

Treasury and Exchequer Ministerial Decision Report

ANDIUM HOMES LIMITED – RE-APPOINTMENT OF NON-EXECUTIVE DIRECTORS

1. Purpose of Report

To enable the Minister for Treasury and Resources, as Guarantor, to consider re-appointing four Non-Executive Directors at Andium Homes Limited (the “Company”) in accordance with the Articles of Association.

2. Background

The Memorandum of Understanding between the Company and the Guarantor, at Schedule 2 paragraph 3.1, requires the Company to 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 Listing Authority. Principle J of the Code provides that a board should maintain an effective succession plan for board and senior management, senior management in this context meaning the first layer of management below board level, including the company secretary.

Article 18 of the Company’s Articles of Association provides that the Board comprise a maximum of 9 Directors at any one point as follows:-

- A minimum of 4 and a maximum of 5 Directors shall be Independent Directors (one of whom shall be the Guarantor’s Appointee and the Chairman);
- A minimum of 1 and a maximum of 2 Directors shall be Tenant Directors;
- The Chief Executive of the Company; and
- The Finance Director of the Company.

Article 23 of the Memorandum and Articles of Association of the Company provides that Non-Executive Directors may be re-appointed for three-year durations but shall not be permitted to hold office for more than nine years in total.

The subject of Board succession planning is a standing agenda item for the quarterly meetings between the Guarantor and the Company. As part of those regular discussions, it was noted that:-

- Three of the Independent Non-Executive Directors (“NEDs”) would reach the end of the first terms of office of a fixed three-years in January 2023; and
- The one current serving Tenant Director will come to the end of her second term of a fixed three years at the end of 2022.

The Chair of the Company wrote to the Guarantor on 12 October 2022 (the “Letter”) to request that the three NEDs be re-appointed for second terms, but also to vary the lengths of the second terms in order to avoid a “cliff edge” in early 2026 with all three NEDs coming to the end of their second terms at that point.

Unfortunately, the Company's Articles provide for fixed three-year terms and does not therefore permit a variation of the lengths of the second terms. Arrangements are however underway to review and amend the Articles which, *inter alia*, will provide that NEDs may be appointed and/or re-appointed for periods up to three years.

In discussions with the Andium Chair, it was acknowledged that the review and implementation of the Articles will take a couple of months further and therefore the Chair has asked that the three NEDs are re-appointed by the Guarantor for a further three-year term of office to ensure continuity and compliance with Article 18 of the Articles of Association.

It is anticipated that, ultimately, the NEDs will tender their resignations in future years, such that the terms of office will be in line with the provisions of the Letter.

During a recent Guarantor meeting, the Andium Chair has also discussed the role of the Tenant Director. The current Tenant Director has provided useful insights and contributions to the Board and the Chair is keen to ensure that there is an effective handover of the role to a future Andium tenant. Accordingly, the Andium Chair wishes the current Tenant Director to be re-appointed for a third term of office, permitting her to be involved in the recruitment of a new Tenant Director in mid-2023, which will facilitate the handover process to be completed by the end of 2023.

Notwithstanding the fact that the Articles only provide for fixed three-year terms of office, it is anticipated that the current Tenant Director will tender her resignation as a director once the handover to the second Tenant Director has been completed.

3. Re-appointments

The Andium Chair has expressed his wish that the four individuals concerned are retained on the Board in the short to medium term as they are making valued contributions to both the operation of the Board and the Company's activities and to facilitate effective succession planning.

Accordingly, it is proposed that the four NEDs are re-appointed for a further fixed term of three years with effect from the dates shown:-

- Elaine Bailey from 1st February 2023;
- Jonathan Day from 17th January 2023;
- Julian Box from 17th January 2023; and
- Judy Beaumont (Tenant Director) from 1st January 2023.

4. Recommendation

The Minister for Treasury and Resources is recommended to approve the Company's request to re-appoint the following four Non-Executive Directors for further fixed terms of three years, in accordance with the Articles of Association, with effect from the dates shown: -

- Elaine Bailey from 1st February 2023;
- Jonathan Day from 17th January 2023;
- Julian Box from 17th January 2023; and
- Judy Beaumont (Tenant Director) from 1st January 2023.

5. Reason for Decision

Article 18 of the Articles of Association of the Company provide that the Board shall comprise a maximum of 9 Directors at any one point as follows:

- A minimum of 4 and a maximum of 5 Directors shall be Independent Directors (one of whom shall be the Guarantor's Appointee and the Chairman);
- A minimum of 1 and a maximum of 2 Directors shall be Tenant Directors;
- The Chief Executive of the Company; and
- The Finance Director of the Company.

Article 23 of the Articles of Association of the Company provides that Non-Executive Directors may be re-appointed for three-year durations but shall not be permitted to hold office for more than nine years in total.

These re-appointments are required to ensure the Directors continue to make a valued contribution to the work of the Company and to the successful operation of the Board and its Committees. The re-appointments will also assist the Board with effective succession planning for its membership for the future.

6. Resource Implications

There are no financial and/or manpower implications for the States arising from this decision.

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