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11 July 2022

Dear Denis,

UK Infrastructure Bank Bill: Corporate Governance Code

Thank you for all your engagement on the Bill to date. During the debate at Report Stage I agreed to write to you about the UK Corporate Governance Code requirements for engagement with the workforce, and the timings for further updates on this including through the Bank's annual report and accounts.

The Bank is required to comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code ("the Code") to the extent appropriate to the Bank or specify and explain any non-compliance. This requirement is set out in the Bank's Framework Document, which specifies that – as is common in other organisations – it will report on this compliance through its annual report and accounts.

In relation solely to the 2021-22 financial year, HM Treasury has agreed that the Bank is exempt from the Framework Document requirement to report against its compliance with the Code in its 2021-22 annual report and accounts, which are due to be published in the autumn.

This exemption is in recognition of the nascent status of the Bank, which was established during the 2021-22 financial year. In particular, it takes account of the fact that: (i) delegated financial authorities from HM Treasury to the Bank were put in place in January 2022; and (ii) non-executive directors ("NEDs") for the Bank were appointed in June 2022, following the 2021-22 financial year, and that full compliance with the Code requires these NEDs to have been in place.

This exemption will not be applied during the 2022-23 financial year, and UKIB will report on its compliance with the Code in its 2022-23 annual report. The Bank will, however, outline its progress towards meeting the requirements of the Code in its 2021-22 annual report and accounts, and this will include how the Bank plans to address its approach for engagement with the workforce, as set out in provisions 5 and 6 of the Code. For the current financial

year (2022-23) and thereafter, the Bank expects to comply with the Code and will report on this, including in relation to engagement with its workforce, in such annual reports.

I am copying this letter to all Peers who spoke in Report stage and will place a copy in the Library of the House.

Best wishes,

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a series of loops and a long horizontal stroke.

BARONESS PENN