

BBFSL Investment Committee Terms of Reference



British Business Bank plc is a public limited company registered in England and Wales. (registration number 08616013, registered office at Foundry House, 3 Millsands, Sheffield, S3 8NH). As the holding company of the group operating under the trading name of British Business Bank, it is a development bank wholly owned by HM Government which is not authorised or regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). It operates under its own trading name through a number of subsidiaries, one of which is authorised and regulated by the FCA. British Business Bank plc and its subsidiary entities are not banking institutions and do not operate as such. A complete legal structure chart for British Business Bank plc and its subsidiaries can be found at www.british-business-bank.co.uk.

1. Definitions

For the purposes of these Terms of Reference:

“**BBB plc**” means the British Business Bank plc;

“**BBBIL**” means the British Business Bank Investments Ltd;

“**BBFL**” means the British Business Finance Ltd;

“**BBAHL**” means the British Business Aspire HoldCo Ltd;

“**BBFSL**” means the British Business Financial Services Ltd;

“**Executive Members**” means the Chief Executive Officer of BBFSL and the Chief Risk Officer, the Chief Finance Officer, the General Counsel and the Chief Operating Officer of BBB plc acting on behalf of BBFSL; and

“**Independent NED**” means a non-executive director of BBFSL.

2. Introduction

2.1. BBB plc Group shall have four separate investment committees as follows:

- a) BBBIL Investment Committee which will be an executive committee making investment decisions for BBBIL (Commercial Co);
- b) BBFL Investment Committee which will be an executive committee making investment decisions for BBFL (Mandated Co);
- c) BBAHL Investment Committee which will be an executive committee making investment decisions for BBAHL (Aspire HoldCo); and
- d) BBFSL Investment Committee which will be an executive committee making investment decisions for BBFSL (Service Co).

2.2. These Terms of Reference apply to BBFSL only.

3. Constitution

3.1. The Committee shall be known as the BBFSL Investment Committee which is a committee of BBFSL with the purpose of facilitating the approval process for individual investment proposals.



3.2. By approving these Terms of Reference, the Boards of BBFSL and BBB plc have approved the investment decision making process as set out in this document.

3.3. The Committee's authority to approve individual investments and guarantees is subject to the terms of the Service Agreement dated 31 October 2014.

4. Membership

4.1. For making decisions on legacy venture capital programmes up to and including £10 million and any other investments or guarantees within BBFSL, the Committee shall comprise the Executive Members.

4.2. For making decisions on legacy venture capital programmes in excess of £10 million, the Chair shall elect one Independent NED as a member in addition to the Executive Members.

4.3. If any Executive Member is unable to act due to absence, illness or any other cause, he/she may delegate his/her membership at individual meetings to another staff within his/her team, provided that the Chair has agreed to such delegation in advance of the meeting.

4.4. The Committee shall be chaired by the CEO of BBFSL or in his/her absence, another Executive Member of the Committee as nominated by the Chair.

4.5. The Chair of the Committee shall appoint a secretary to the Committee, who shall keep an accurate record of the proceedings and decisions of all Committee meetings.

5. Meetings of the Committee

5.1. The Committee shall schedule monthly meetings. In the event that no investment matters need to be considered, this monthly meeting will be cancelled.

5.2. Meetings of the Committee shall be held at one of the British Business Bank offices either at the Foundry House, 3 Millsands, Sheffield S3 8NH or on the 3rd floor, Fleetbank House, 2-6 Salisbury Square, London EC4 8JX or any other suitable location at the Chair's discretion.

5.3. A quorum shall be:

- a) At least **five** members of the Committee, including the Chair of the Committee, the Chief Risk Officer, the Chief Finance Officer, the General Counsel and the Chief Operating Officer, or their delegates, for making decisions on legacy venture capital programmes up to and including £10 million and any other investments or guarantees within BBFSL, unless the Chair of the Committee is absent in which case the quorum shall be **four**; or



- b) At least **six** members of the Committee, including the Chair of the Committee, the Chief Risk Officer, the Chief Finance Officer, the General Counsel, the Chief Operating Officer, or their delegates, and one Independent NED for making decisions on legacy venture capital programmes in excess of £10 million, unless the Chair of the Committee is absent in which case the quorum shall be **five**.
- 5.4. Provided that all Committee members have been invited to participate in the meeting and have been sent papers electronically, the Committee members are permitted to participate either in person, by video conference, by telephone or, in extraordinary circumstances, by submitting written comments in advance. Where comments are submitted in writing, they should include opinions on the individual investment proposals.
- 5.5. Any decisions on legacy venture capital programmes in excess of £10 million must be endorsed by at least one Independent NED. If no Independent NED is in attendance at the meeting whether in person, by video conference or by telephone, then the Chair of the Committee shall seek to obtain the required endorsement within 24 hours of the meeting. If the Chair is unable to contact any of the Independent NEDs, despite taking reasonable steps to do so, the Chair shall be entitled to proceed without obtaining such endorsement.
- 5.6. Unless otherwise agreed, all members of the Committee shall be given at least 10 working days' notice of Committee meetings confirming the venue, date and time. Investment proposal papers for discussion shall be circulated at least 3 working days ahead of the meeting.
- 5.7. In addition, the Chair of the Committee will be able to call for an ad hoc meeting of the Committee at any time, provided that all members of the Committee agree.
- 5.8. The papers to be presented to the Committee shall be in the format approved from time to time by the BBFSL Investment Committee.

6. Duties of the Committee

6.1. The Committee shall make decisions or recommendations on behalf of:

- a) BBFSL; and
- b) Funds, partnerships and other entities which have appointed BBFSL,

in respect of: (i) investment or guarantee proposals moving forward to incur due diligence costs in excess of £50,000; and (ii) the approval of individual investments or guarantees.



6.2. The Committee shall make decisions or recommendations on individual investment or guarantee proposals within the scope of Programmes, BBFSL's regulatory status and the risk appetite agreed by the BBFSL Board and acknowledged by the Board of BBB plc. When advising on individual investment or guarantee proposals, the Committee shall have regard to any due diligence undertaken by the project team.

7. Decision making

7.1. The Committee shall make decisions in accordance with the approval requirements set out in Annex A.

7.2. For decisions on individual investments or guarantees, which fall under the legislative authority of the Industrial Development Act 1982 and exceeds £50 million, approval must be sought from the Industrial Development Act Board and the Secretary of State where required.

7.1. For decisions on individual investments or guarantees in excess of £75 million, approval must also be sought from the Boards of BBFSL and BBB plc.

7.2. Decisions of the Committee shall be made by consensus. If consensus is not achieved, any Committee member may call for a majority vote. Each member of the Committee present shall be entitled to vote on any proposal, with proposals being approved by the Committee on the affirmative vote of 2/3rd majority of members present, including the Chair or his/her nominee.

7.3. Any member of the Committee can request a note of his/her dissent to be recorded in the minutes of the Committee meeting. Any Executive Member or the Independent NED of the Committee who dissents can request to the Chair to escalate the issue to the Board of BBB plc. If a decision is escalated, the vote held at the Committee is subject to the determination of the Board of BBB plc.

7.4. Final decision on individual investments or guarantees may be subject to any other requirement imposed by the Secretary of State as per the Service Agreement dated 31 October 2014. The Committee can only make recommendations in respect of individual investments or guarantees where it has no delegated authority.

8. Management of the Committee

8.1. As set out in paragraph 6 above, the Committee shall make decisions and recommendations on individual investment or guarantee proposals. In respect of each Committee meeting, the Chair of the Committee shall:

- a) Solicit questions and comments from all Committee members;



- b) Give the Committee opportunity to discuss the proposals and ask questions of the project team or others as appropriate;
- c) Summarise the conclusions of the discussion, highlighting those factors which have led the Committee to reach its decision or recommendation on whether or not (i) a proposal should continue to incur due diligence costs in excess of £50,000; or (ii) an investment or guarantee should be made and at what level or form it should be made; and
- d) Subsequent to the discussion, review the draft minutes prepared by the secretary of the Committee and circulate the minutes to all Committee members for their comment.

8.2. The Chair of the Committee may adjourn the meeting at any time as he/she thinks fit in order to seek further input on the proposed investment or guarantee, require further documentation, opinions or analysis or for any other reason.

8.3. A copy of the final minutes, as approved by the Chair of the Committee, shall be circulated to all members of the Committee.

8.4. The secretary of the Committee shall be responsible for ensuring that a master copy of all investment papers and associated minutes are maintained and stored in a secure manner.

9. Confidentiality

Sensitive and confidential information will be provided to the Committee in connection with each proposal. All submissions made by applicants and the details of any negotiations, including the fact that applicants are seeking investment, are restricted information. Committee members should familiarise themselves with the appropriate care and handling of restricted information, details of which can be found in the BBB plc policies.

10. Statutory position

Legislative authority to make investments made under the Programme will fall under either section 228 of the Banking Act 2009 or section 8 of the Industrial Development Act 1982.

11. Review of the Terms of Reference

These Terms of Reference shall be kept under review at meetings of the Committee for a period of 12 months from the date of approval by the Boards of BBFSL and BBB plc, and annually thereafter. Changes must be approved by all members of the Committee including at least one Independent NED.



Annex A

Transaction	Approval by¹	Final document pre-execution sign-off by	Execution of individual investment by²
Proposals for new programmes	BBFSL Board and Board of BBB plc	N/A	N/A
Transactions and variations relating to investments/ guarantees > £75 million	BBFSL Board, Board of BBB plc, Industrial Development Act Board and Secretary of State	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations relating to investments/ guarantees > £50 million	Industrial Development Act Board and Secretary of State	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations relating to legacy venture capital programmes > £10 million	Investment Committee, including at least one NED	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations relating to legacy venture capital programmes ≤ £10 million and any other investments/guarantees within BBFSL	Investment Committee	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Prescribed Documents ³	MD of relevant	Legal	Any "A"



	Programme/function		Manager
Variations which may be treated as non-material	MD of relevant Programme and CRO	Legal	Any "A" Manager

Note 1: Final decision on individual investments or guarantees may be subject to any other requirement imposed by the Secretary of State as per the Service Agreement dated 31 October 2014.

*Note 2: It is possible to **sub-delegate** execution to another person (e.g. a director within a team) by PoA on a case-by-case basis.*

*Note 3: "**Prescribed Documents**" means any legally binding document which does not involve BBFSL incurring a financial obligation (contingent or otherwise) to invest including but not limited to:*

- *Confidentiality, non-disclosure and exclusivity agreements;*
- *Memoranda of understanding, support letters, expression of interest letters and mandate letters;*
- *Engagement letters, advisor appointments or agreements for the supply of goods or services. For the avoidance of doubt, this does not include individual instances of instructing third parties pursuant to an existing engagement; and*
- *Reliance letters.*

*Note 4: Any **non-binding documents** which relate to an investment must be subject to English law and include an appropriate disclaimer provided by Legal.*

Lists of "A" and "B" Managers are held internally by British Business Bank

