will inform the Shareholder of and provide any Internal Audit report that identifies major findings or a significant deficiency in controls.

13. Provision of Information

- 13.1.** Except as stated below, the Company shall supply to the Shareholder such information relating to the affairs of the Company as the Shareholder may reasonably request from time to time.
- 13.2.** The Company will give the Shareholder access to information to assist the Shareholder to properly and effectively respond, within the necessary timescales, to requests for information for Ministerial questions and other information required for

the Shareholder to fulfil its responsibilities on behalf of the States of Jersey or according to the law. Where such response leads to a request for the provision of information directly from the Company, the Company will provide the response or information in an expeditious manner.

- 13.3.** For the avoidance of doubt, in no circumstances shall the Company be obliged by this MoU to supply to the Shareholder any information which compromises its GDPR obligations or otherwise (including its obligations under the Data Protection (Jersey) Law 2018 (as amended)) on an individual employee (other than Executive Directors), or customer of the Company, or any other person, if the information supplied would enable the identification of the person concerned, except in the case of any information required for the administration of the Public Employees Contributory Retirement Scheme and any equivalent scheme.
- 13.4.** If considered necessary, the Shareholder may seek such information or commission an independent review of the Company. The Company shall comply with the reasonable request for information pursuant to such a review being commissioned.

14. Directors' Appointments and Removal

- 14.1.** The Directors shall be appointed in accordance with the Companies (Jersey) Law 1991 (as amended), the Company's Articles of Association and this Schedule 2 (Governance Framework) of this MoU.
- 14.2.** All appointments and re-appointments will follow the Jersey Appointments Commission's "Guidelines for the recruitment of Senior States Employees, appointees and members of independent bodies" or subsequent guidelines that replace them.
- 14.3.** The Company shall invite the Shareholder to all meetings where substantive decisions are to be taken on the appointments of the Chairman and the Chief Executive and, with the agreement of the Jersey Appointments Commission, will invite the Shareholder to participate in any nominations panel established for the appointment of Chairman or Chief Executive Officer.
- 14.4.** The Company shall publish, in its Annual Report, details of other Directorships and appointments held by Executive Directors of the Company.
- 14.5.** In accordance with the Code, the Board shall undertake a formal and rigorous annual evaluation of its own performance, including composition, diversity, and how effectively members work together; and of its Committees, Chair and individual Directors. Outcomes of the review are to be presented to the Shareholder at a Chair and Shareholder Quarterly meeting; timing as mutually agreed.

15. Directors' Remuneration

- 15.1.** Changes to the Remuneration Structure of Executive Directors for their executive responsibilities in the business, including those relating to bonus payments, are to be approved by the Shareholder in advance of them taking effect.
- 15.2.** Any changes to the Remuneration Structure of Non-Executive Directors must be agreed, in advance, by the Shareholder. Newly appointed Non-Executive Directors will have the terms of their appointment approved, if appropriate, in accordance with

normal practice at the annual general meeting subsequent to their appointment or in accordance with any other process specifically set out in applicable legislation.

- 15.3.** In accordance with best practice, the annual remuneration report of the Remuneration Committee will be specifically voted on by the Shareholder at the Company's annual general meeting.
- 15.4.** The Company, in designing the Remuneration Structure for its executive and non-executive directors, shall have due regard to the remuneration policies provided to JT by the Shareholder from time to time.

16. Insurance

- 16.1.** In agreement with the Shareholder, the Company shall determine the level of insurance it should maintain and establish if there is an appetite to maintain adequate insurance covers through the Shareholder's insurance arrangements.
- 16.2.** Unless otherwise agreed, the Company shall take out and maintain in effect insurance policies with a reputable insurer in respect of its business and any new business the company undertakes after the above date which it is usual for a business of this nature to have and which the Company Directors consider prudent having taken into account the policy limits, excess / deductibles and retention of risk, including within (or combined with) the Shareholder's portfolio of insurance assets and liabilities.

Schedule 3 - Calendar of Meetings with the Shareholder

	AGM	Annual Budget, Remuneration Structure & SBP Meeting	Quarterly Update Meetings				Chair's meeting*
	Q2	January each year	Q1	Q2	Q3	Q4	Each quarter
Attendance	Shareholder Board	Shareholder Board	Shareholder, Policy Leads as agreed Chair or designate, NEDs as appropriate Executive Directors	Shareholder, Policy Leads as agreed Head of Risk Chair or designate, NEDs as appropriate Executive Directors	Shareholder, Policy Leads as agreed Chair or designate, NEDs as appropriate Executive Directors	Shareholder, Policy Leads as agreed, Head of Risk Chair or designate, NEDs as appropriate Executive Directors	Shareholder Chair
Documents	Annual Report	Annual Budget Remuneration Structure SBP (if applicable)	SBP update Key changes to the Risk Register	SBP update Principal Risks and Mitigations	SBP update Key changes to the Risk Register	SBP update Risk Management effectiveness and internal controls assessment Unlimited liability contract list	
Agenda (standing) Other specific items to be tabled as required	Annual report and required statutory matters	Annual Budget Remuneration Structure SBP Presentation (if applicable)	SBP update plus -SBP outturn and KPI review for prior year -Risk Register update as at set out at 12.2	SBP update plus -Principal risks and mitigations review as set out at 12.1.1 Could be combined with AGM	SBP update plus -KPIs review -Risk Register update as set out at 12.2	SBP update plus -Effectiveness of risk management and internal control system as set out in 12.1.2 -Y/E Forecast Unlimited liability contract list	Executive performance; KPIs and remuneration; Governance and Board Structure; Board Effectiveness review (examples)

Documents circulated by	In accordance with Articles of Association	In December of each year	5 business days prior to meeting	N/A			
Indicative Timing	To be agreed between the Shareholder and Company in each case to reflect the reporting calendar of the Company and Shareholder commitments.						

*Can be incorporated into the Quarterly Update Meeting if appropriate

^May also include officers of the Shareholder Team from the relevant Ministerial department

MEMORANDUM OF UNDERSTANDING BETWEEN THE SHAREHOLDER AND PORTS OF JERSEY

1. Introduction

1.1. States Owned Entities (“**SOEs**”) play an important role in our economy and society, delivering and supporting Government policy and building shareholder value. They are active across many sectors, from public utilities to managing the Islands’ gateways. Ministers rely on independent boards to lead each SOE. In turn, it is right that there should be clear and effective engagement with boards on the expectations of them in areas such as financial and non-financial performance, board conduct, and the relationship of boards with Government. High-performing boards and clear performance expectations enable SOEs to maximise their contribution to Jersey’s overall economic efficiency and wellbeing, and to better deliver the objectives for which they were established. Against this background, Islanders legitimately have an expectation of robust and thorough governance arrangements between the Shareholder and each SOE which is likely to extend beyond those obligations which apply to the private sector. This is best demonstrated through transparency and accountability with quality, timely and reliable reporting of performance which goes beyond financial reporting and helps to build trust with the Shareholder and the public of the Island.

2. Background

- 2.1. The States of Jersey (the “**States**”) adopted the Air and Sea Ports (Incorporation) (Jersey) Law 2015 (the “**Law**”) that provided for the transfer of the functions of, and the assets and liabilities administered in, the States Trading Operations known as Jersey Harbours and Jersey Airport.
- 2.2. Ports of Jersey has been issued with a licence by the JCRA which is responsible for regulating the air and sea port operations in Jersey. The JCRA is also responsible for the administration of the Competition (Jersey) Law 2005 (as amended).
- 2.3. The Minister for Economic Development has been and will remain responsible for sea transport policy and associated matters. The Chief Minister is responsible for air transport policy and associated matters.
- 2.4. The States assigned to Ports of Jersey the responsibility for the direction, strategy and management of the business, and under the terms of Article 31(5) of the Law "the Minister for Treasury and Resources may exercise the powers of the States in their capacity as holder of securities in a company, but in doing so the Minister for Treasury and Resources shall act in the interests of the States in that capacity." In this regard, the Minister recognises the independence of the Board in managing the business.
- 2.5. Ports of Jersey is 100% owned by way of States of Jersey Investments Limited, being a company of which "each of its shares are held by the States or by one or more nominees on behalf of the States." The States is therefore the "holder of securities" in the company that wholly owns Ports of Jersey, and holds those securities pursuant to Article 31(2)(a) and (b) of the Law. Accordingly, the Minister,

on behalf of the States, has under Article 31(5) the power and responsibility to exercise the States' shareholder rights as the ultimate owner of Ports of Jersey. This means that the Ports of Jersey will look to the Minister as if he were the 100% shareholder.

2.6. The Ports Policy Group (comprising the Chief Minister, the Minister for Economic Development and the Minister), has been established for the purpose of agreeing proposed policy positions in respect of Ports of Jersey.

2.7. The Policy Leads that are relevant to the activities of the Company will be agreed between the Shareholder and the Company from time to time. Given the breadth of its responsibilities, the primary point of contact for policy matters for the Company will be the Chief Executive and Head of the Public Service.

3. Definitions

3.1. Defined terms used in this Memorandum of Understanding ("**MoU**"), including associated schedules, are set out in Schedule 1 (Definitions) of this MoU.

4. Duration

4.1. This MoU applies from the date of signing by the Minister until it is superseded or agreed between the parties that it is no longer valid. This MoU will be formally reviewed between the parties, anticipated to be no less frequently than every three years.

5. Purpose

5.1. The purpose of this MoU is to ensure the appropriate conduct of Ports of Jersey and the Shareholder and to put in place an accountability framework appropriate to Ports of Jersey as an independent business wholly owned by the States having regard to the GoJ policies and the Company's corporate, social, and other responsibilities.

5.2. This MoU establishes the respective and distinct roles and responsibilities of the Board on the one hand and the Shareholder on the other. Interactions between the two will be conducted in accordance with this MoU.

5.3. This MoU aims to foster a sound working relationship between the Shareholder and Ports of Jersey based on a mutual understanding of expectations for the sharing of information, regular dialogue on key issues as they emerge and develop, and key business decisions which have the potential to impact on GoJ.

5.4. The Governance Framework, set out in Schedule 2 of this MoU, details the Shareholder's requirements for how the Company will interact with the Shareholder and for the Company's governance and reporting.

6. Company's Business

6.1. In its business operations, Ports of Jersey will:

6.1.1. adhere to the provisions of this MoU;

6.1.2. carry on business in a manner consistent with its SBP, as approved in accordance with section 9 of Schedule 2 of this MoU and the Public Services Obligations contained within it;

- 6.1.3. adhere to the provisions of the Governance Framework as set out in Schedule 2 of this MoU;
 - 6.1.4. adhere to all other applicable laws, regulations and applicable States industry standards and guidelines; and
 - 6.1.5. operate at all times with a view to the best interests of the Company as required by the terms of Article 74 of the Companies (Jersey) Law 1991 (as amended) or any successor legislation.
- 6.2.** All parties shall follow the programme of meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.
- 6.3.** Nothing in this MoU requires the Directors of the Company to do, or not to, anything which is inconsistent with their fiduciary duties as Directors.

7. Ports of Jersey's Objectives

- 7.1.** Ports of Jersey's Objectives are to:
- 7.1.1. carry out its principal objects (as defined in Article 5 of the Law), its Public Service Obligations, and to carry out such other duties as are given or entrusted to it under any enactment. For the avoidance of doubt the Minister reserves the power to interpret the term 'sustainable growth in the economy of Jersey in the medium to long term' and after appropriate consultation direct the Board pursuant to Article 5(2) of the Law;
 - 7.1.2. in respect of its operations, secure long term self-sustainability and maintain stewardship of the assets transferred from the States whilst carrying out the Public Service Obligations;
 - 7.1.3. create long-term value for the Shareholder through:
 - a. supporting GoJ's wider policy objectives by prioritising and fully engaging in the activities agreed with the relevant Policy Leads and ultimately the Shareholder through the SBP; and
 - b. providing a sustainable and long-term return to the Shareholder in accordance with any agreed proportion of accumulated profit and capital reserves or other measure as shown in the approved SBP.
 - 7.1.4. demonstrate good corporate citizenship and role model behaviour for companies in Jersey, as set out in its KPIs on an annual basis.

8. Commercially Sensitive Information

- 8.1.** Nothing in this MoU shall be construed as requiring the inclusion in the SBP, annual report, financial statements, or other published reports of any information, where making available of the information would be likely to unreasonably prejudice the commercial position of the Company or that of the person who supplied, or who is the subject of, the information.
- 8.2.** In the event that the States receives a request under the Freedom of Information (Jersey) Law 2011 (as amended) ("FOI") relating to the Company, the Shareholder will make every reasonable effort to advise the Company as appropriate, before making any disclosure.

9. Without Prejudice

9.1. This MoU does not prejudice in any way the rights, powers, duties and liabilities that exist in law between the parties and otherwise.

10. Notices and Communications

10.1. Any notices served on or communications to the Shareholder shall be delivered in all cases by email to:

shareholder@gov.je

and may also be delivered by hand, or post (recorded delivery), to:

The Treasurer of the States
19-21 Broad Street,
St Helier, Jersey, JE2 3RR

Or to such other address as the Shareholder may notify to the Company in writing at any time as the address for service or communication

10.2. Any notices served on or communications to the Company shall be delivered by hand, post (recorded delivery), or email to:

Matt Thomas, Group CEO

Ports of Jersey, St Peter, Jersey JE1 1BY

and/or by email to : matt.thomas@ports.je

Or to such other address as the Company may notify to the Shareholder in writing at any time as the address for service or communication

Signed: _____ Date: _____

Chairman: _____

Signed: _____ Date: _____

Position: _____

Schedule 1 - Definitions

Defined terms used in this Memorandum of Understanding include:

- “Board” means the Board of Directors of Ports of Jersey.
- “Chief Minister” means the Chief Minister of the States.
- “Code” has the meaning given at section 3.1 of Schedule 2 of this MoU.
- “GoJ” means the Government of Jersey.
- “JCRA” means the Jersey Competition Regulatory Authority.
- “Material” shall take its meaning from the concept of materiality as from time to time understood for the purposes of auditing the annual accounts of Ports of Jersey in line with accounting practices generally accepted in the Island of Jersey. Issues with a low financial impact, but a potentially high social, economic or political impact, will also be Material. Numerical guidance as to materiality with regard to specific financial matters, will be agreed in the SBP from time to time.
- “Minister” means the Minister for Treasury and Resources of the States. It shall include any other States Member to whom functions are delegated by the Minister.
- “Ministers” means Ministers of the States.
- “Minister for Economic Development” means the Minister for Economic Development, Tourism, Sport and Culture of the States.
- “Operational Budget” has the meaning set out at section 9.2.8 of Schedule 2 of this MoU.
- “Policy Leads” means the Ministers of the States of Jersey with responsibility for the strategies and policies that are relevant to the activities of the Company as identified and agreed between both parties from time to time.
- “Ports of Jersey” or “the Company” means Ports of Jersey Limited and all of its wholly owned subsidiaries.
- “Ports Policy Group” means the group comprising the Chief Minister, the Minister for Economic Development and the Minister (or their delegates), for the purpose of agreeing proposed policy positions in respect of Ports of Jersey.
- “Public Service Obligations” has the meaning given to it in Article 6 of the Law.
- “Quarterly Update Meeting” means one of 4 regular meetings taking place in respect of each 3-month period of the Company’s financial year between the Company and the Shareholder and in accordance with Schedule 3 of this MoU and “Q1, Q2 (etc) Update Meeting” shall be construed accordingly.
- “Risk Register” means the register maintained by the Company in respect of its key risks which shows as a minimum the nature of the risk, its likelihood, impact and timing, and the steps to be taken to mitigate it, with regular updates as the risk changes and the mitigation steps are carried out.
- “SBP” means Strategic Business Plan as defined at Section 9 of Schedule 2 of this MoU.
- “Shareholder” means the States of Jersey, represented by the Minister.

Schedule 2 - Governance Framework

1. Background

- 1.1. This Schedule details how the Company and Shareholder will interact and the requirements for the Company's governance and reporting.
- 1.2. This Schedule will be updated as required from time to time in consultation and mutually agreed with the Company.

2. Objectives of States of Jersey ownership

- 2.1. The objectives of the States of Jersey's ownership of companies are:
 - 2.1.1. to maximise overall financial, social and environmental benefit consistent with increasing long-term shareholder value;
 - 2.1.2. to invest in and safeguard Jersey's economic and strategic assets, and interests vital to Islanders and to innovate where appropriate;
 - 2.1.3. to support the development and delivery of GoJ policy and strategic priorities in partnership; and
 - 2.1.4. to encourage sustainable growth in the economy of Jersey in the medium to long term.

3. Corporate Governance

- 3.1. Unless in direct conflict with other provisions of the Company's Memorandum and Articles of Association, or this MoU, the Company and its Board shall adhere to the Principles of the Good Governance in the 2018 UK Corporate Governance Code (the "**Code**") or any successor document that is incorporated into the listing rules of the UK Listings Authority, or its successor body.
- 3.2. The Company shall not engage anywhere in any political activity or provide funds in connection with the carrying on by any third party of any political activity.

4. Key Performance Indicators (KPIs)

- 4.1. KPIs are to be set by the Company, as discussed and agreed annually with the Shareholder in advance. Performance updates are to be reported in the Shareholder Update Meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.
- 4.2. The following principles should guide the development of the KPIs:
 - 4.2.1. the focus should be on a small number of key measures that the Shareholder and the Company agree are relevant;
 - 4.2.2. the measures should relate to matters over which the Company has sufficient control;
 - 4.2.3. performance measures will be unambiguous and verifiable and the cost of providing the measurement should not outweigh the benefits of doing so;
 - 4.2.4. as far as possible, performance measures should be outcome-oriented; and
 - 4.2.5. performance measures should have regard to appropriate external reference points for assessing performance.

4.3. The minimum number of KPIs shall be one for each of the following performance areas:

- 4.3.1. financial;
- 4.3.2. support of GoJ policy development;
- 4.3.3. environmental, social and governance (ESG); and
- 4.3.4. organisational resources and capability.

5. Obligation to Inform

5.1. In the interest of keeping the Shareholder fully informed under a “no surprises” approach, the Company shall provide on a timely basis, any information which is relevant to the reputation of the States of Jersey. This includes but is not limited to the following:

- 5.1.1. matters that could cause reputational damage to the Shareholder;
- 5.1.2. any Material breach or alleged breach of law or regulation;
- 5.1.3. strategic communications with other governments;
- 5.1.4. activities that may be seen as politically sensitive;
- 5.1.5. major successes in delivering or promoting GoJ policy objectives; and
- 5.1.6. any statement or media release that the Company intends to make about or with reference to the Shareholder.

5.2. The Shareholder will make every reasonable effort, where appropriate, to provide advance notice to the Company of statements it intends to make about the Company.

5.3. In addition, the Company shall provide the Shareholder with formal reports from the Company as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.

6. Obligation to Consult

6.1. The Shareholder requires to be consulted in respect of certain matters. These are:

- 6.1.1. Material contracts proposed to be entered into as a buyer or seller, being those which are some or all of:
 - a) outside the normal course of business unless contemplated by the SBP; or
 - b) with other Governments; or
 - c) contain Non-Disclosure Agreement terms which can reasonably be expected to override the obligations set out in this MoU; or
 - d) other than contracts entered into by the Company in the normal course of business that give rise to what would be considered to be normal, every-day commercial risk/liability, a contract that has the potential to create an uninsured liability, including additional pension liabilities, for the Company or Shareholder; or
 - e) contain any other matters which the Company could reasonably have been expected to identify would be likely to be considered contentious by the Shareholder;

- 6.1.2. Where the Company is considering, or a third party has started, or is planning, to commence litigation or administrative proceedings which could create an uninsured liability for the Company or against another GoJ department or States owned entity; and
 - 6.1.3. Any planned response to a consultation; publicly-stated position; or Company action, which contravenes Government policy or reasonably could be seen to do so.
- 6.2.** In respect of matters on which the Shareholder is to be informed or consulted, in accordance with Section 5 and 6 of this Schedule, the Company will raise these matters and notify the Shareholder as soon as it is aware that a matter of this nature will or could arise. It will do this regardless of whether or not full details are available and will not delay its timing merely because the information can be included at a later Quarterly Update Meeting or in the SBP or any other report to be presented at a Shareholder meeting.
- 6.3.** The Shareholder will respond within 10 business days, from acknowledged receipt of notification, as to how it wishes to engage on the matter. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales. If a response is not received in this timeframe, then there will be deemed to be no further requirement for the Company to consult with the Shareholder and it may proceed with the relevant matter.
- 6.4.** The Shareholder's response will set out any further information it requires on such matters and the process for further consultation if this is required.
- 6.5.** If the Shareholder's response is sought via the Quarterly SBP Update Meeting, the Shareholder shall set out at the meeting:
- 6.5.1. any requests for further information, which may be sought before the next Quarterly Update Meeting;
 - 6.5.2. its consultation response and/or a statement of how it wishes to conduct any further discussion; and
 - 6.5.3. its confirmation if applicable that the consultation has been satisfactorily concluded which it will confirm in writing to the Company.

7. Obligation for Approval

- 7.1.** The Company will seek the approval of the Shareholder which will not be unreasonably withheld or delayed before it:
- 7.1.1. makes any change in the nature of its business as carries on or commences any new business by purchasing Material interests or acquiring other businesses or assets not being ancillary or incidental to its core business, other than those already specifically approved in the SBP;
 - 7.1.2. sells, transfers, leases, licences or in any way disposes of all or a Material part of its business or assets, other than in the ordinary course of business or in line with an approved SBP;
 - 7.1.3. creates any mortgage or security interest, other than any arising out of operation of law or arising by prior agreed limits, over any of the Company's assets;

- 7.1.4. gives any guarantee, indemnity or security in respect of the obligations of any person, other than any arising out of operation of law or in the ordinary course of business;
 - 7.1.5. borrows any sum or factors any Material book debts, except in respect of the leasing of plant or equipment in the ordinary course of trading and of any working capital and capital expenditure facilities which are entered into in the ordinary course of business;
 - 7.1.6. undertakes in any financial year any single item or series of items of Material capital expenditure (including finance leases but excluding operating leases as respectively defined in GAAP) involving an aggregate liability during that financial year in excess of the sums provided for capital expenditure in its Operational Budget and approved SBP, where the excess amounts are in aggregate a Material percentage of turnover or a Material percentage of the Balance Sheet of the most recent year's consolidated audited financial statements;
 - 7.1.7. changes the financial year end of the Company; and
 - 7.1.8. undertakes any activity where such approval was given via an approved SBP and the item has since changed in substance or Material amount since SBP approval.
- 7.2.** Where the Company proposes the sale of a Material property that is not included in an approved SBP, the appropriate Ministerial Decision will not take effect until after the expiration of fifteen days from the date of signing to allow for sufficient transparency and scrutiny.
- 7.3.** Where the Company proposes any of the above actions as part of investment in a new entity or business, its request for approval should show how the investment will benefit the delivery or price of the Company's service to its customers or, if not, how it will directly contribute to delivering other Objectives of the Company and/or the Shareholder. Specific measures of success in delivering these benefits should, wherever possible, be proposed and subsequently be reported on in SBP updates.
- 7.4.** In order to discuss the matters for which approval is sought, senior management of the Company will make themselves available, at the Shareholder's request, to present matters or answer queries.

8. Process for Shareholder approval

- 8.1.** The Company shall make the Shareholder aware in a timely way of any matter requiring approval, even if all the information is not yet available.
- 8.2.** The Shareholder will respond within 10 Business Days from acknowledged receipt of notification as to how it wishes to engage and any further information that it may need to satisfy its review for approval. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales.
- 8.3.** Responses will be given formally in writing, clearly stating what has been approved, or not approved, and any conditions attached to such approval, as appropriate.

- 8.4. For the avoidance of doubt, any failure by the Shareholder to provide a response within the timelines set out will not enable the Company to deem its proposal approved. Approval will only be given in writing as set out at section 8.3 above.

9. Strategic Business Plan (SBP)

- 9.1. The Company shall produce an SBP and submit this for review, discussion and approval by the Shareholder. The Company shall engage the Policy Leads that are most relevant to the activities of the Company in the formulation of the SBP.
- 9.2. As part of preparing the SBP, the Company, supported by the Shareholder, shall make all reasonable efforts to consult with affected Ministers as applicable prior to presenting the SBP to the Shareholder, and record in the SBP a summary of such consultation. The SBP shall specify, in respect of the financial year to which it relates and each of the following two financial years, or such period as is agreed with the Shareholder, information in respect of the following:
- 9.2.1. the environment within which the business is operating, including an assessment of the key challenges;
 - 9.2.2. the key business objectives of the Company for the SBP period which are consistent with the Shareholder Objectives set out at section 2 of this Governance Framework and with the Company's objectives as set out in section 7 of this MoU;
 - 9.2.3. the nature and scope of the activities to be undertaken;
 - 9.2.4. a review of the key risks, as set out below in section 12 and of the opportunities facing the Company, and proposed responses to these;
 - 9.2.5. any planned or contemplated activities covered by the Obligations to Inform (section 5) and Consult the Shareholder (section 6), regardless of whether there is sufficient information to complete such requirement at the time of the SBP, making it clear if the information in the SBP is intended to meet the requirement to inform or commence consultation;
 - 9.2.6. any foreseeable matters during the next year for which Shareholder approval will or could be required under section 7 of this Governance Framework, regardless of whether there is sufficient information to complete such approval at the time of the SBP;
 - 9.2.7. KPIs to be measured over the year, in accordance with section 4 of this Governance Framework, as agreed in consultation with the Shareholder and/or impacted Ministers as applicable; and
 - 9.2.8. an Operational Budget covering as a minimum the next two financial years (with the first year in detail and the following years in summary), with an accompanying forecast for the period of the SBP and showing additionally comparable outturn amounts for each of the preceding two years. The Operational Budget shall contain:
 - a) budgeted figures for the two years to which it relates including profit and loss account, balance sheet and cashflow statements with sufficient detail for the Shareholder to understand the make up of

- revenues and costs, sources of forecast growth and the source and use of funds;
 - b) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholder or otherwise remitted, such as through direct investment in GoJ projects as agreed with the Shareholder; and
 - c) such other matters as are agreed by the Shareholder and the Company.
- 9.3.** The Company shall deliver to the Shareholder a final SBP and/or annual update, as appropriate, and present it at the Quarterly Update Meeting as per the meeting calendar outlined in Schedule 3 of this MoU.
- 9.4.** The Company shall provide quarterly updates in writing to the Shareholder for the Quarterly Update Meetings no later than the times set out in Schedule 3 of this MoU. The quarterly updates should include, but not be limited to:
- 9.4.1. progress against the SBP including matters under Obligations to Inform and Consult;
 - 9.4.2. financial results for the year to date and any reforecast annual outturn as presented in management accounts to include profit and loss statements in sufficient detail to compare to the Operational Budget in the SBP;
 - 9.4.3. an explanation of any major variances;
 - 9.4.4. a report on KPI performance in the year to date;
 - 9.4.5. results delivered in relation to the benefits identified from approved and executed acquisitions and investments in the last 2 years in accordance with section 7.2;
 - 9.4.6. any major events impacting the Company;
 - 9.4.7. any new matters that fall under the Obligations to Inform and Consult; and any revisions to the SBP strategies or plans. Where the update includes matters reported in accordance with Obligations to Inform and Consult, these shall be clearly indicated; and
 - 9.4.8. a review of the Company's emerging and principal risks and mitigation approaches particularly including those risks which may have reputational impact on the Shareholder.
- 9.5.** The Shareholder shall provide the Company with formal written notification of its approval of the SBP within 6 weeks of the Quarterly Update Meeting at which it is presented. The support of relevant Policy Leads, as appropriate, must be formally obtained prior to Shareholder approval.
- 9.6.** The Shareholder may provide SBP approval with reservations as to certain items, in relation to which it may require conditions to be met or additional information provided. Once such conditions have been met or the Company has provided such information and the Shareholder has reviewed this to its satisfaction, the Shareholder will notify the Company of its approval of those reserved items in writing within 10 Business Days.
- 9.7.** For the avoidance of doubt, the Shareholder review required under section 9.6 above may include the Shareholder conducting further analysis and review of the relevant

information. In such a case, the Shareholder will provide the Company with an estimate of the timing for its approval and with updates when and if that timing is foreseen as requiring extension.

10. Annual report

- 10.1.** Within 4 months after the end of each financial year of the Company, the Board shall deliver its Annual Report and Accounts to the Shareholder, including any disclosures under the Code.
- 10.2.** In addition, the Company will deliver to the Shareholder, such reporting required on an annual and ad hoc basis for the purpose of preparing the financial statements of the GoJ and information required to assist with the financial planning of the GoJ.

11. Meetings with the Shareholder

- 11.1.** For the purposes of ensuring open communications between the Shareholder and the Company, meetings will, at a minimum, take place during the Company's financial year as detailed in Schedule 3 of this MoU unless agreed by both parties.
- 11.2.** Other meetings to discuss matters arising, including those to comply with the Obligations to Inform and Consult, or to obtain approval in accordance with section 8 of this Schedule 2 of this MoU, will be scheduled as agreed between the Shareholder and Company in the course of each year.

12. Risk Management

- 12.1.** The Company will implement and maintain a sound system of risk management to safeguard its value to the Shareholder. In particular, the Company shall:
 - 12.1.1.** as part of its Q2 Meeting Update outlined in Schedule 3 of this MoU provide a robust assessment of the principal risks and how they are being managed and mitigated, such assessment carried out by the Directors in accordance with the Code; and
 - 12.1.2.** as part of the Q4 Meeting Update outlined in Schedule 3 of this MoU, and in accordance with the Code, present a report on the Board's review of the effectiveness of the Company's systems of risk management and internal control.
- 12.2.** The Company will review its Risk Register with the Shareholder in accordance with Schedule 3 of this MoU.
- 12.3.** The Company will inform the Shareholder of and provide any Internal Audit report that identifies major findings or a significant deficiency in controls.

13. Provision of Information

- 13.1.** Except as stated below, the Company shall supply to the Shareholder such information relating to the affairs of the Company as the Shareholder may reasonably request from time to time.
- 13.2.** The Company will give the Shareholder access to information to assist the Shareholder to properly and effectively respond, within the necessary timescales, to requests for information for Ministerial questions and other information required for

the Shareholder to fulfil its responsibilities on behalf of the States of Jersey or according to the law. Where such response leads to a request for the provision of information directly from the Company, the Company will provide the response or information in an expeditious manner.

- 13.3.** For the avoidance of doubt, in no circumstances shall the Company be obliged by this MoU to supply to the Shareholder any information which compromises its GDPR obligations or otherwise (including its obligations under the Data Protection (Jersey) Law 2018 (as amended)) on an individual employee (other than Executive Directors), or customer of the Company, or any other person, if the information supplied would enable the identification of the person concerned, except in the case of any information required for the administration of the Public Employees Contributory Retirement Scheme and any equivalent scheme.
- 13.4.** If considered necessary, the Shareholder may seek such information or commission an independent review of the Company. The Company shall comply with the reasonable request for information pursuant to such a review being commissioned.

14. Directors' Appointments and Removal

- 14.1.** The Directors shall be appointed in accordance with the Companies (Jersey) Law 1991 (as amended), the Company's Articles of Association and this Schedule 2 (Governance Framework) of this MoU.
- 14.2.** All appointments and re-appointments will follow the Jersey Appointments Commission's "Guidelines for the recruitment of Senior States Employees, appointees and members of independent bodies" or subsequent guidelines that replace them.
- 14.3.** The Company shall invite the Shareholder to all meetings where substantive decisions are to be taken on the appointments of the Chairman and the Chief Executive and, with the agreement of the Jersey Appointments Commission, will invite the Shareholder to participate in any nominations panel established for the appointment of Chairman or Chief Executive Officer.
- 14.4.** The Company shall publish, in its Annual Report, details of other Directorships and appointments held by Executive Directors of the Company.
- 14.5.** In accordance with the Code, the Board shall undertake a formal and rigorous annual evaluation of its own performance, including composition, diversity, and how effectively members work together; and of its Committees, Chair and individual Directors. Outcomes of the review are to be presented to the Shareholder at a Chair and Shareholder Quarterly meeting; timing as mutually agreed.

15. Directors' Remuneration

- 15.1.** Changes to either the structure or quantum of remuneration paid to Executive Directors for their executive responsibilities in the business, including those relating to bonus payments, are to be approved by the Shareholder in advance of them taking effect.
- 15.2.** Any changes to the level of remuneration paid to Non-Executive Directors must be agreed, in advance, by the Shareholder. Newly appointed Non-Executive Directors will have the terms of their appointment approved, if appropriate, in accordance with

normal practice at the annual general meeting subsequent to their appointment or in accordance with any other process specifically set out in applicable legislation.

- 15.3.** In accordance with best practice, the annual remuneration report of the Remuneration Committee will be specifically voted on by the Shareholder at the Company's annual general meeting.
- 15.4.** The Company, in designing remuneration schemes for its executive and non-executive directors, shall have due regard to the remuneration policies published by the Shareholder from time to time.

16. Insurance

- 16.1.** In agreement with the Shareholder, the Company shall determine the level of insurance it should maintain and establish if there is an appetite to maintain adequate insurance covers through the Shareholder's insurance arrangements.
- 16.2.** Unless otherwise agreed, the Company shall take out and maintain in effect insurance policies with a reputable insurer in respect of its business and any new business the company undertakes after the above date which it is usual for a business of this nature to have and which the Company Directors consider prudent having taken into account the policy limits, excess / deductibles and retention of risk, including within (or combined with) the Shareholder's portfolio of insurance assets and liabilities.

Schedule 3 - Calendar of Meetings with the Shareholder

	AGM	Quarterly Update Meetings				Chair's meeting*
	Q2	Q1	Q2	Q3	Q4	Each quarter
Attendance	Shareholder^ Board	Shareholder, Policy Leads as appropriate Chair or designate, NEDs as appropriate CEO CFO	Shareholder, Policy Leads as appropriate Head of Risk Chair or designate, NEDs as appropriate CEO CFO	Shareholder, Policy Leads as appropriate Chair or designate, NEDs as appropriate CEO CFO	Shareholder, Policy Leads as appropriate Head of Risk Chair or designate, NEDs as appropriate CEO CFO	Shareholder Chair
Documents	Annual Report	SBP update Key changes to the Risk Register	SBP update Principal Risks and Mitigations	SBP update Key changes to the Risk Register	SBP update Risk Management effectiveness and internal controls assessment	
Agenda (standing) Other specific items to be tabled as required	Annual report and required statutory matters	SBP update plus -SBP outturn and KPI review for prior year -Risk Register update as set out at 12.2	SBP update plus -Principal risks and mitigations review as set out at 12.1.1 Could be combined with AGM	New SBP presentation or SBP update, if appropriate plus -KPIs review -Risk Register update as set out at 12.2 -	Annual SBP update plus -Effectiveness of risk management and internal control system as set out in 12.1.2 -Y/E Forecast	Executive performance; KPIs and remuneration; Governance and Board Structure; Board Effectiveness review (examples)
Documents circulated by	In accordance with Articles of Association	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	N/A
Indicative Timing	To be agreed between the Shareholder and Company in each case to reflect the reporting calendar of the Company and Shareholder commitments.					

*Can be incorporated into the Quarterly Update Meeting if appropriate

^May also include officers of the Shareholder Team from the relevant Ministerial department

MEMORANDUM OF UNDERSTANDING BETWEEN THE SHAREHOLDER AND THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED

1. Introduction

1.1. States Owned Entities (“**SOEs**”) play an important role in our economy and society, delivering and supporting Government policy and building shareholder value. They are active across many sectors, from public utilities to managing the Islands’ gateways. Ministers rely on independent boards to lead each SOE. In turn, it is right that there should be clear and effective engagement with boards on the expectations of them in areas such as financial and non-financial performance, board conduct, and the relationship of boards with Government. High-performing boards and clear performance expectations enable SOEs to maximise their contribution to Jersey’s overall economic efficiency and wellbeing, and to better deliver the objectives for which they were established. Against this background, Islanders legitimately have an expectation of robust and thorough governance arrangements between the Shareholder and each SOE which is likely to extend beyond those obligations which apply to the private sector. This is best demonstrated through transparency and accountability with quality, timely and reliable reporting of performance which goes beyond financial reporting and helps to build trust with the Shareholder and the public of the Island.

2. Background

- 2.1.** The States of Jersey (the “**States**”) by their Act dated 12 December 1995 approved the establishment of Waterfront Enterprise Board Limited. Their Act dated 14th September 2005 approved the extension of the Company’s original tenure. Their Act of 13 October 2010 (P.73/2010) agreed that the role and remit of the Company should be extended to allow it to, in addition to its continuing responsibilities on the St Helier Waterfront, (i) act as the developer of property assets, in conjunction with the private sector, currently belonging to the Public that are located within designated Regeneration Zones and purchasing or entering into joint ventures in respect of third party properties where appropriate and necessary to achieve a cohesive regeneration strategy; and (ii) implement and coordinate the development within Regeneration Zones in accordance with approved Masterplans, Development Briefs and other relevant guidance prepared by the Minister for Planning and Environment. This Act further approved the revised Memorandum and Articles of Association of SoJDC as set out in Appendix 2 of the report of the Council of Ministers dated 7 June 2010 and authorised the Greffier of the States for and on behalf of the States of Jersey to pass, together with the Treasurer of the States, one or more special resolutions of the Company in respect of the change of name and to adopt such Memorandum and Articles of Association.
- 2.2.** The issued share capital of SoJDC is held for and on behalf of the States of Jersey by nominees of the Minister for Treasury and Resources.
- 2.3.** The Policy Leads that are relevant to the activities of the Company will be agreed between the Shareholder and the Company from time to time.

3. Definitions

3.1. Defined terms used in this Memorandum of Understanding (“**MoU**”), including associated schedules, are set out in Schedule 1 (Definitions) of this MoU.

4. Duration

4.1. This MoU applies from the date of signing by the Minister until it is superseded or agreed between the parties that it is no longer valid. This MoU will be formally reviewed between the parties, anticipated to be no less frequently than every three years.

5. Purpose

5.1. The purpose of this MoU is to ensure the appropriate conduct of SoJDC and the Shareholder and to put in place an accountability framework appropriate to SoJDC as an independent business wholly owned by the States having regard to the GoJ policies and the Company’s corporate, social, and other responsibilities.

5.2. This MoU establishes the respective and distinct roles and responsibilities of the Board on the one hand and the Shareholder on the other. Interactions between the two will be conducted in accordance with this MoU.

5.3. This MoU aims to foster a sound working relationship between the Shareholder and SoJDC based on a mutual understanding of expectations for the sharing of information, regular dialogue on key issues as they emerge and develop, and key business decisions which have the potential to impact on GoJ.

5.4. The Governance Framework, set out in Schedule 2 of this MoU, details the Shareholder’s requirements for how the Company will interact with the Shareholder and for the Company’s governance and reporting.

6. Company’s Business

6.1. In its business operations, SoJDC will:

6.1.1. adhere to the provisions of this MoU;

6.1.2. carry on business in a manner consistent with its SBP, as approved in accordance with section 9 of Schedule 2 of this MoU;

6.1.3. adhere to the provisions of the Governance Framework as set out in Schedule 2 of this MoU;

6.1.4. adhere to the provisions set out in Schedule 4 of this MoU;

6.1.5. adhere to all other applicable laws, regulations and applicable States of Jersey industry standards and guidelines; and

6.1.6. operate at all times with a view to the best interests of the Company as required by the terms of Article 74 of the Companies (Jersey) Law 1991 (as amended) or any successor legislation.

6.2. All parties shall follow the programme of meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.

6.3. Nothing in this MoU requires the Directors of the Company to do, or not to, anything which is inconsistent with their fiduciary duties as Directors.

7. SoJDC's Objectives

7.1. SoJDC's Objectives are to:

- 7.1.1 act as the delivery vehicle for property development for the States of Jersey;
- 7.1.2 undertake regeneration and strategic property development in order to deliver a financial, social and environmental contribution to the Island and Islanders;
- 7.1.3 create jobs, housing and infrastructure to support the Island's economy;
- 7.1.4 regenerating Government owned property which is no longer required for the delivery of public services;
- 7.1.5 deliver projects which are community focussed and include high quality open spaces and areas for use by all Islanders;
- 7.1.6 create long-term value for the Shareholder through:
 - a. supporting GoJ's wider policy objectives by prioritising and fully engaging in the activities agreed with the relevant Policy Leads and ultimately the Shareholder through the SBP; and
 - b. providing a sustainable and long-term return to the Shareholder in accordance with any agreed proportion of accumulated profit and capital reserves or other measure as shown in the approved SBP.
- 7.1.7 demonstrate good corporate citizenship and role model behaviour for companies in Jersey, as set out in its KPIs on an annual basis.

8. Commercially Sensitive Information

- 8.1. Nothing in this MoU shall be construed as requiring the inclusion in the SBP, annual report, financial statements, or other published reports of any information, where making available of the information would be likely to unreasonably prejudice the commercial position of the Company or that of the person who supplied, or who is the subject of, the information.
- 8.2. In the event that the States receives a request under the Freedom of Information (Jersey) Law 2011 (as amended) ("**FOI**") relating to the Company, the Shareholder will make every reasonable effort to advise the Company as appropriate, before making any disclosure.

9. Without Prejudice

- 9.1. This MoU does not prejudice in any way the rights, powers, duties and liabilities that exist in law between the parties and otherwise.

10. Notices and Communications

- 10.1. Any notices served on or communications to the Shareholder shall be delivered in all cases by email to:

shareholder@gov.je

and may also be delivered by hand, or post (recorded delivery), to:

The Treasurer of the States
19-21 Broad Street,
St Helier, Jersey, JE2 3RR

Or to such other address as the Shareholder may notify to the Company in writing at any time as the address for service or communication

10.2. Any notices served on or communications to the Company shall be delivered by hand, post (recorded delivery), or email to:

The CEO
SoJDC
First Floor, Dialogue House
2-6 Anley Street
St Helier, Jersey
JE2 3QE

and/or by email to : ceo@jerseydevelopment.je

Or to such other address as the Company may notify to the Shareholder in writing at any time as the address for service or communication

Signed: _____ Date: _____

Position: _____

Signed: _____ Date: _____

Position: _____

Schedule 1 - Definitions

Defined terms used in this Memorandum of Understanding include:

- “Board” means the Board of Directors of SoJDC.
- “Code” has the meaning given at section 3.1 of Schedule 2 of this MoU.
- “GoJ” means the Government of Jersey.
- “SoJDC” or “the Company” means The States of Jersey Development Company Limited and all its subsidiaries.
- “Masterplan” has the same meaning as defined in the Company’s Articles of Association.
- “Material” shall take its meaning from the concept of materiality as from time to time understood for the purposes of auditing the annual accounts of SoJDC in line with accounting practices generally accepted in the Island of Jersey. Issues with a low financial impact, but a potentially high social, economic or political impact, will also be Material. Numerical guidance as to materiality with regard to specific financial matters, will be agreed in the SBP from time to time.
- “Minister” means the Minister for Treasury and Resources of the States. It shall include any other States Member to whom functions are delegated by the Minister.
- “Ministers” means Ministers of the States.
- “Minister for Planning and Environment” means the Minister for the Environment of the States.
- “Operational Budget” has the meaning set out at section 9.2.8 of Schedule 2 of this MoU.
- “Policy Leads” means the Ministers of the States of Jersey with responsibility for the strategies and policies that are relevant to the activities of the Company as identified and agreed between both parties from time to time.
- “Property Holdings” means Jersey Property Holdings, the holding body and corporate estates management function in respect of all Public property that acts on behalf of the Minister.
- “Quarterly Update Meeting” means one of 4 regular meetings taking place in respect of each 3-month period of the Company’s financial year between the Company and the Shareholder and in accordance with Schedule 3 of this MoU and “Q1, Q2 (etc) Update Meeting” shall be construed accordingly.
- “Regeneration Steering Group” has the same meaning as defined in the Company’s Articles of Association.
- “Regeneration Zone” has the same meaning as defined in the Company’s Articles of Association.
- “Risk Register” means the register maintained by the Company in respect of its key risks which shows as a minimum the nature of the risk, its likelihood, impact and timing, and the steps to be taken to mitigate it, with regular updates as the risk changes and the mitigation steps are carried out.
- “SBP” means Strategic Business Plan as defined at Section 9 of Schedule 2 of this MoU.
- “Shareholder” means the States of Jersey, represented by the Minister.

Schedule 2 - Governance Framework

1. Background

- 1.1. This Schedule details how the Company and Shareholder will interact and the requirements for the Company's governance and reporting.
- 1.2. This Schedule will be updated as required from time to time in consultation and mutually agreed with the Company.

2. Objectives of States of Jersey ownership

- 2.1. The objectives of the States of Jersey's ownership of companies are:
 - 2.1.1. to maximise overall financial, social and environmental benefit consistent with increasing long-term shareholder value;
 - 2.1.2. to invest in and safeguard Jersey's economic and strategic assets, and interests vital to Islanders and to innovate where appropriate;
 - 2.1.3. to support the development and delivery of GoJ policy and strategic priorities in partnership; and
 - 2.1.4. to encourage sustainable growth in the economy of Jersey in the medium to long term.

3. Corporate Governance

- 3.1. Unless in direct conflict with other provisions of the Company's Memorandum and Articles of Association, or this MoU, the Company and its Board shall adhere to the Principles of Good Governance in the 2018 UK Corporate Governance Code (the "**Code**") or any successor document that is incorporated into the listing rules of the UK Listings Authority, or its successor body.
- 3.2. The Company shall not engage anywhere in any political activity or provide funds in connection with the carrying on by any third party of any political activity.

4. Key Performance Indicators (KPIs)

- 4.1. KPIs are to be set by the Company, as discussed and agreed annually with the Shareholder in advance. Performance updates are to be reported in the Shareholder Update Meetings as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.
- 4.2. The following principles should guide the development of the KPIs:
 - 4.2.1. the focus should be on a small number of key measures that the Shareholder and the Company agree are relevant;
 - 4.2.2. the measures should relate to matters over which the Company has sufficient control;
 - 4.2.3. performance measures will be unambiguous and verifiable and the cost of providing the measurement should not outweigh the benefits of doing so;
 - 4.2.4. as far as possible, performance measures should be outcome-oriented; and
 - 4.2.5. performance measures should have regard to appropriate external reference points for assessing performance.

4.3. The minimum number of KPIs shall be one for each of the following performance areas:

- 4.3.1. financial;
- 4.3.2. support of GoJ policy development;
- 4.3.3. environmental, social and governance (ESG); and
- 4.3.4. organisational resources and capability.

5. Obligation to Inform

5.1. In the interest of keeping the Shareholder fully informed under a “no surprises” approach, the Company shall provide on a timely basis, any information which is relevant to the reputation of the States of Jersey. This includes but is not limited to the following:

- 5.1.1. matters that could cause reputational damage to the Shareholder;
- 5.1.2. any Material breach or alleged breach of law or regulation;
- 5.1.3. strategic communications with other governments;
- 5.1.4. activities that may be seen as politically sensitive;
- 5.1.5. major successes in delivering or promoting GoJ policy objectives; and
- 5.1.6. any statement or media release that the Company intends to make about or with reference to the Shareholder.

5.2. The Shareholder will make every reasonable effort, where appropriate, to provide advance notice to the Company of statements it intends to make about the Company.

5.3. In addition, the Company shall provide the Shareholder with formal reports from the Company as set out in Schedule 3 (Calendar of Meetings with the Shareholder) of this MoU.

6. Obligation to Consult

6.1. The Shareholder requires to be consulted in respect of certain matters. These are:

- 6.1.1. Material contracts proposed to be entered into as a buyer or seller, being those which are some or all of:
 - a) outside the normal course of business or contemplated by the SBP; or
 - b) with other Governments; or
 - c) contain Non-Disclosure Agreement terms which can reasonably be expected to override the obligations set out in this MoU; or
 - d) have the potential to create an uninsured liability, including additional pension liabilities, for the Company or Shareholder; or
 - e) other than contracts entered into by the Company in the normal course of business that give rise to what would be considered to be normal, every-day commercial risk/liability, a contract that has the potential to create an uninsured liability, including additional pension liabilities, for the Company or Shareholder; or

- f) contain any other matters which the Company could reasonably have been expected to identify would be likely to be considered contentious by the Shareholder;
 - 6.1.2. Where the Company is considering, or a third party has started, or is planning, to commence litigation or administrative proceedings which could create an uninsured liability for the Company or against another GoJ department or States owned entity; and
 - 6.1.3. Any planned response to a consultation; publicly-stated position; or Company action, which contravenes Government policy or reasonably could be seen to do so.
- 6.2. In respect of matters on which the Shareholder is to be informed or consulted, in accordance with Section 5 and 6 of this Schedule, the Company will raise these matters and notify the Shareholder as soon as it is aware that a matter of this nature will or could arise. It will do this regardless of whether or not full details are available and will not delay its timing merely because the information can be included at a later Quarterly Update Meeting or in the SBP or any other report to be presented at a Shareholder meeting.
- 6.3. The Shareholder will respond within 10 business days, from acknowledged receipt of notification, as to how it wishes to engage on the matter. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales. If a response is not received in this timeframe, then there will be deemed to be no further requirement for the Company to consult with the Shareholder and it may proceed with the relevant matter.
- 6.4. The Shareholder's response will set out any further information it requires on such matters and the process for further consultation if this is required.
- 6.5. If the Shareholder's response is sought via the Quarterly SBP Update Meeting, the Shareholder shall set out at the meeting:
 - 6.5.1. any requests for further information, which may be sought before the next Quarterly Update Meeting;
 - 6.5.2. its consultation response and/or a statement of how it wishes to conduct any further discussion; and
 - 6.5.3. its confirmation if applicable that the consultation has been satisfactorily concluded which it will confirm in writing to the Company.

7. Obligation for Approval

- 7.1. The Company will seek the approval of the Shareholder which will not be unreasonably withheld or delayed before it:
 - 7.1.1. makes any change in the nature of its business as carries on or commences any new business by purchasing Material interests or acquiring other businesses or assets not being ancillary or incidental to its core business, other than those already specifically approved in the SBP;
 - 7.1.2. sells, transfers, leases, licences or in any way disposes of all or a Material part of its business or assets, other than in the ordinary course of business or in line with an approved SBP;

- 7.1.3. creates any mortgage or security interest, other than any arising out of operation of law or arising by prior agreed limits, over any of the Company's assets;
 - 7.1.4. gives any guarantee, indemnity or security in respect of the obligations of any person, other than any arising out of operation of law or in the ordinary course of business;
 - 7.1.5. borrows any sum or factors any Material book debts, except in respect of the leasing of plant or equipment in the ordinary course of trading and of any working capital and capital expenditure facilities which are entered into in the ordinary course of business;
 - 7.1.6. undertakes in any financial year any single item or series of items of Material capital expenditure (including finance leases but excluding operating leases as respectively defined in GAAP) involving an aggregate liability during that financial year in excess of the sums provided for capital expenditure in its Operational Budget and approved SBP, where the excess amounts are in aggregate a Material percentage of turnover or a Material percentage of the Balance Sheet of the most recent year's consolidated audited financial statements;
 - 7.1.7. changes the financial year end of the Company; and
 - 7.1.8. undertakes any activity where such approval was given via an approved SBP and the item has since changed in substance or Material amount since SBP approval.
- 7.2.** Where the Company proposes any of the above actions as part of investment in a new entity or business, its request for approval should show how the investment will benefit the delivery or price of the Company's service to its customers or, if not, how it will directly contribute to delivering other Objectives of the Company and/or the Shareholder. Specific measures of success in delivering these benefits should, wherever possible, be proposed and subsequently be reported on in SBP updates.
- 7.3.** In order to discuss the matters for which approval is sought, senior management of the Company will make themselves available, at the Shareholder's request, to present matters or answer queries.

8. Process for Shareholder approval

- 8.1.** The Company shall make the Shareholder aware in a timely way of any matter requiring approval, even if all the information is not yet available.
- 8.2.** The Shareholder will respond within 10 Business Days from acknowledged receipt of notification as to how it wishes to engage and any further information that it may need to satisfy its review for approval. If the matter requires an urgent decision, then the Company should explain the circumstances and timescales.
- 8.3.** Responses will be given formally in writing, clearly stating what has been approved, or not approved, and any conditions attached to such approval, as appropriate.
- 8.4.** For the avoidance of doubt, any failure by the Shareholder to provide a response within the timelines set out will not enable the Company to deem its proposal approved. Approval will only be given in writing as set out at section 8.3 above.

9. Strategic Business Plan (SBP)

- 9.1.** The Company shall produce an SBP and submit this for review, discussion and approval by the Shareholder. The Company shall engage the Policy Leads that are most relevant to the activities of the Company in the formulation of the SBP.
- 9.2.** As part of preparing the SBP, the Company, supported by the Shareholder, shall make all reasonable efforts to consult with affected Ministers as applicable prior to presenting the SBP to the Shareholder, and record in the SBP a summary of such consultation. The SBP shall specify, in respect of the financial year to which it relates and each of the following two financial years, or such period as is agreed with the Shareholder, information in respect of the following:
- 9.2.1. the environment within which the business is operating, including an assessment of the key challenges;
 - 9.2.2. the key business objectives of the Company for the SBP period which are consistent with the Shareholder Objectives set out at section 2 of this Governance Framework and with the Company's objectives as set out in section 7 of this MoU;
 - 9.2.3. the nature and scope of the activities to be undertaken;
 - 9.2.4. a review of the key risks, as set out below in section 12 and of the opportunities facing the Company, and proposed responses to these;
 - 9.2.5. any planned or contemplated activities covered by the Obligations to Inform (section 5) and Consult the Shareholder (section 6), regardless of whether there is sufficient information to complete such requirement at the time of the SBP, making it clear if the information in the SBP is intended to meet the requirement to inform or commence consultation;
 - 9.2.6. any foreseeable matters during the next year for which Shareholder approval will or could be required under section 7 of this Governance Framework, regardless of whether there is sufficient information to complete such approval at the time of the SBP;
 - 9.2.7. KPIs to be measured over the year, in accordance with section 4 of this Governance Framework, as agreed in consultation with the Shareholder and/or impacted Ministers as applicable; and
 - 9.2.8. an Operational Budget covering as a minimum the next two financial years (with the first year in detail and the following years in summary), with an accompanying forecast for the period of the SBP and showing additionally comparable outturn amounts for each of the preceding two years. The Operational Budget shall contain:
 - a) budgeted figures for the two years to which it relates including profit and loss account, balance sheet and cashflow statements with sufficient detail for the Shareholder to understand the make up of revenues and costs, sources of forecast growth and the source and use of funds;
 - b) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholder or

otherwise remitted, such as through direct investment in GoJ projects as agreed with the Shareholder; and

- c) such other matters as are agreed by the Shareholder and the Company.

- 9.3.** The Company shall deliver to the Shareholder a final SBP and/or annual update, as appropriate, and present it at the Quarterly Update Meeting as per the meeting calendar outlined in Schedule 3 of this MoU.
- 9.4.** The Company shall provide quarterly updates in writing to the Shareholder for the Quarterly Update Meetings no later than the times set out in Schedule 3 of this MoU. The quarterly updates should include, but not be limited to:
 - 9.4.1. progress against the SBP including matters under Obligations to Inform and Consult;
 - 9.4.2. financial results for the year to date and any reforecast annual outturn as presented in management accounts to include profit and loss statements in sufficient detail to compare to the Operational Budget in the SBP;
 - 9.4.3. an explanation of any major variances;
 - 9.4.4. a report on KPI performance in the year to date;
 - 9.4.5. results delivered in relation to the benefits identified from approved and executed acquisitions and investments in the last 2 years in accordance with section 7.2;
 - 9.4.6. any major events impacting the Company;
 - 9.4.7. any new matters that fall under the Obligations to Inform and Consult; and any revisions to the SBP strategies or plans. Where the update includes matters reported in accordance with Obligations to Inform and Consult, these shall be clearly indicated; and
 - 9.4.8. a review of the Company's emerging and principal risks and mitigation approaches particularly including those risks which may have reputational impact on the Shareholder.
- 9.5.** The Shareholder shall provide the Company with formal written notification of its approval of the SBP within 6 weeks of the Quarterly Update Meeting at which it is presented. The support of relevant Policy Leads, as appropriate, must be formally obtained prior to Shareholder approval.
- 9.6.** The Shareholder may provide SBP approval with reservations as to certain items, in relation to which it may require conditions to be met or additional information provided. Once such conditions have been met or the Company has provided such information and the Shareholder has reviewed this to its satisfaction, the Shareholder will notify the Company of its approval of those reserved items in writing within 10 Business Days.
- 9.7.** For the avoidance of doubt, the Shareholder review required under section 9.6 above may include the Shareholder conducting further analysis and review of the relevant information. In such a case, the Shareholder will provide the Company with an estimate of the timing for its approval and with updates when and if that timing is foreseen as requiring extension.

10. Annual report

- 10.1.** Within 4 months after the end of each financial year of the Company, the Board shall deliver its Annual Report and Accounts to the Shareholder, including any disclosures under the Code.
- 10.2.** In addition, the Company will deliver to the Shareholder, such reporting required on an annual and ad hoc basis for the purpose of preparing the financial statements of the GoJ and information required to assist with the financial planning of the GoJ.

11. Meetings with the Shareholder

- 11.1.** For the purposes of ensuring open communications between the Shareholder and the Company, meetings will, at a minimum, take place during the Company's financial year as detailed in Schedule 3 of this MoU unless agreed by both parties.
- 11.2.** Other meetings to discuss matters arising, including those to comply with the Obligations to Inform and Consult, or to obtain approval in accordance with section 8 of this Schedule 2 of this MoU, will be scheduled as agreed between the Shareholder and Company in the course of each year.

12. Risk Management

- 12.1.** The Company will implement and maintain a sound system of risk management to safeguard its value to the Shareholder. In particular, the Company shall:
 - 12.1.1.** as part of its Q2 Meeting Update outlined in Schedule 3 of this MoU provide a robust assessment of the principal risks and how they are being managed and mitigated, such assessment carried out by the Directors in accordance with the Code; and
 - 12.1.2.** as part of the Q4 Meeting Update outlined in Schedule 3 of this MoU, and in accordance with the Code, present a report on the Board's review of the effectiveness of the Company's systems of risk management and internal control.
- 12.2.** The Company will review its Risk Register with the Shareholder in accordance with Schedule 3 of this MoU.
- 12.3.** The Company will inform the Shareholder of and provide any Internal Audit report that identifies major findings or a significant deficiency in controls.

13. Provision of Information and Consultation

- 13.1.** Except as stated below, the Company shall supply to the Shareholder such information relating to the affairs of the Company as the Shareholder may reasonably request from time to time.
- 13.2.** The Company will give the Shareholder access to information to assist the Shareholder to properly and effectively respond, within the necessary timescales, to requests for information for Ministerial questions and other information required for the Shareholder to fulfil its responsibilities on behalf of the States of Jersey or according to the law. Where such response leads to a request for the provision of information directly from the Company, the Company will provide the response or information in an expeditious manner.

- 13.3.** For the avoidance of doubt, in no circumstances shall the Company be obliged by this MoU to supply to the Shareholder any information which compromises its GDPR obligations or otherwise (including its obligations under the Data Protection (Jersey) Law 2018 (as amended)) on an individual employee (other than Executive Directors), or customer of the Company, or any other person, if the information supplied would enable the identification of the person concerned, except in the case of any information required for the administration of the Public Employees Contributory Retirement Scheme and any equivalent scheme.
- 13.4.** If considered necessary, the Shareholder may seek such information or commission an independent review of the Company. The Company shall comply with the reasonable request for information pursuant to such a review being commissioned.

14. Directors' Appointments and Removal

- 14.1.** The Directors shall be appointed in accordance with the Companies (Jersey) Law 1991 (as amended), the Company's Articles of Association and this Schedule 2 (Governance Framework) of this MoU.
- 14.2.** All appointments and re-appointments will follow the Jersey Appointments Commission's "Guidelines for the recruitment of Senior States Employees, appointees and members of independent bodies" or subsequent guidelines that replace them.
- 14.3.** The Company shall invite the Shareholder to all meetings where substantive decisions are to be taken on the appointments of the Chairman and the Chief Executive and, with the agreement of the Jersey Appointments Commission, will invite the Shareholder to participate in any nominations panel established for the appointment of Chairman or Chief Executive Officer.
- 14.4.** The Company shall publish, in its Annual Report, details of other Directorships and appointments held by Executive Directors of the Company.
- 14.5.** In accordance with the Code, the Board shall undertake a formal and rigorous annual evaluation of its own performance, including composition, diversity, and how effectively members work together; and of its Committees, Chair and individual Directors. Outcomes of the review are to be presented to the Shareholder at a Chair and Shareholder Quarterly meeting; timing as mutually agreed.

15. Directors' Remuneration

- 15.1.** Changes to either the structure or quantum of remuneration paid to Executive Directors for their executive responsibilities in the business, including those relating to bonus payments, are to be approved by the Shareholder in advance of them taking effect.
- 15.2.** Any changes to the level of remuneration paid to Non-Executive Directors must be agreed, in advance, by the Shareholder. Newly appointed Non-Executive Directors will have the terms of their appointment approved, if appropriate, in accordance with normal practice at the annual general meeting subsequent to their appointment or in accordance with any other process specifically set out in applicable legislation

- 15.3.** In accordance with best practice, the annual remuneration report of the Remuneration Committee will be specifically voted on by the Shareholder at the Company's annual general meeting.
- 15.4.** The Company, in designing remuneration schemes for its executive and non-executive directors, shall have due regard to the remuneration policies published by the Shareholder from time to time.

16. Insurance

- 16.1.** In agreement with the Shareholder, the Company shall determine the level of insurance it should maintain and establish if there is an appetite to maintain adequate insurance covers through the Shareholder's insurance arrangements.
- 16.2.** Unless otherwise agreed, the Company shall take out and maintain in effect insurance policies with a reputable insurer in respect of its business and any new business the company undertakes after the above date which it is usual for a business of this nature to have and which the Company Directors consider prudent having taken into account the policy limits, excess / deductibles and retention of risk, including within (or combined with) the Shareholder's portfolio of insurance assets and liabilities.

Schedule 3 - Calendar of Meetings with the Shareholder

	AGM	Quarterly Update Meetings				Chair's meeting*
	Q2	Q1	Q2	Q3	Q4	Each quarter
Attendance	Shareholder^ Board	Shareholder, Policy Leads as appropriate Chair or designate, NEDs as appropriate MD FD	Shareholder, Policy Leads as appropriate Head of Risk Chair or designate, NEDs as appropriate MD FD	Shareholder, Policy Leads as appropriate Chair or designate, NEDs as appropriate MD FD	Shareholder, Policy Leads as appropriate, Head of Risk Chair or designate, NEDs as appropriate MD FD	Shareholder Chair
Documents	Annual Report	SBP update Key changes to the Risk Register	SBP update Principal Risks and Mitigations	SBP update Key changes to the Risk Register	SBP update Risk Management effectiveness and internal controls assessment	
Agenda (standing) Other specific items to be tabled as required	Annual report and required statutory matters	SBP update plus -SBP outturn and KPI review for prior year -Risk Register update as set out at 12.2	SBP update plus -Principal risks and mitigations review as set out at 12.1.1 Could be combined with AGM	New SBP presentation or SBP update, if appropriate plus -KPIs review -Risk Register update as set out at 12.2	Annual SBP update plus -Effectiveness of risk management and internal control system as set out in 12.1.2 -Y/E Forecast	Executive performance; KPIs and remuneration; Governance and Board Structure; Board Effectiveness review (examples)
Documents circulated by	In accordance with Articles of Association	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	5 business days prior to meeting	N/A
Indicative Timing	To be agreed between the Shareholder and Company in each case to reflect the reporting calendar of the Company and Shareholder commitments.					

*Can be incorporated into the Quarterly Update Meeting if appropriate

^May also include officers of the Shareholder Team from the relevant Ministerial department

Schedule 4

In order to mitigate risks to the Shareholder SoJDC will undertake the following activities:

- 1.1 Planning** – for land within a Regeneration Zone before any land transfer takes place between Property Holdings and SoJDC, the Minister for Planning and Environment must have adopted that Regeneration Zone within which the assets are located and approved the Masterplan or Planning Framework for that particular Regeneration Zone. For land outwith a Regeneration Zone before any land transfer takes place between Property Holdings and SoJDC, the Minister for Planning and Environment must have approved a Development Brief for that land. This will partly remove the planning risk of the regeneration proposals and, once the assets have been transferred, will enable a detailed planning application to be proposed within the parameters of the adopted Masterplan and/or Development Brief and according to the agreed Development Plan set with the Regeneration Steering Group;
- 1.2 Infrastructure Works** – no infrastructure works will be procured until detailed planning permission has been received on vacated development sites and detailed financial appraisals support the development of the scheme. SoJDC will commission and procure the provision of the infrastructure in accordance with SoJ capital project procurement and delivery procedures;
- 1.3 Sales** – If it is proposed that a specific commercial development is undertaken directly, before committing to construction costs SoJDC will have to secure a sufficient level of legally binding pre-lets to fund the costs of constructing the first phase of a scheme. This will remove part of the risk of a particular commercial development project and will ensure that there will be no financial liabilities relating to a particular commercial development's construction costs to the SoJDC. For residential developments undertaken directly, SoJDC will, where possible, phase the development so as to limit the exposure and mitigate risk;
- 1.4 Pre-development Costs** – all detailed design costs and fees will be funded directly by SoJDC out of its resources;
- 1.5 Development** – SoJDC will procure development schemes in conjunction with the private sector unless there are specific reasons for direct development. All development proposals will be subject to a transparent open tender process. It is likely that most developments would take place with a single joint venture partner. However, for some large-scale developments it may be that a consortium approach is beneficial;
- 1.6 Resources** – SoJDC may use its resources to fund the capital costs of infrastructure works associated with the delivery of a Masterplan or a Development Brief;
- 1.7 Land sales** – for projects that require significant upfront infrastructure works, presales may include the sale of part of the land to third party developers. This is to ensure that at any time SoJDC/the SoJ has minimal capital at risk;
- 1.8 Phasing** – SoJDC will phase large development schemes if practically feasible to do so;

- 1.9 Design and Specification** – SoJDC will ensure that every development proposal is fully designed and fully specified. These documents will be put out to the construction market for tendering the build; and
- 1.10 Construction** – SoJDC will follow the SoJ guidelines and best practice in the procurement of construction works. All construction works will be open tendered. All tenders must price the bills of quantity provided by SoJDC and must be a fixed price. The appointment will be with a third party main contractor who will undertake the entire construction contract. The fixed contract price must include minimal provisional sum items (limited to up to 15% of the total contract sum). SoJDC will only enter into fixed price, fixed delivery construction contracts with known third party main contractors with good market and financial credibility. During the construction process a Project Manager employed by SoJDC will monitor the construction works. Monthly design team meetings for each construction project will be held between SoJDC, the Project Manager, the Contractor, the Architect, the Engineer and the Quantity Surveyor.