

Matters Reserved for the Board

Overview

1. The group board is collectively responsible for the long-term success of the group and the delivery of sustainable value to its shareholder, the Secretary of State for Business, Energy and Industrial Strategy.
2. The group board's role is to provide leadership of the group within a framework of prudent and effective controls which enables risk to be assessed and managed.
3. The group board sets out the strategic aims of the group, ensures that the necessary resources are in place for the group to meet its obligations, is responsible for the obtaining and allocating capital and reviews business and financial performance.
4. The group board sets the standards expected within the group and ensures that its obligations to its shareholder and other stakeholders are understood and met.
5. In carrying out the duties of the group board, the Directors will act in accordance with all relevant and applicable legislative and regulatory rules.

Schedule of matters reserved for the Board of BBB (on behalf of itself and BBFL and BBFSL)

1. Strategy and Management

- 1.1 Responsibility for the overall leadership of the company and setting the standards expected within the company and the group
- 1.2 Approval of the group's strategic aims and objectives
- 1.3 Approval of the annual operating and capital expenditure budgets and any material changes to them
- 1.4 Oversight of the group's operations ensuring:
 - Competent and prudent management
 - Sound planning
 - Maintenance of sound management and internal control systems
 - Adequate accounting and other records
 - Compliance with statutory and regulatory obligations including public contract regulations
 - Compliance with any state aid approval given to the group and relevant EU state aid rules and guidance
- 1.5 Review of performance in the light of the group's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken
- 1.6 Extension of the group's activities into new products or business or geographic areas
- 1.7 Any transfer of programmes between BBIL and BBFL or BBFSL
- 1.8 Any decision to cease to operate all or any material part of the group's business

2. Structure and Capital

- 2.1 Changes relating to the group's capital structure
- 2.2 Major changes to the group's corporate structure, including but not limited to incorporation of new subsidiaries and acquisitions and disposals of shares which are material relative to the size of the group
- 2.3 Changes to the group's management and control structure
- 2.4 Any changes to the company's status as a plc

3. Financial Reporting and Controls

- 3.1 Approval of the annual report and accounts
- 3.2 Approval of the dividend policy
- 3.3 Approval of any significant changes in accounting policies and practices
- 3.4 Approval of treasury policies including foreign currency exposure and the use of financial derivatives
- 3.5 Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances)
- 3.6 No borrowing without the approval of HM Treasury except in connection with normal business activities
- 3.7 Approve the group's key financial objectives

4. Risk management and Internal Controls

- 4.1 Ensure maintenance of a sound system of internal control and risk management including:
 - Reviewing and approving the group's risk appetite framework and risk appetite targets for the group's strategic risk objectives
 - Monitor performance against risk appetite for the group and its subsidiaries
 - Receive reports on and review the effectiveness of the risk management and control framework of the group and its subsidiaries
 - Reviewing and approving procedures for the detection of fraud and the prevention of bribery
 - Approving group policies or delegating approval of group policies to appropriate committees or the executive

5. Contracts

- 5.1 Approval of major capital projects
- 5.2 Approval of contracts including investments and guarantees which are material either strategically or by reason of being greater than £75 million in size and which are entered into by the company or a subsidiary

6. Communication

- 6.1 Ensuring satisfactory dialogue with the shareholder based on the mutual understanding of objectives as set out in the Shareholder Relationship Framework Document
- 6.2 Approval of resolutions and corresponding documentation to put forward to the shareholder at a general meeting

7. Board membership and other appointments

- 7.1 Changes to the structure, size and composition of the board following recommendations from the nominations committee including director appointments, selection of the chairman of the board and the chief executive and the senior independent director
- 7.2 Appointment or removal of the company secretary
- 7.3 Appointments to boards of subsidiaries

8. Remuneration

- 8.1 Determining the remuneration policy for the directors, company secretary and other senior executives, subject to the articles of association and shareholder approval as appropriate
- 8.2 Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate

9. Delegation of Authority

- 9.1 In the context of the board, determining the division of responsibilities between the chairman, chief executive and other executive directors
- 9.2 Approving the delegated levels of authority including the chief executive's authority limits
- 9.3 Establishing board committees and approving their terms of reference and approving material changes to this
- 9.4 Receiving reports from board committees on their activities

10. Corporate governance matters

- 10.1 Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors and the division of responsibilities
- 10.2 Determining the independence of non-executive directors
- 10.3 Considering the balance of interests between the company's shareholder and other stakeholders
- 10.4 Reviewing the group's overall corporate governance arrangements on a regular basis
- 10.5 Receiving reports on the views of the shareholder to ensure they are communicated to the board as a whole
- 10.6 Authorising conflicts of interests where permitted by the company's articles of association

11. Other

- 11.1 Approval of the appointment of the group's principal professional advisers
- 11.2 Prosecution, commencement, defence or settlement of litigation or an alternative dispute resolution mechanism involving a sum above £5 million or being otherwise material to the interests of the group, subject to the requirements of the shareholder as set out in the Shareholder Relationship Framework Document or other guidance provided in writing
- 11.3 Approval of the overall levels of insurance for the group including directors and officers' liability insurance
- 11.4 Any decision likely to have a material impact on the company, group or shareholder from any perspective including but not limited to financial, operational, strategic or reputational
- 11.5 This schedule of matters reserved for board decisions

Matters which the board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the board will receive reports and recommendations from time to time on any matter which it considers significant to the group