



University of Edinburgh

Subsidiary Companies Policy

Purpose

The University carries out certain activities through a portfolio of related corporate entities, which provide a range of services to students, colleagues, visitors and externally to the organisation. This is the University of Edinburgh policy on the governance of subsidiary companies. This policy also sets out the responsibilities of the directors of subsidiary companies and the financial management of subsidiaries.

This policy contains guidance on what is best practice in corporate governance, how subsidiary companies should be structured, an overview of the memorandum of understanding which each subsidiary enters into with the University, the management of subsidiary company finances and the process to follow when setting up a new subsidiary company.

Scope

This policy is relevant to all staff that are involved with setting up, managing or trading with a subsidiary company. All University subsidiary companies (including any overseas incorporated entities) are required to comply with this policy through their own governance.

This policy also addresses the formation and management of associate companies and joint ventures. Please refer to Principles section for relevant definitions.

Exclusions

The reader should also note the distinction made, in University parlance, between a spin-out company and a start-up company:

- A spin-out company is one which is formed to exploit for commercial purposes intellectual property generated through the academic work of a member of staff, and in which the University will take a minority equity stake;
- A start-up company is similar to a spin-out, except that it arises from student activity and does not usually involve the University owning shares.

Neither spin-outs nor start-ups are considered further in the scope of this Policy.

The following link provides additional guidance on spin-out and start-up activity <https://www.ed.ac.uk/edinburgh-innovations/for-staff/form-a-company>

The scope of this policy does not include the University's Regional Offices across the world, to the extent they are not formally part of the University group corporate structure.

Principles

The University undertakes a number of its activities through subsidiary companies, together with interests the University may have through associated companies and joint venture arrangements. Relevant definitions are as follows:

1. **Subsidiary companies** are companies that are controlled by the University, but are separate legal entities in their own right.
2. **An associated undertaking** may comprise companies, charities and partnerships where only a minority interest is held by the University (i.e. the University does not have majority control or significant influence over the entity).
3. **A joint venture** is a joint arrangement whereby the contracting parties that the University has engaged with have joint control with the University over the corporate/commercial arrangements via a corporate structure.

This policy sets out, in general terms, issues that are relevant in the formation and maintenance of a subsidiary company, associated entity or joint venture. For a list of the University's subsidiary companies, associates and joint venture arrangements, please refer to the University's web pages relating to the published annual accounts <https://www.ed.ac.uk/finance/accounts>

Subsidiary companies may be incorporated in jurisdictions worldwide, subject to the necessary approval from University Court, with the majority of University subsidiaries incorporated in the UK. UK subsidiary companies are regulated by the Companies Acts; the most recent being the Companies Act 2006. In addition, University UK subsidiaries may be registered charities and are regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Office of the Scottish Charity Regulator <https://www.oscr.org.uk/>

The provisions of this policy will be applied proportionately to the various types of companies that form part of the University Group, including any Company Limited by Guarantee.

Role of the Subsidiaries Oversight Group

The purpose of the Subsidiaries Oversight Group (SOG) is to maintain a strategic oversight of the University's portfolio of subsidiary companies and other associated entities including joint ventures. SOG is not formally part of University Governance however, SOG is responsible for providing an oversight of subsidiaries activity to Policy and Resources Committee (PRC).

The oversight provided by SOG encompasses financial, legal and other governance matters. SOG will make recommendations as appropriate to University Executive and subsequently to PRC in relation to the portfolio as a whole or in respect of individual subsidiary matters. The SOG Terms of Reference is attached as Appendix I.

Corporate Governance

The University has a key interest in ensuring that each subsidiary company maintains good governance and financial probity. Failure in these areas presents a potential financial and reputational risk for the University. Furthermore, the University and the company should continually ensure that the company supports the strategic goals of the University and aligns with the University's charitable purposes.

Best practice in relation to setting up new subsidiary companies in the UK Higher Education sector was first published by HEFCE in the late 1990s and subsequently updated in 'Related Companies: Guidance for Higher Education Institutions' in December 2005, which remains the current detailed corporate governance guidance for Universities. This guidance can be viewed in full at <https://core.ac.uk/download/4155533.pdf>.

In November 2010, the Institute of Directors (IoD) published guidance on corporate governance for private/unlisted companies in a paper entitled 'Corporate Governance Guidance and Principles for Unlisted Companies in the UK'. This guidance remains relevant today and can be viewed in full at <https://www.iod.com/app/uploads/2022/02/Governance-code-for-unlisted-companies-a9772849155a252f5d1c90fd7aa1a200.pdf>

The IoD guidance sets out 14 principles that provide appropriate guidance on corporate governance to directors and company secretaries of private/unlisted companies. The 14 principles should be followed by all entities related to the University, except in cases where it can be shown that a principle does not apply.

Each subsidiary company should have a schedule of delegated authority which sets out authorities appropriate for the circumstances of that company and is reviewed annually by the company. The company's own schedule of delegated authority is required to have a clear relationship with the with the University Delegated Authority Schedule (DAS) <http://www.docs.sasg.ed.ac.uk/GaSP/Governance/Governance/DelegatedAuthorisationSchedule.pdf>

Freedom of Information (FoI) - subsidiary companies are responsible for maintaining Model Publication Scheme material as part of their web pages to ensure compliance with FoI requirements. For further information, please refer to Records Management at <https://www.ed.ac.uk/records-management/guidance/requests/support/foi/publication-scheme>.

Annual Questionnaire

For the University's financial year ended 31 July 2022, the University introduced a subsidiary company annual questionnaire to be completed by all subsidiaries, associated companies and joint ventures unless agreed otherwise by SOG.

The University is required to report on the management of its risks, as well as its satisfaction with the adequacy of its internal control processes in its Annual Report. To enable Court to sign off on the risk and internal control statement, it needs to receive information on the status of key risks, including those that relate to entities forming part of the wider University Group.

The questionnaire incorporates the relevant contents of the annual risk questionnaire that has been in place to date for the wider University, together with a set of additional questions that are relevant to the governance of corporate entities/activity. It is intended that the questionnaire will be refined every year and a copy of the current version of the questionnaire can be obtained from the SOG members. The questionnaire will ask for confirmation that the policy has been adhered to and ask subsidiaries to provide information on how they monitor implementation of and adherence to this Policy.

Risk and Responsibility

The University of Edinburgh is recognised by HM Revenue & Customs (HMRC) as having charitable status. The Scottish Charity Regulator (OSCR) is a non-ministerial office acting as the independent regulator and registrar of charities in Scotland, further information can be sourced at <https://www.oscr.org.uk/>. Charitable status confers certain advantages on the University, particularly in relation to taxation. However, it also brings certain risks and responsibilities which are set out in OSCR's guidance.

Whilst it is possible for certain types of trading activity (i.e. charitable "primary purpose" trading) to be undertaken from within the University, consideration must be given to the approach for activities considered to be non-charitable (i.e. non-primary purpose trading) to enable the University to effectively generate income whilst protecting its charitable status and optimising tax outcomes for the University. Non-primary purpose trading is primarily carried out in a separate legal entity, so that the University's assets, which are provided for charitable purposes, are not placed at risk by undertaking such commercial activities directly. However, operating through trading subsidiaries brings responsibilities.

To protect the University's resources, and to avoid contravening charity law and prohibited subsidy provisions, where the University provides ongoing support to group companies, the University will ensure that these are provided on suitable arm's length terms and subject to written agreement. The entity must meet directly all costs of its operation, including property costs, utilities and any support services provided. This principle extends to any loan relationships between the University and its related entities, which must also be provided at arm's length with interest rates levied and other associated terms on a commercial basis.

All corporate entities will primarily be governed by the Memorandum of Association and Articles required by the Companies Act referred to above. The University regulates the relationship between a subsidiary and itself by means of a Memorandum of Understanding with further guidance provided below.

A consistent approach to University risk management includes all subsidiary companies, to ensure full oversight of commercial risks arising in the University Group. All subsidiary companies are requested to use the risk management system operated by the University, unless agreed otherwise with SOG. It is the company Board of Directors responsibility to ensure that their assessment of risk management is reviewed and updated regularly with appropriate updates provided to the University at least annually. It is SOG's expectation that the Board of Directors for each Company will wish to actively use their risk registers as part of their own oversight and management arrangements, with such risk registers regularly incorporated into their Board reporting as they consider appropriate for their activities/operations. Engagement with SOG enables two-way dialogue on issues, challenges, governance and policy matters.

The Annual Questionnaire section above, together with the references to the Planning Round process noted in the Financial Management section below, provides specific guidance on the interface with formal risk reporting to support the University's Annual Report.

Directors and Directors' Training

A company is overseen by a Board of Directors appointed for the purpose, who should meet at appropriate intervals throughout the year. The University recognises the independence of the Board of Directors which, as long as the company remains solvent, has an overriding duty to act in the best interests of the company.

These will generally be senior officers of the University, and both senior support staff and senior academic staff may be involved, depending upon the nature of the company's activities, with due regard given to Equality, Diversity and Inclusion (EDI) considerations as part of the selection/appointment process for Directors. The University recognises the commitment colleagues make to those roles and is appreciative of the significant contribution that they make to the University companies.

It is possible for the individual company Boards to seek to appoint persons with appropriate skills and experience from outside the University as may be considered relevant to the specific purposes of the individual company. All directorships are subject to the approval of the University, including any external appointments. SOG will approve all appointments, including the Chairperson, in the first instance and will provide an annual overview to Policy and Resources Committee as part of their oversight remit.

Directors are identified and nominated through the company, where they agree a recommendation on candidates for Director appointments and these must be communicated to the University for approval prior to formalising through Companies House registrations. It is the group entity's responsibility to undertake appropriate diligence on the skills and experiences that any nominated persons hold regarding their suitability as fit and proper persons for the role on the board. Where a subsidiary has a Memorandum of Understanding agreed with the University, this will contain a provision for the Vice Principal, Corporate Services to formally approve any director appointments as a reserved approval matter of the University and they will liaise with SOG as appropriate. Where no Memorandum of Understanding is in place, all director appointment recommendations will also be communicated to the Vice Principal, Corporate Services to liaise with SOG as appropriate. In addition, a Company Secretary will also be appointed for each entity, which also requires approval from the University to be provided via SOG. These arrangements allow the University to ensure that directors of its companies are 'fit and proper' appointees and that board diversity considerations are given due attention at the Group level.

This Policy requires that, for all future Chair, Director and Company Secretary appointments, an Appointment Letter will be issued by the Vice Principal, Corporate Services to the individual to provide formal approval of their appointment.

In line with good corporate governance, it is recommended that a company director term of appointment is for a 3-year period. This can be extended for a maximum of one further 3-year term. Any recommendation to extend a director's appointment for a longer period must be referred to SOG with a clear rationale provided for its consideration. At SOG's discretion, examples of rationale to extend a director's appointment could include continuity of technical/professional expertise or to aid succession planning. SOG will maintain a record of appointments, length of term and rationale for any extensions to appointment that the Group agrees to. Where an appointed director of a company may also be a formal office bearer of that entity (e.g. Chief Executive), rotation of such appointments will be considered separately by SOG.

A company director carries legal responsibilities in respect of the company and, when acting as such, an individual must pursue the best interests of the company, as noted above. This could lead to a situation in which a conflict of interest arises, and directors have a responsibility to draw attention, as soon as possible, to any such conflicts that arise and must declare any conflicts of interests for recording at all Board Meetings of the company.

The University maintains Directors' and Officers' liability insurance for each of its subsidiaries.

Legal Services have created online modules to provide training on Directors' Duties and Responsibilities, together with broader content on the relationship between the University and subsidiaries. All University colleagues taking up director appointments or company secretary appointments will complete these training modules. This training is aimed at individuals within the University who are directors of University subsidiary, associated companies or joint venture entities. In addition, Non-Executive Directors appointed to these entities that may be external to the organisation, together with colleagues that may join the boards of these companies, in either an advisory or observer capacity, will also be required to complete the training modules

The training currently comprises four e-learning modules, along with a short assessment. The Legal Services team will work with SOG on communication to appointees regarding the training and links to the training modules for completion. The University will maintain a record of training completed. Directors will complete this on a 3-yearly basis.

Director Remuneration

University colleagues that are appointed as company directors and/or company secretaries are not usually remunerated for their role as directors of University subsidiaries. Any recommendations on potential remuneration for company directors of subsidiaries must be referred to SOG for their consideration before any commitments are made. Where external director appointments are agreed for subsidiary companies, remuneration may be considered and must be agreed with SOG, who will liaise with the University Human Resources Directorate and/or Remuneration Committee as necessary, in advance of commitment. The Remuneration Committee receives an annual report on the remuneration of employees of subsidiary companies above an agreed threshold.

This provision does not apply to associate companies or joint venture arrangements.

Nominated Officer

In a University context, it is good practice to identify a Nominated Officer for each subsidiary to assist with good communication between the subsidiary and the University. Nominated Officers represent the University's interest and their presence at Board meetings allows the directors to set aside their University responsibilities. Therefore a Nominated Officer cannot be an appointed director of the subsidiary in question. The existence of this role thus facilitates good corporate governance between the University and the subsidiary.

The Nominated Officer is selected by SOG and an annual update will be provided to Policy and Resources Committee. Further guidance is attached as Appendix II.

Appointment Letters will be issued to all Nominated Officers by the Vice Principal, Corporate Services.

Memorandum of Understanding

The relationship between the University and each wholly owned subsidiary is regulated via a Memorandum of Understanding (MoU). MoUs deal with corporate governance issues and sets out what the company's objectives and obligations are. For further information on corporate governance, refer to the Legal Services Team.

MoUs also set out the expectations in respect of each subsidiary's compliance with University policy and procedures, which may vary depending on the nature of each subsidiary's individual activities. The MoUs are expected to cover a core suite of University policies that will be adopted and adhered to by subsidiaries. For example, Procurement Policy and Information Security Policy, alongside completion of associated training modules that may also be required, such as Information Security Essentials.

All subsidiary companies are expected to have an agreed MoU in place and any exceptions must be agreed with SOG. All MoUs will be reviewed on a 3 yearly cycle. A record of all MoUs will be maintained by SOG and they will approve all MoUs.

This provision does not apply for associate companies or joint venture arrangements, which are generally governed by other legal documentation, such as shareholder or joint venture agreements. Associates and joint venture entities are encouraged to engage with SOG on finalising their legal/governance arrangements, with SOG retaining a copy of all final agreements for their oversight purposes.

The University is cognisant of the potential reputational risks which may be inherent in shareholding or membership of an associated company or joint venture arrangement and therefore, wherever possible, the University expects the boards of such ventures to encourage alignment with the University's institutional values, and to seek to ensure that similar governance standards to those set out in this policy are upheld in their activities.

Financial Management

The financial management of subsidiaries is overseen by the University's Finance Department, though in practice, financial management may be carried out either by Finance Department staff or by dedicated staff within the company, depending on the nature and demands of the company activity. All subsidiary accounts will be consolidated into the University's group statutory accounts.

Monthly management accounts, quarterly forecasts and other financial information will be sought by the Finance Department for subsidiary companies that have active operations or trading activities. No such information will be required for dormant companies. For associated entities and joint venture arrangements, the Finance Department will require annual accounts as well as periodic transactional information (i.e. monthly balances) to be provided to aid group consolidation as noted above. The details of any additional information requirements for these relationships will be confirmed in their governance agreements.

Each company is responsible for developing and maintaining its own Business Plan, which will support the company's operational strategy. Companies will align their business plan preparation with the University's annual Planning Round process with further information available from the Finance Team on the details of this process in any given year.

The Board of Directors is responsible for ensuring that sufficiently detailed financial information is incorporated into monthly management information and Board papers to ensure that Directors can fulfil their responsibilities for financial stewardship of the subsidiary and for providing such papers on a timely basis to Directors in advance of the Board meetings.

The University Finance team will have responsibility for collating biannual information on all subsidiaries, associates and joint venture arrangements to fulfil the University's biannual reporting obligations of financial performance to PRC. As part of this reporting process, University Finance will request certain information to be provided by subsidiaries to inform this reporting. This may include any further information that SOG request to help them fulfil their oversight role. SOG will periodically invite representatives from each company to provide an update to SOG on the company's performance in a format they may prescribe from time to time. SOG anticipates that this engagement will aid two-way dialogue on issues, challenges, governance and policy matters that may be of mutual benefit to the University and the companies.

As noted above, subsidiary companies must act at arm's length from the University. This means that all services or assets used by the subsidiary must be paid for at a rate that does not amount to the University providing a financial subsidy to the company. HMRC will reference transfer pricing rules, and expects subsidiary companies to demonstrate this arm's length arrangement by generating an appropriate profit, such that there will not be adverse implications on tax assessments and taxable profits. Should a subsidiary company wish to borrow money to finance its activities, it must approach the University immediately. Borrowing directly from the marketplace is not permitted without the express approval of the University's Director of Finance. Details of the financial relationship and any specific charges to be levied will be embedded in the individual MoUs with subsidiaries and reviewed periodically as appropriate.

As noted under the Risk and Responsibility section above, where non-primary purpose activities are undertaken by a subsidiary company, this may produce benefits, for example in reducing tax liabilities. In particular, subsidiaries may make donations to the University as 'Gift Aid', so reducing or eliminating the profits of the subsidiary which are liable to tax. A Gift Aid donation, to the extent it has been paid, is deductible against the subsidiary's taxable profits and the donation is not chargeable to tax in the University. This structure can therefore be used to eliminate the potential tax charges that would have arisen on the profits from a non-primary purpose trade had they arisen in the University. Subsidiary companies may elect to gift-aid all, or part of their taxable profits to the University, and thereby legitimately eliminate liability to Corporation Tax.

Subsidiary companies will align their accounting reference date (financial period end date) with that of the University which is 31st July. Any deviation from this must be agreed in consultation with the Director of Finance.

Where any research funding proposals may have a connection with a University subsidiary company, the Edinburgh Research Office must be contacted before any such proposals or arrangements are finalised. The role of Research Organisation is reserved for use by the University of Edinburgh and is not for direct use by subsidiary entities, JVs or associated entities.

Court Remuneration Committee	
<p>In the event that a subsidiary may propose a contract of employment for their company that exceeds the salary threshold stipulated by the Remuneration Committee of the University Court, a proposal on the relevant reward package must be presented to the Remuneration Committee for their approval before any contract of employment is finalised. This provision does not apply to associated entities or joint venture arrangements.</p>	
Setting Up a Legal Company	
<p>Legal Services have produced a suite of template documents to be used when considering setting up a new subsidiary from notes of advice e.g. 'Pros and Cons of setting up a subsidiary company' to pro forma templates e.g. MoU between UoE and the subsidiary. Further information can be obtained from Legal Services.</p> <p>SOG should be contacted to consider any initial proposals relating to formation of a new company, regardless of whether that is a new subsidiary of the University or a subsidiary of an existing group entity. SOG will advise on cross-university colleagues to be engaged in considering new company proposals (ie FIRST, Tax, ISG, Legal Services, Estates, HR) and agree engagement requirements to return to SOG for further guidance and advice on formal Court approval requirements.</p> <p>In addition, SOG will have oversight of subsidiary reward structures and will approve such structures when new subsidiaries are being established.</p>	
Responsibilities	
University Policy and Resources Committee	<ul style="list-style-type: none"> • Approves the formation of subsidiaries, associates and joint ventures and delegates financial authorisation • Approves the University Delegated Authority Schedule • Approves the University Subsidiary Companies Policy • Receives regular reporting regarding subsidiaries, associates & JVs
University Remuneration Committee	<ul style="list-style-type: none"> • Approves any staff salaries of subsidiaries above a threshold stipulated by the Remuneration Committee
Subsidiaries Oversight Group	<ul style="list-style-type: none"> • Maintains a strategic oversight of the University's portfolio of subsidiaries, associated companies and joint venture arrangements with regard to financial, legal and other governance matters. • Makes appropriate recommendations to University Executive and to Policy & Resources Committee (PRC) in relation to the portfolio as a whole or in respect of individual entities or the formation of any new entities • Approves Chair, Director and Company Secretary appointments • Approves Nominated Officers • Approves reward structures for new subsidiaries • Reviews annually the compensation/reward activity of subsidiaries
Finance Department	<ul style="list-style-type: none"> • Financial oversight of subsidiaries and subsidiary companies policy compliance (FIRST) • Preparation of subsidiary/portfolio performance for PRC (FIRST) • Custodian of the annual Planning Round process • Responsible for the Subsidiary Companies Policy
The Subsidiary Company (the Board of Directors)	<ul style="list-style-type: none"> • Comply with this policy through their own entity governance • Agree the required suite of governing documentation with the University, including MoU, schedule of delegated authority, etc • Provide management accounts, quarterly forecasts and other financial information to the University

	<ul style="list-style-type: none"> • Responsible for developing and maintaining its own Business Plan • Providing requisite information on performance to their Board of Directors • Recommend board appointments and undertake appropriate diligence on candidates regarding their skills and professional experience pertinent to the board role • Due consideration to EDI related matters in recommending board appointments and in relation to their activities
Directors and Company Secretary	<ul style="list-style-type: none"> • responsible for the management of the company • to comply with this policy • to act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred • to promote the success of the company for the benefit of its members • to exercise independent judgement • to exercise reasonable care, skill and diligence • to avoid conflicts of interest • not to accept benefits or gifts from third parties • to declare an interest in a proposed transaction or arrangement being entered into by the company • comply with all statutory filings under company law and any other regulatory obligations
Nominated Officer	<ul style="list-style-type: none"> • familiar with the MoU between the University & the entity and ensure this is applied to company activities • attend Company Board meetings in an observer capacity and receive all papers presented to the Board • act on behalf of the University to ensure that the Company is acting within its constitution, and to raise any related matters with the aim of ensuring they are being satisfactorily addressed. • review and discuss with the Directors when appropriate, the periodic management information on the company's performance and provide updates to the University, including Subsidiaries Oversight Group, as appropriate.
Reasonable Adjustments	
None.	
Audit and Review	
<p>Subsidiary companies must have an annual external audit by the University appointed auditor. Auditors should be agreed with the University as appropriate for associated entities and joint venture arrangements with advice and guidance available from the University Finance Team.</p> <p>Biannual reporting on subsidiaries, associates and joint venture arrangements will be prepared by the Finance Team for consideration by Policy and Resources Committee.</p> <p>Subsidiaries are to co-operate with the University's Internal Audit department as required by the University. Where the University does require Internal Audit coverage of subsidiaries, Internal Audit will require access to relevant colleagues and documentation to undertake their review activity as required.</p>	
Equality and Diversity	
The Equality Impact Assessment addresses any equality and diversity impacts of this policy.	

The University of Edinburgh is committed to ensuring this policy is accessible to the widest possible audience. For alternative formats of this policy, please contact University Finance as noted below.

Further Information/Queries	Please contact Finance.helpline@ed.ac.uk or 0131 651 5151 (option 1) for further information or if you require this policy in an alternative format. Please contact Legal Services regarding any queries on new company formation and director training.
Other Useful links	Update links and agree inclusion of Policies/content for reference: Finance Policies and procedures

Approval and Review	
Date policy approved	5 September 2023
Final approval by	University Executive
Consultations held	Consultation with members of the Subsidiaries Oversight Group and colleagues that work in, or with, subsidiaries and core University functional areas that engage with group companies including Finance, Legal Services, Information Services Group, Health and Safety and Internal Audit
Date of commencement of policy	5 September 2023
Date for review of policy	September 2026
Policy review by	Director of Operations, Corporate Services Group
Policies superseded by this policy	Subsidiary Companies Policy (dated 2017 in legacy format)
<p>The policy was approved by the University Executive on 5 September 2023 and is effective from 5 September 2023.</p> <p>The policy will be reviewed every 3 years with any changes approved by the University Executive and, where appropriate, signed by the Vice-Principal Corporate Services.</p> <p>The updated policy will be communicated to staff and published on the University's website.</p>	

Version control			
Version	Amendment made	Approval date	Approved by
1.0	Policy update	28 April 2017	Lee Hamill, Deputy Director of Finance
1.1	Policy revision for Finance Helpline contact details	11 January 2019	Lee Hamill, Director of Finance
2.0	Policy refreshed for approval in September 2023	5 September 2023	University Executive
2.1	Policy reviewed by Policy & Resources Committee – minor amendment made to reference annual report received by Remuneration Committee	12 September 2023	Policy & Resources Committee



University of Edinburgh Subsidiaries Oversight Group Terms of Reference

1. Background

- 1.1 The University promotes the use of subsidiary companies, associated entities, joint venture arrangements and limited partnerships¹, for the furtherance of aspects of its business. The Principles section of the Subsidiary Company Policy sets out appropriate definitions for types of entities in the remit of the Strategic Oversight Group.
- 1.2 Also within the remit of the Subsidiary Oversight Group is to receive information on Overseas Regional Offices. An annual update will be provided by Edinburgh Global to this Group for information purposes.
- 1.3 As part of its commercialisation agenda, the University promotes the creation of spinout companies² and start-ups³. Spinout & start-up companies are overseen by other processes and are not within the remit of this Group.

2. Purpose

- 2.1 The purpose of this Group is to maintain a strategic oversight of the University's portfolio of subsidiary companies and, where/when appropriate, other associated and JV entities⁴, having regard to financial, legal and other governance matters. As circumstances dictate, it will make appropriate recommendations to University Executive and to Policy & Resources Committee (PRC) in relation to the portfolio as a whole or in respect of individual subsidiaries. This will ensure that PRC is well-sighted on:
 - The overall governance structure of the University group, of which the subsidiaries form a part;
 - The strategic goals and objectives of subsidiaries, and if these are being delivered;
 - The financial performance of subsidiaries;
 - The legal, financial and operational frameworks and controls of the individual subsidiaries and of the overall portfolio, and that these remain consistent, relevant and effective;
 - The composition of subsidiary Boards of Directors, whether in terms of subject matter expertise, national and international reach, diversity (including considerations related to gender and minority groups), rotation of directors, director independence and the appropriate use of external directors.
 - The appointment of Nominated Officers.
 - The continuing coherence and relevance of subsidiaries within the University group, and the effectiveness of processes for planning and controlling the formation of a new subsidiary.
 - Oversight of compliance with the Subsidiary Company Policy.
- 2.2 This Group will have oversight of financial monitoring information of subsidiaries, prepared by Finance that will be periodically submitted to PRC, at least annually.

3. Composition

- 3.1 This Group will consist of three members – the Vice-Principal of Corporate Services, Director of Finance and the Vice-Principal University Secretary.
- 3.2 Other members of staff will be invited to attend as required.
- 3.3 This Group will be convened by the Vice-Principal of Corporate Services.

4. Meetings

- 4.1 This Group will meet at least quarterly per annum.
- 4.2 Agendas and papers will normally be circulated at least five working days in advance of the meeting. Only in the case of extreme urgency and with the agreement of the Convener will papers be tabled at meetings of this Group.
- 4.3 Attendance by any two of the membership of this Group will be a quorum.
- 4.4 A note of actions will be kept and submitted for approval at the next meeting of this Group.
- 4.5 All records will kept on the Subsidiary Company SharePoint site.

¹ Old College Capital LP and Old College Capital Strategic Investments LP

² Typically initiated by members of staff; the University takes an initial shareholding in return for IP introduced.

³ Typically student-initiated companies; the University provides initial set-up support, but does not take a shareholding.

⁴ To include oversight of overseas representative offices, joint ventures (such as the Alan Turing Institute), but to exclude University spinout and start-up companies.



University of Edinburgh

Guidance on Nominated Officer roles for Subsidiary & Associated Companies

Purpose

The University of Edinburgh policy on subsidiary companies provides an overview on the governance and oversight of subsidiary companies, responsibilities of the directors of subsidiary companies and the financial management of subsidiaries.

Section 5 of this policy contains a provision on good governance practice in Higher Education for identifying a Nominated Officer for each subsidiary or associated entity that forms part of the wider University group.

Following an internal audit review on the University governance of subsidiary companies in 2022, the University will progress the roll-out of identifying Nominated Officers.

What is a Nominated Officer?

The Nominated Officer represents the University's interest and their presence at Board meetings helps enable the appointed company directors to set aside their University responsibilities and act independently. The existence of this role thus facilitates good corporate governance between the University and the subsidiary.

The Nominated Officer will not be an appointed director of the entity under company law provisions. The Nominated Officer will act as an independent representative of the University in engaging with the subsidiary or associated company.

Appointment of Nominated Officers

The University's Subsidiary Oversight Group (SOG), as set out in Appendix I, maintains a strategic oversight of the University's portfolio of subsidiary companies and other associated entities, having regard to financial, legal and other governance matters.

SOG is not formally part of University Governance however, the Group is responsible for providing an oversight of subsidiaries activity to Policy and Resources Committee (PRC). This Group comprises three members – the Vice-Principal of Corporate Services (Chair), Director of Finance and the Vice-Principal University Secretary, with support and attendance from other senior University colleagues as appropriate.

SOG as part of their remit will select and approve Nominated Officers for each entity. An annual update will be provided to PRC regarding subsidiary and associated entities, including an update on Nominated Officers appointments.

Appointment Letters will be issued to all Nominated Officers.

The Nominated Officer will undertake the role for a 3-year period, which can be extended for a maximum of a further 3-year term by agreement with SOG.

Scope & Exclusions

All University related companies are expected to have a Nominated Officer, with any exclusions to this requiring to be approved by SOG on a case by case basis. Exceptions will be incorporated into PRC reporting for completeness.

A specific exclusion is provided for all corporate activity relating to spin-outs and start-ups, with no Nominated Officers required. A full list of entities and associated Nominated Officers is available by request from SOG.

Role of the Nominated Officer

1. SOG will identify one University colleague to act as Nominated Officer per subsidiary or associated company.
2. The Nominated Officers will be a senior colleague of the University with an understanding of the entity's purpose and activities.

3. The Nominated Officer will familiarise themselves with the Memorandum of Understanding between the University and the Company and ensure that this Memorandum of Understanding is applied and any relevant matters satisfactorily addressed.
4. The Nominated Officer will have full rights to attend all Company Board meetings in an observer capacity (and any sub-Board meetings and Board working groups), and will receive all papers presented to the Board.
5. The Nominated Officer will have the ability to raise issues or comment at Board meetings when appropriate, feedback information to SOG as appropriate and generally act to ensure good communication between the Company and the University.
6. The Nominated Officer(s) will not be a member of the Board, or have any voting rights at Board meetings, but will ensure that there are no issues of conflict of interest regarding information about the Company being relayed back to the University.
7. The Nominated Officer will act on behalf of the University to ensure that the Company is acting within its constitution, and to raise any related matters with the aim of ensuring they are being satisfactorily addressed.
8. The Nominated Officer will review and discuss with the Directors when appropriate, the periodic management information on the company's performance.
9. The Nominated Officer will provide a periodic update to SOG and ensure they are informed of any significant issue affecting the Company.
10. Further responsibilities to be agreed dependent on the nature of the Company.

Induction & Training

Legal Services have created online modules to provide training on Directors' Duties and Responsibilities. Whilst Nominated Officers are not appointed as company directors as noted above, SOG consider it is appropriate for Nominated Officers to have an awareness of this training and it is expected that Nominated Officers will complete these training modules.