



St Helena Government

OWNERSHIP POLICY FOR WHOLLY OWNED STATE ENTITIES

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OWNERSHIP POLICY FOR WHOLLY OWNED STATE ENTITIES

1. Purpose of the Policy

The *Wholly Owned State Entities* that are ultimately owned by the people of St Helena, constitute a significant portion of the Islands' enterprise. The purpose of this policy is to ensure that the people of St Helena are well served by and benefit from these *entities*.

The Government of St Helena (SHG) has a mandate for *Wholly Owned State Entities*, in order to contribute to the *National Goals of Altogether Wealthier and Altogether Greener*. It is important to SHG that these entities are professionally managed, making the Island *Altogether Wealthier and Altogether Greener* as their primary objectives. This requires that these entities take a long-term approach, be efficient and profitable, while being allowed the capacity to develop. Areas where these entities are expected to contribute are set out the *Sustainable Economic Development Plan*, and to a lesser extent in the *Investment Strategy*. To promote sustainable economic development in these entities, sustainable business is expected to be integrated into their corporate governance. *Wholly Owned State Entities* should serve as role models in the area of sustainable business and act in a manner that generates public confidence.

State ownership of entities in St Helena has come about at various points in time and for various reasons. Some entities started out as government departments, in an era when Government did everything. Some are monopolies, providing services to the public. Others may exist as tools of the Governments' Investment Strategy. Some may have been acquired as a result of having got into financial difficulty, with Government taking a view that the entities were too important to the Island's economy to fail.

Today, most entities are exposed to an element of competition/ globalisation/technological progress. Greater exposure to these elements has changed conditions for *all Wholly Owned State Entities*. Evaluating the rationale for continued state ownership, and considering the objectives of these entities, are aspects of SHG's role as an active and professional owner. SHG's continuation as an owner may be justified in the light of the objective of the entities' business and public policy assignments. Likewise, the rationale for state ownership can change over time, such that an entity no longer needs to be held in public ownership and may be disposed of at best value (divested).

For the avoidance of doubt, the Government is not wedded to state ownership. Rather it takes a pragmatic view as to what is in the best interests in the long term for the Islands' economy. This approach includes, for example, as part of its Investment policy, giving serious consideration to offers received from investors, keeping the entity informed appropriately.

In this ownership policy, SHG presents its mandates and objectives, applicable frameworks and positions on issues relating to the governance of *Wholly Owned State Entities*.

SHG's ownership policy applies to all entities, which are wholly owned by Government. Where SHG owns a majority of the entity, SHG works with the entity to encourage voluntary compliance, expressed for example in a Memorandum of Understanding between the State and the entity.

SHG Corporate Services (Finance Business Unit) are to prepare an Annual Performance Report on *Wholly Owned State Entities*, for the Chairpersons Assembly.

The Annual Reports, audited annual financial statements and management letters of *Wholly Owned State Entities* are to be laid before the relevant Committee.

2. Mandate

SHG's ownership policy applies to all entities, which are wholly owned by Government.

Each of SHG's wholly owned entities is created by Ordinance. All of these Ordinances are made under the authority of *St Helena's Constitution*.

SHG exercises its ownership rights through the offices of the SHG Finance Business Manager unit. This unit serves as the SHG representative non- executive director on the Board of each entity.

Where SHG owns a majority of the shares, SHG works with the entity to encourage voluntary compliance, expressed for example in a Memorandum of Understanding between the State and the entity.

3. Objectives

The overriding objective of state ownership is to improve the quality of life of the people of St Helena. Sitting underneath this are a number of subsidiary objectives, including but not limited to:

- i) Facilitating the provision of essential utility services
- ii) Facilitating the *National Goals of Altogether Wealthier and Altogether Greener*
- iii) Facilitating the *Sustainable Economic Development Plan*
- iv) Facilitating the *Investment Strategy*
- v) Facilitating new policy assignments
- vi) Facilitating new initiatives.

4. Responsibilities

4.1 Responsibilities of *Wholly Owned State Entities*

Wholly Owned State Entities in St Helena are governed by Companies Ordinance as a general framework, and by the General Meeting as the highest governing body of the company. The board of directors of each company is responsible for the company's organisation and for managing its affairs. This includes regularly assessing the financial situation of the company, ensuring satisfactory internal control, and acting ethically at all times. The company is responsible for day-to-day operations.

4.2 Responsibilities of Government

The State respects the right of its' Wholly Owned Entities to manage their own affairs, including company strategy, company performance and company policies. The State treats its' entities ethically at all times.

The State does not interfere in the day to day working of the company, politically, economically or socially. However, where an entity that is wholly owned by Government is not performing, the State has a duty to intervene. Where the State owns the majority of an entity and that entity is not performing, the State has a duty to influence remedial action through its seat on the Board of Directors, and ultimately through the General Meeting, where appropriate.

5. Targets for *Wholly Owned State Entities*

5.1 Articles of Association

The Owner establishes the object of the company's operations and certain other principles in the articles of association. In entities that are wholly owned by Government, the objectives of operations are based on the assignment resolved by the Legislature. The articles of association for entities that are wholly owned by Government are informed by the Companies Ordinance, the Corporate Governance Guidance for Public Officers, and this *Ownership Policy*.

5.2 Owner requirements

SHG as Owner expresses its requirements through its non- executive director on the board of each entity. In *Wholly Owned State Entities*, Owner requirements are primarily applied when a company has specifically adopted public policy assignments and/or receives government subsidies. For example, where the entity is in receipt of subsidy from the Owner, the Owner is entitled to expect its' entity to:

- adopt generic SHG terms and conditions for senior staff, including International Premiums
- submit any schemes for bonus payments for senior staff to SHG for approval
- submit to SHG for approval any bonus payments to senior staff.

Owner requirements should be specific, relevant, clear and be formalised through a resolution by the General Meeting. Where an assignment is conveyed through owner requirements, the requirements must clearly state how the assignment is financed, reported and monitored.

It is recognised that Directors of entities have a fiduciary duty to act in the best interests of the entity. It is also recognised that Boards of *Wholly Owned State Entities* have a duty to act in the best interests of the shareholders (s), and that in the event of conflict, the best interests of the shareholder(s) prevail.

5.3 Financial targets

Financial targets are important instruments in the governance of Wholly Owned State Entities. Financial targets are set by the Board of each entity, in consultation with the Owner. The purpose of financial targets is to safeguard the creation of value by ensuring that the Board work towards long-term, attainable goals:

- achieve efficiency
- keep the entities' financial risk at a reasonable level
- ensure sustainable and predictable dividend yield for the owner
- in a structured way to measure, track and evaluate profitability, efficiency and risk.

5.4 Non- financial targets

Non-financial targets are also important instruments in the governance of *Wholly Owned State Entities*. Again, non-financial targets are set by the Board of each entity, in consultation with the Owner. The *Sustainable Economic Development Plan* is an important (but not exclusive) source of non- financial targets for these entities.

6 Sustainable business

6.1 Introduction

The fundamental premise of sustainable business is that entities should operate in a manner that promotes sustainable development; that is, development that meets current needs without compromising the ability of future generations to meet their own needs. This must be accomplished by balancing and integrating economically, socially and environmentally sustainable development.

Sustainable business involves acting responsibly and minimising the risk of negative impacts, but also taking advantage of opportunities to create sustainable value. *Wholly Owned State Entities* should act as role models within their area of business, and should behave in a manner that promote public confidence. Exemplary conduct includes working strategically and transparently with stakeholders on issues of sustainability. These efforts are informed by, for example, SHG's policies on climate change, which are in turn influenced by international global goals for sustainable development.

For SHG in its capacity as Owner, it is particularly important that its' entities work towards the following:

- a sound and healthy work environment, respect for human rights and decent working conditions
- reduced climate and environmental impact through sustainable use of resources
- high standards of business ethics and active prevention of corruption
- no abuse of the special status that being a *Wholly Owned State Entity* confers
- responsible conduct in relation to taxes.

6.2 Working strategically

Based on the sectors within which they operate, it is important that *Wholly Owned State Entities* identify and manage risks and opportunities, so that the business is operated sustainably from economic, social and environmental perspectives. The Board has a duty to integrate sustainable business in the company's business strategy, and to set strategic targets for sustainable business. The targets should be specific, measurable, achievable and relevant to the company's business operations and sustainability challenges.

6.3 Working collaboratively

Where competing interests allow, it is important that *Wholly Owned State Entities* collaborate with each other, in the best interests of the Owner, in the pursuit of sustainable business, such that the combined benefit of *Wholly Owned State Entities* to the Island exceeds the sum of their individual parts.

6.4 Cooperation

Wholly Owned State Entities are expected to work actively, both in their own operations and in cooperation with business partners, customers, suppliers and other stakeholders, to exchange of knowledge and innovation in sustainable business.

6.5 Transparency

By maintaining an open and constructive dialogue with major stakeholders, *Wholly Owned State Entities* act transparently with regard to risks and opportunities in the area of sustainable business, and with regard to how the entities are working to manage these. Furthermore, *Entities Wholly Owned by the State* are required to communicate their efforts on sustainable business, as part of their Annual Report.

7. Corporate governance in *Wholly Owned State Entities*

7.1 Framework

7.1.1 Legislation

Wholly Owned State Entities are governed by the same laws as those applying to privately owned entities on the island of St Helena, usually the Companies Ordinance.

Like privately owned entities, *Wholly Owned State Entities* that operate in a particular sector may also be subject to sector-specific legislation.

7.1.2 SHG Corporate Governance Guidance

A central responsibility of everyone who works in Government is to ensure that sound governance policies and practices are embedded throughout the Public Sector. The guidance set out in the *Corporate Governance – Guidance to Public Officers*, applies equally to Directors and staff in entities that are wholly owned by the State. SOEs are expected to confirm compliance in their Annual Report.

7.2 General Meeting

The General Meeting is the entity's highest decision making body and the forum in which the shareholder formally exercise its' influence. The nomination of the chairman must be included in the notice to attend the General Meeting. *Wholly Owned State Entities* must apply the rules set out in Companies Ordinance with regard to the General Meeting.

7.3 Board of directors

7.3.1 Directors

The Government's aim is for boards of directors to possess a high level of expertise and experience that is well matched to the operations, situation and challenges of each entity. Directors are expected to be persons of high integrity and good judgement. Like public officers in SHG, Directors are expected to uphold the UK's *Nolan principles*, the ethical standards expected of public office holders.

Directors must have the time and commitment required to perform the assignment, and a high capacity to safeguard the best interests of the company. In the light of this, directors must inform the chair of the board of any additional assignments. Directors must also inform the chair of the board of any conflict of interest. Elected Members may serve on boards in a non-executive director capacity, but not as Chairperson.

7.3.2 Responsibilities of the board of directors

The Boards of *Wholly Owned State Entities* are responsible for ensuring that the entity is managed in an exemplary manner within the framework provided by legislation, the company's articles of association, owners' requirements, and SHG's *Ownership Policy*. The board of directors is responsible for the organisation of the company and for managing its affairs. The board of directors is responsible for the entity's strategy, performance and conduct. This includes assuring effective internal control, managing risk and regulatory compliance. The board must ensure that the company attains the targets that have been agreed, and practices good stewardship of all resources in the business. The Board is responsible, in consultation with the Owner, for establishing business and strategies and targets.

7.3.3 Roles of Executive and Non- Executive Directors

SHG expects the roles of Executive and Non- Executive Directors in its' entities to complement each other while nevertheless being different.

Executive Directors

As the Senior Management Team, the Executive Directors will:

- draft the business strategy
- propose performance targets to enable the strategy
- articulate what it means to 'do the business' in the right way – preparing the policies.

As the Senior Management Team, Executive Directors ask themselves:

- is strategy is on track, as evidenced by results?
- is performance in line with expectations, as evidenced by results?
- is business being conducted in line with the entities policies, culture, and risk appetite, as evidenced by results?

Non- Executive Directors

As stewards, Non- Executive Directors are there to provide constructive challenge and to facilitate strategic decisions by the Executive Directors (the Senior Management Team).

In the company of Executive Directors, Non- Executive Directors will monitor, probe and challenge the Executive to demonstrate that:

- the entity has the right strategy
- the entity has the right performance targets
- the entity has the right culture, ways of working and risk appetite, and these are appropriately expressed in its policies.

As Supervisors, Non- Executive Directors will seek assurances from the Executive Directors that:

- the agreed strategy is on track
- performance is in line with expectations
- the business is being run in line with its policy.

7.3.4 Role of the SHG representative non- executive director in *Wholly Owned State Entities*

The SHG representative on the Board, the SHG Finance Business Manager, has a broad role. Essentially the SHG representative exists to provide 'constructive challenge' and facilitate strategic decisions by the executive directors, on behalf of the Owner.

The SHG representative also has a role to advise and guide the Chair and Chief Executive on issues concerning SHG, preferably prior to them being brought up at board meetings.

The SHG representative is a 'critical friend' of the CEO and his/her executive team, focussing on how the business is run in the best interests of the Owner, and how the team can succeed it its mission.

The SHG representative has a specific role in probing the financial management of the entity.

The SHG representative does not interfere in the day to day working of the entity

7.3.5 Chair of the board

The special role of the chair of the board in *Wholly Owned State Entities* is governed by Companies Ordinance. The particular duties of the chair of the board are regulated in the formal board procedures. In addition, whenever the company is faced with particularly important decisions affecting SHG, the board of directors must, through the chairman, coordinate in writing its view with that of the representative of the Owner (i.e. SHG's representative non-executive director on the board).

7.3.6 Decisions concerning the CEO

A chief executive officer or equivalent must be appointed for all SOEs. One of the principal tasks of the board is to appoint, evaluate and, when necessary, dismiss the CEO. The board must adopt written instructions that set out the allocation of duties between the Board and the CEO including his/ role as a director of the Company, using a Job profile that has been approved by the Board.

7.3.7 Evaluation of the board

The chair of the board must ensure that board performance is evaluated annually, and that the results are acted upon.

In carrying out this evaluation, Boards should refer to best practice on board effectiveness.

7.3.8 Corporate Governance Code

All *Wholly Owned State Entities* are expected to adhere to the principles of Good Corporate Governance. For purposes of consistency across *Wholly Owned State Entities*, Boards are expected to be guided by by *the UK Corporate Governance Code 2018*, supported by its' accompanying *Guidance On Board Effectiveness*.

8.0 The Auditor

The auditors' assignment to independently examine the companys' annual accounts and accounting records, is of particular interest of SHG as Owner. The shareholders are responsible for appointing auditors. The auditors are elected at the Annual General Meeting, to serve until the next Annual General Meeting at which the accounts are laid. A proposal concerning appointment of auditors and auditors' fees in *Wholly Owned State Entities* must be submitted by the CEO to the Board.

Wholly Owned State Entities are encouraged to procure internal audit services.

9. Reporting

SHG Corporate Services (Finance Business Unit) are to prepare an Annual Performance Report on *Entities Wholly Owned Byte State*, for the Chairpersons Assembly.

The Annual Reports, audited annual financial statements and management letters of *Wholly Owned State Entities* are to be laid before the relevant Committee.

Ends