

## Matters Reserved for Shareholder

### Gravesham Borough Council

Gravesham Borough Council (GBC) is the sole shareholder of the trading company. Although wholly owned by GBC, *the holding company* will be a private company limited by shares, having a separate legal distinctiveness.

Pursuant to the applicable legislative framework, decision of Directors of a private company are legally binding on the company. Therefore, a private company incorporated by Gravesham Borough Council, principally for the benefit of Gravesham localities must, when making core decisions, adhere to guidelines pre-set by the Shareholder (and or the Shareholder's Representative).

Accordingly, Gravesham Borough Council's appropriate and legitimate expectation is therefore the requirement for Directors to obtain the necessary consents on matters rightly reserved for the Shareholder for the security of Gravesham Borough Council's assets and interests.

Gravesham Borough Council in the dual capacity of sole Shareholder (a private function) and principle client (a public function), will exercise due control and influence over *the holding company*. Hereby, through the reservation of the right to approve and, if necessary, discard certain decisions from being taken on the following matters:

#### 1. Treatment of Shares

- 1.1. **Allocation;** GBC reserves the right to refuse or permit the variation of the Articles of Association (AoA) in relation to the rights associated with shares. All shares in *the holding company* are reserved for and owned in their totality by Gravesham Borough Council.
- 1.2. **Registration;** the appointed Director(s) of *the holding company* are not permitted to approve the registration of any person(s) as the holder of shares other than Gravesham Borough Council.
- 1.3. **Disposal;** The Director(s)/management of *the holding company* must obtain the Shareholder's written consent prior to entering into;
  - 1.3.1. any joint venture;
  - 1.3.2. agreement to acquire shares in any other company;
  - 1.3.3. disposal or dilution the interest of *the holding company* or any subsidiary

## 2. Articles of Association (AoA) and Shareholders Agreement

- 2.1. Gravesham Borough Council as sole shareholder of the *the holding company*, will set the framework of authority under which the Board/management can operate without obstruction to implement its business plan.
- 2.2. The Shareholders Agreement, will set out in detail how the rights of Gravesham Borough Council as the sole (or co-shareholder in relation to additional trading vehicles) will be exercised.
- 2.3. Gravesham Borough Council will direct the terms of the AoA, including the parameters by which the agreed and approved AoA may be varied.
- 2.4. The AoA will outline the purpose of the company, rights of Shareholder, procedures at general meetings of the Shareholder and board meetings.

## 3. Variations to the AoA

- 3.1. The Shareholder acknowledges that there may be occurrences that trigger a need to vary the AoA for example (but not exclusively):
  - 3.1.1. A change in relevant legislation;
  - 3.1.2. A change in Gravesham Borough Council's operational business requirement(s) and or corporate strategic objectives;
  - 3.1.3. A change in *the holding company's* operational requirement(s).
- 3.2. The provisions of the AoA may be varied as necessary only by the written agreement of the Shareholder.

## 4. Approval of Loan Capital and Additional Borrowing

- 4.1. Gravesham Borough Council may provide loan funding for *the holding company* under suitable, documented commercial loan agreement(s).
- 4.2. The authorisation of initial and additional funding remains the preserve of the Shareholder.
- 4.3. Decision for the company to secure borrowing outside the usual course of business, remains the prerogative of the Shareholder.

## 5. Business activity diversification

- 5.1. GBC recognises that the commercial landscape wherein which *the holding company* will operate is not static, and as such there is a need for the company to be responsive to a dynamic environment in order to ensure the service delivery remains at optimum levels.
- 5.2. Therefore, to preserve the joint reputations of Gravesham Borough Council trading as *the holding company*, together with safeguarding public interests, GBC will not unduly withhold approval for a change or diversification in *the holding company* trading portfolio, subject to the recommendations detailed in the applicable business case.

## 6. Subsidiary formation

- 6.1. In line with the expectation that *the holding company* will deliver services across various industries, Gravesham Borough Council reserves the right to first approval of any proposal to incorporate subsidiary trading companies.

## 7. Veto Vote

- 7.1. The Shareholder (or the Shareholder's Representative) reserves the right to veto any board decision that is considered to be contrary to the public policies or values of Gravesham Borough Council.

## 8. Matters relating to Director

- 8.1. The quorum for the transaction of business at a meeting of directors is three duly appointed directors.
- 8.2. The number of directors for *the holding company* shall not be less than three. The Shareholder shall have the right to appoint and dismiss any director.
- 8.3. Director(s) may authorise any matter duly proposed by a director(s), which if left unauthorised would give rise to an Interested Director being in conflict, subject to the approval of the Shareholder.
- 8.4. The terms and conditions of each director's appointment including role, responsibility and any remuneration shall be determined by the Shareholder.

- 8.5. In circumstances that give rise to the need for a Director to appoint an alternate Director for the continuance of business, such alternate Director shall be selected from the pre-approved “Schedule of Alternate Directors” as set out in the Shareholder’s Agreement.
- 8.6. The Shareholder fully indemnifies directors from the assets of *the holding company*.