

## Introduction to the Bank

Union Bank of India (UK) Ltd, is a wholly-owned subsidiary of Union Bank of India, a leading Indian bank majority-owned by the Government of India. Operating from our sole office in Central London, we are a PRA/FCA-approved entity with an independent UK board. Our business focuses on providing basic banking services, including current accounts, savings accounts, term deposits, and corporate loans, alongside maintaining a high-quality investment portfolio for liquidity management. With a team of 35 employees, comprising 12 officers seconded from the parent bank and locally hired staff, we prioritize a simplified and efficient operational model. Our board consists of a mix of seconded executives and experienced UK-based non-executive directors (NEDs), ensuring robust governance and alignment with regulatory expectations. The proposed board effectiveness review aims to assess and enhance governance practices proportionate to our operational scale, providing insights to strengthen the bank's resilience and compliance framework.

### Objective:

To evaluate the effectiveness of the governance framework and board practices in proportion to the size, scope, and complexity of the bank's operations. The review will focus on ensuring compliance with PRA/FCA regulatory expectations and adopting best practices that are relevant and feasible for a small institution offering basic banking products and operating with a streamlined resource base.

### Key Components of the Scope (Proportional Approach):

#### 1. Proportional Governance Framework

- a. **Regulatory Alignment:** Assess how effectively the governance framework meets PRA/FCA expectations while accommodating the bank's size and resource limitations.
- b. **Simplified Oversight:** Ensure policies and charters are fit for purpose, focusing on simplicity and clarity to match the bank's straightforward product offerings and business model.
- c. **Parent Bank Alignment:** Evaluate the balance between the governance independence of the UK board and the oversight exercised by the parent bank.

#### 2. Board Composition and Independence

- a. **Skills and Representation:** Analyse the mix of seconded and locally hired board members, focusing on whether the current structure supports robust decision-making and regulatory compliance.
- b. **Independence of NEDs:** Assess the effectiveness of independent non-executive directors (iNEDs) in overseeing risk, compliance, and audit functions, considering their roles in chairing respective committees.
- c. **Experience Relevance:** Review how the directors' experience in UK and Indian banking sectors contributes to achieving the bank's objectives.

#### 3. Simplified Board Processes

- a. **Efficiency of Meetings:** Examine the structure, frequency, and quality of board and committee meetings, ensuring they are proportionate to the bank's operational scale.

- b. **Decision-Making:** Assess the adequacy of discussions and decisions in the context of the bank's relatively simple product suite and risk profile.
- c. **Resource Utilization:** Evaluate how board resources (e.g., seconded vs. local directors) are leveraged for effective oversight.

#### 4. Risk Oversight and Compliance

- a. **Risk Appetite:** Review how the board sets and monitors risk appetite, with a focus on credit risk, operational risk, Market & liquidity management given the bank's straightforward portfolio.
- b. **Regulatory Compliance:** Assess the board's understanding of and compliance with PRA/FCA regulations, with an emphasis on proportionality to the bank's size.
- c. **Emerging Risks:** Evaluate the board's preparedness for emerging risks like cybersecurity, ESG requirements, and regulatory updates.

#### 5. Strategy and Business Oversight

- a. **Strategic Fit:** Examine how the board ensures alignment between business goals against the business strategy and level of complexity of offerings and regulatory expectations.
- b. **Performance Monitoring:** Assess the board's role in overseeing financial performance and ensuring alignment with the parent bank's strategic objectives.
- c. **Stakeholder Engagement:** Evaluate how the board balances the needs of local regulators, employees, and the parent bank.

#### 6. Culture and Conduct

- a. **Integration of Teams:** Assess how effectively the seconded officers and locally hired staff collaborate under the board's guidance.
- b. **Ethical Oversight:** Review how the board fosters a culture of integrity, transparency, and customer focus in a multicultural and geographically dispersed setup.
- c. **Diversity and Inclusion:** Evaluate efforts to promote diversity in board deliberations and within the organization.

#### 7. Developmental Focus

- a. **Targeted Training:** Identify specific training needs for locally hired directors (e.g., deeper understanding of PRA/FCA requirements) and seconded officers (e.g., familiarity with UK governance standards).
- b. **Streamlined Policies:** Recommend updates to governance documents to ensure they are proportional and practical for the bank's operations.
- c. **Future Readiness:** Suggest steps to improve board adaptability to regulatory changes and evolving operational needs.

Methodology:

- a. **Stakeholder Interviews:** Conduct interviews with all directors to gather perspectives on board effectiveness.
- b. **Document Review:** Analyze governance documents, board minutes, committee reports, and policy frameworks for proportionality and compliance.
- c. **Benchmarking:** Compare governance practices against proportional peers in the UK banking sector.

**Deliverables:**

1. **Comprehensive Report:** A detailed report highlighting strengths, gaps, and proportional recommendations tailored to the bank's operations.
2. **Action Plan:** A practical, resource-sensitive action plan with timelines and responsibilities for implementation.
3. **Regulator Submission:** A summary version of the report addressing PRA/FCA expectations.