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British Business Bank plc
Shareholder Relationship Framework Document

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1. INTRODUCTION

- 1.1 This framework document has been written by the department for Business, Energy and Industrial Strategy (**BEIS**) and British Business Bank plc (**BBB**). It sets out the broad parameters within which BBB will operate and how BEIS and BBB will interact with each other and includes an undertaking from the Secretary of State for BEIS (the **Secretary of State** or the **Shareholder**), as sole shareholder, to ensure the operational independence of BBB (Annex 1). This framework document applies to BBB and its subsidiaries (both current and any future subsidiaries) (the **BBB Group** or the **Group**).
- 1.2 UK Government Investments Limited (**UKGI**) performs the shareholder representative function (the **Shareholder Representative**) on behalf of the Secretary of State, providing the primary day-to-day contact for BBB and promoting appropriate governance structures. UKGI's roles and responsibilities in this respect are captured in the Memorandum of Understanding between UKGI and BEIS (dated December 2019) and set out in paragraph 5.3 and Annex 5.
- 1.3 This framework document should be interpreted in light of BBB's Articles of Association (**BBB's Articles**), the articles of association of each relevant member of the Group and the Companies Act 2006 and is without prejudice to the statutory and other rights and obligations of the Shareholder, BBB or any other member of the Group. Legal and regulatory requirements (and in particular the Companies Act 2006, the EU State aid rules and guidance (whilst such rules and guidance apply to Northern Ireland), and the UK's international obligations in relation to subsidies) shall take precedence over any part of this document. Insofar as legislation allows, this framework document should also be interpreted in light of Managing Public Money and other government instructions and guidance listed at Annex 2.
- 1.4 This framework document will be reviewed every three years, following each review of BBB (see paragraph 9.4) or at any other time when it is necessary to do so, and particularly if changes are sought by the Secretary of State or the BBB chair (the **BBB Chair**) and Chief Executive Officer (the **BBB CEO** or **CEO**) in the light of experiences gleaned through BBB's operations, changes in circumstances or changes in government policy. A light-touch review, led by UKGI, will also take place annually to ensure the continued relevance of the framework document provisions.
- 1.5 This framework document is signed by BEIS and BBB. Copies of this document and any subsequent amendments will be published and placed in the libraries of both Houses of Parliament. An electronic version is available on the BBB website.

2. PURPOSE AND STATUS OF THE BRITISH BUSINESS BANK GROUP

2.1 Background

- (A) BBB is a public limited company, incorporated under the Companies Act 2006. The sole shareholder of BBB is the Secretary of State. BBB was established in 2014 to support the provision of finance to small and medium-sized businesses in the UK. At the time it was set up, BBB's funding, remit and operating model were subject to the State aid approval from the European Commission which was received on 15 October 2014 and

subsequently renewed on 28 October 2019 (the State aid Settlement).

- (B) The BBB Group structure is informed by the State aid Settlement. The Group has three strands of activity: a “Commercial Arm”; a “Mandated Arm”; and a “Service Arm”. Each arm consists of separate subsidiaries which may in turn have subsidiaries of their own. Annex 3 sets out the structure chart for the Group as at the date of this framework document. Each of the Shareholder, BBB and UKGI acknowledges that future business plans of the BBB may envisage revisions to the BBB Group structure, and the activities of subsidiaries within the BBB Group as described in this framework document, to reflect the applicability of the new subsidy control regime in the UK.
- (C) BBB is a separate legal entity from the Crown (as are each of its subsidiaries) but, for national accounts purposes, is classified to the central government sector. The annual accounts of the Group are consolidated into BEIS’s accounts.
- (D) Whilst BBB is accountable to the Shareholder as described in this framework document, BEIS is committed to giving the BBB Board freedom to operate the Group in seeking to achieve its purposes as stated in BBB’s Articles and strategic objectives. In particular, the Shareholder recognizes that Commercial Arm activities and decision-making are conducted on a fully commercial basis. Accordingly, the Shareholder has given the BBB Group the undertakings on company operational independence set out in Annex 1.

2.2 Mission and Strategic Objectives

BBB’s mission is to drive sustainable growth and prosperity across the UK, and enabling the transition to a net zero economy, by improving access to finance for smaller businesses. The strategic objectives of the BBB Group are to:

- (A) Increase the supply of finance available to smaller businesses where markets do not work well;
- (B) Help create a more diverse finance market for smaller businesses, with a greater choice of options and providers;
- (C) Identify and help to reduce imbalances in access to finance for smaller business across the UK;
- (D) Encourage and enable smaller businesses to seek the finance best suited to their needs;
- (E) Be the centre of expertise on smaller business finance in the UK, providing advice and delivering on behalf of Government;
- (F) Pursue the Group’s other objectives whilst managing taxpayers’ money efficiently and within a robust risk management framework; and
- (G) Support the UK’s transition to a net zero economy.

BBB will produce a 5-year business plan which will set out how BBB will seek to meet

the above objectives, and to achieve the associated performance targets. Each operating subsidiary within the Commercial Arm will similarly set out how it will seek to meet its objectives, and to achieve the associated performance targets in its respective business plan. (See paragraph 6.2: (Group Business Plan and Commercial Arm Subsidiary Business Plan)).

The mission and strategic objectives described in this paragraph 2.2 are referred to in the remainder of this framework document as the “**Overarching Purposes**”.

2.3 Common Strategic Framework

The Shareholder and the BBB Board have, in consultation with each other, agreed that the Group, informed principally by the activities of the Commercial Arm and the Mandated Arm, shall:

- (A) Research and describe imperfections in the business finance markets for smaller businesses and, in the case of the Commercial Arm, small mid-cap businesses, (such as lack of diversity of supply, geographical disparities, differences experienced by female and ethnic minority founders, insufficient supply overall, lack of awareness or informed demand);¹
- (B) Address such imperfections through design, implementation, and management of targeted interventions (such as increased funding, the delivery of information or advice campaigns);
- (C) Deliver effective awareness campaigns and ensure that stakeholders understand the Overarching Purposes and are fully engaged with the Group;
- (D) Manage its programmes² as a portfolio, balancing its different activities to achieve its objectives and in particular, the Commercial Subsidiary Objects or the Mandated Subsidiary Objects (as applicable);
- (E) Act transparently by: (a) publishing research, market analysis and information on its own performance against its objectives; and (b) producing a robust evidence base to justify its activities;
- (F) Monitor its activities and alter its interventions and other activities according to evidence of the effectiveness and efficiency of such interventions; and
- (G) In respect of the Commercial Arm and the Mandated Arm, not be constrained by any programme-specific budgets but instead manage an overall budget of the types of resources that it receives without limitations on its investment decisions except as provided in this framework document.

The strategic framework and priorities described in this paragraph 2.3 are referred to in the remainder of this framework document as the “**Common Strategic**”

¹ For the purposes of this framework document, “smaller businesses” means SMEs as set out at s465 Companies Act 2006 and “Small mid-cap businesses” means undertakings which have not more than 1,500 employees, calculated in accordance with the GBER or, if different, as defined in the Guidelines on State aid to promote risk finance investments as amended, restated or replaced from time to time.

² For details of the individual programmes run by BBB, please refer to the “Our Programmes” section on the Bank’s website; www.british-business-bank.co.uk

Framework”.

3. ACTIVITIES OF THE GROUP

3.1 Activities of BBB

BBB’s objects (the **BBB Objects**) are specified in the BBB Articles. The Shareholder and the BBB Board have, in consultation with each other, agreed that BBB shall:

- (A) Conduct its activities in a manner which the BBB Board considers will or is likely to achieve the BBB Objects and to fulfil the Overarching Purposes;
- (B) Operate within, and conduct its activities in accordance with, the Common Strategic Framework;
- (C) Support the UK Government in the development of overall policy and in co-ordinating its efforts and other sources of support to maximise the impact and efficiency of the financing in the UK of smaller businesses and, in the case of the Commercial Arm, smaller businesses and small mid-cap businesses;
- (D) Act as the holding company of the Group;
- (E) Develop a consistent and concise corporate narrative for the Group and proactively share a common corporate culture across the Group;
- (F) Co-ordinate the awareness campaigns and stakeholder engagement initiatives of the Group;
- (G) Advise the Shareholder and the UK Government in the development of the Overarching Purposes, any further strategic objectives and the policies of the Group (including the investment strategy of the Group);
- (H) Monitor and procure compliance of the Group with this framework document, in particular, with the best practice of corporate governance, and any other agreed strategic objectives or policies;
- (I) Provide information and advice to the UK Government in respect of supranational issues, as required;
- (J) Provide the Shareholder with information in respect of the Group upon request; and
- (K) provide certain resources and services to the Group as required from time to time including property, IT and telephone system, human resources, financial management, legal, compliance, procurement, risk, marketing and market research.

The strategic framework and priorities described in this paragraph 3.1 (as amended, updated or replaced from time to time) are referred to in the remainder of this framework document as the **“Company Strategic Framework”**.

3.2 In connection with BBB’s achievement of its purposes as stated in the Company

Objects and the achievement of the Overarching Purposes:

- (A) BBB is to operate within, and conduct its activities in accordance with, the Company Strategic Framework;
- (B) The Operating Principles as described in Section 6 (Operating Principles) and defined in paragraph 6.1, in so far as they are applicable to BBB, are to apply to the conduct of BBB's activities; and
- (C) BBB is to conduct its activities in accordance with the Financial Targets and Principles, as described in Section (iv) (Financial Targets and Principles), to the extent that the Financial Targets and Principles are applicable to the Group.

3.3 Activities of each Arm

Each arm of BBB has its own separate activities and objectives undertaken in furtherance of, the Overarching Purposes.

3.4 The Commercial Arm

The Commercial Arm consists of a holding company (BBB Patient Capital Holdings Limited) and two principal operating subsidiaries (British Business Investments Limited and British Patient Capital Limited (**BPC**)). In line with the State aid Settlement, the Commercial Arm must operate on fully commercial terms, including in respect of its funding, operations and investment activity. The Commercial Arm works primarily with (and funds smaller businesses through) delivery partners who have investment programmes for a broad range of small and high growth businesses across sectors, regions and business stages. The specific aim of BPC is to invest in venture and growth capital.

The objects of each member of the Commercial Arm (each, a "**Commercial Subsidiary**") and each set of objects, the "**Commercial Subsidiary Objects**") are set out in each member's respective articles of association. Each member of the Commercial Arm shall:

- (A) Conduct its activities in a manner which its directors consider will or is likely to achieve its respective Commercial Subsidiary Objects and to fulfill the Overarching Purposes (to the extent applicable to it);
- (B) Operate within, and conduct its activities in accordance with the Common Strategic Framework; and
- (C) Obtain the prior written consent of BBB before any member of the Commercial Arm make(s) any individual investment of financial commitment in excess of £75 million (any such consent must fall within BEIS's own delegated authorities).

The strategic framework and priorities described in this paragraph 3.4 (as amended, updated or replaced from time to time) are referred to in the remainder of this

framework document as the “**Commercial Strategic Framework**”.

3.5 In connection with each Commercial Subsidiary’s achievement of its purposes as stated in the relevant Commercial Subsidiary Objects and the achievement of the Overarching Purposes:

- (A) Each Commercial Subsidiary is to operate within, and conduct its activities in accordance with, the Commercial Strategic Framework on a fully commercial basis;
- (B) The Operating Principles as described in Section 6 (Operating Principles) and defined in paragraph 6.1, in so far as they are applicable to the Commercial Arm, are to apply to the conduct of each Commercial Subsidiary; and
- (C) Each Commercial Subsidiary is to conduct its activities in accordance with the Financial Targets and Principles, as described and defined in Section 7 (Financial Targets and Principles), to the extent that the Financial Targets and Principles are applicable to the Commercial Arm.

3.6 The Mandated Arm

The Mandated Arm operates under its principal subsidiary, British Business Finance Limited (the “**Mandated Subsidiary**”). Its aim is to monitor and analyse the market and to support the full range of interventions necessary to resolve any market failures and the associated funding gap faced by smaller businesses, by delivering public policies targeted at overcoming those market failures and by contributing to programmes to assist smaller business in accessing finance. The Mandated Arm conducts its interventions on a market economy operator or an aided basis, within the remit of the State aid Settlement. The Mandated Arm offers funding and guarantees to banks and other financial intermediaries so incentivising them to offer more finance to small firms.

The Mandated Subsidiary’s objects (the **Mandated Subsidiary Objects**) are set out in its articles of association. The Mandated Subsidiary shall:

- (A) Conduct its activities in a manner which its directors consider will or is likely to achieve the Mandated Subsidiary Objects and to fulfill the Overarching Purposes; and
- (B) Operate within, and conduct its activities in accordance with the Common Strategic Framework.

The strategic framework and priorities described in this paragraph 3.6 (as amended, updated or replaced from time to time) are referred to in the remainder of this framework document as the “**Mandated Strategic Framework**”.

3.7 In connection with the Mandated Subsidiary’s achievement of its purposes as stated in the Mandated Subsidiary Objects and the achievement of the Overarching Purposes:

- (A) The Mandated Subsidiary is to operate within, and conduct its activities in

accordance with the Mandated Strategic Framework on an aided or market economy operator basis;

- (B) the Operating Principles as described in Section 6 (Operating Principles) and defined in paragraph 6.1, in so far as they are applicable to the Mandated Arm, are to apply to the conduct of the Mandated Subsidiary's activities; and
- (C) the Mandated Subsidiary is to conduct its activities in accordance with the Financial Targets and Principles, as described and defined in Section (iv) (Financial Targets and Principles), to the extent that the Financial Targets and Principles are applicable to the Mandated Arm.

3.8 The Service Arm

The Service Arm operates under its principal subsidiary, British Business Financial Services Limited (the **Service Subsidiary**). Its aim is to provide services to government including managing specific programmes which remain on government's balance sheet. It acts as an agent of BEIS and other government departments (with the approval of BEIS) in respect of the administration, operation and implementation of programmes relating to the provision of finance to smaller businesses, it provides information and advice to BEIS on such programmes and performs any related statutory duties on BEIS's behalf.

The Service Arm's objects (the **Service Subsidiary Objects**) are set out in its articles of association. The Service Arm shall:

- (A) Conduct its activities in a manner which its directors consider will or is likely to achieve the Service Subsidiary Objects and to fulfill the Overarching Purposes;
- (B) Operate within, and conduct its activities in accordance with the Common Strategic Framework;
- (C) As agreed between the Shareholder and the Service Arm, provide information and advice to the UK Government (which, for the purposes of this sub-paragraph 3.8(C) and sub-paragraph 3.8(D) shall include the Welsh Government, the Scottish Government and the Northern Irish Executive) in relation to: (i) the programmes referred to in sub-paragraph 3.8(D); and (ii) the establishment of any new such programme;
- (D) As agreed between the Shareholder and the Service Arm, act as an agent of the UK Government in respect of the administration, operation and implementation of certain programmes relating to the provision of finance to smaller businesses in accordance with the terms of the service agreement between BBB, the Service Arm and the Shareholder; and
- (E) Perform any statutory function that the Service Arm is required to perform.

The strategic framework and priorities described in this paragraph 3.8(A) to 3.8(E) (as amended, updated or replaced from time to time) are referred to in the remainder

of this framework document as the “**Service Strategic Framework**”.

3.9 In connection with the Service Subsidiary’s achievement of its purposes as stated in the Service Subsidiary Objects and the achievement of the Overarching Purposes:

- (A) The Service Subsidiary is to operate within, and conduct its activities in accordance with the Service Strategic Framework;
- (B) The Operating Principles as described in Section 6 (Operating Principles) and defined in paragraph 6.1 in so far as they are applicable to the Service Arm, are to apply to the conduct of the Service Subsidiary’s activities;
- (C) The Service Subsidiary is to conduct its activities in accordance with the Financial Targets and Principles, as described and defined in Section (iv) (Financial Targets and Principles), to the extent that the Financial Targets and Principles are applicable to the Service Arm. The Service Arm will be subject to spending thresholds set by BEIS within their own delegated authorities; and
- (D) The Service Subsidiary will act in accordance with the terms of any service agreements or service deeds that may be in place between BBB, the Service Subsidiary, the Shareholder and any other government department from time to time.

4. ROLES AND ACCOUNTABILITIES

4.1 Ministerial Accountability

- (A) The Secretary of State will be accountable to Parliament for the BBB business and retains the publicly accountable role for the overall policy of the BBB Group.
- (B) Specific responsibilities of the Secretary of State to the BBB Board include (i) providing guidance and direction to ensure the strategic aims and objectives of BBB are consistent with those of BEIS and HM Government (ii)- responsibility for the policy framework within which BBB operates; and (iii) approval of the BBB business plan.
- (C) The Secretary of State will also be responsible for public appointments to BBB as set out in paragraph 5.2.
- (D) In practice the Secretary of State delegates their responsibilities in respect of BBB to the Minister for Small Business, Consumers and Labour Markets.

4.2 BEIS Accounting Officer’s accountabilities and responsibilities as Principal Accounting Officer

The Principal Accounting Officer (**PAO**) of BEIS has designated the BBB CEO as BBB’s Accounting Officer. The respective responsibilities of the PAO and accounting officers for partner organisations (such as BBB) are set out in Chapter 3 of ‘Managing Public Money’ and sent separately to the accounting officer on appointment. The accountabilities and responsibilities of the PAO with respect to BBB are set out in

Annex 4.

4.3 The BBB CEO and Accounting Officer

The BBB CEO is responsible for the day-to-day operational management of BBB and the performance of the executive management team. The CEO is a member of the BBB Board and has fiduciary responsibilities to BBB and is accountable to the BBB Board for the performance of BBB. The CEO is also the chair of the BBB Executive Committee which provides strategic advice to the BBB Board and acts as the day-to-day co-ordinating body for BBB Group operations. The BBB Executive Committee provides leadership to the organisation to ensure strategic and operational coordination and collaboration.

The CEO will also be appointed as the Accounting Officer for BBB and will take action as set out in 'Managing Public Money' if the BBB Board is contemplating a course of action which the CEO considers would infringe the requirements of propriety, regularity or value for money. The BBB Board will support the CEO in meeting their responsibilities as Accounting Officer.

4.4 Responsibilities of BBB CEO as Accounting Officer

The BBB CEO as Accounting Officer is personally responsible for safeguarding the public funds for which they have charge; for ensuring propriety; regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of BBB. In addition, they should ensure that BBB as a whole is run on the basis of the standards of governance, decision-making and financial management that are set out in Box 3.1 of 'Managing Public Money' and ensuring BBB has a Cash Management Policy covering its use of banking services as set out in Managing Public Money and ensuring that policy is complied with.

The accountabilities and responsibilities of the CEO as Accounting Officer and with respect to Parliament, BEIS and to the PAO are set out in Annex 4.

5. GOVERNANCE AND STRUCTURE

5.1 Overview of governance framework for BBB

- (A) BBB and each of its principal subsidiaries are incorporated under the Companies Act 2006. BBB's Articles set out its objects and describes the arrangements for its administrative and internal corporate governance processes.
- (B) The BBB Board has a duty under s172 of the Companies Act 2006 to ensure the long-term success of BBB and is responsible to the Secretary of State as the sole shareholder for doing so. To that end the BBB Board must operate a corporate governance framework in accordance with corporate governance best practice.
- (C) In particular BBB must comply with the principles and provisions of the Finance Reporting Council's UK Corporate Governance Code (**Corporate Governance Code**) or specify and explain any non-compliance in its annual report. BBB shall also, as far as it is applicable, comply with the spirit and

principle of the Corporate Governance in Central Government Departments Code of Good Practice.

- (D) BBB must comply with 'Managing Public Money' and take into account relevant government guidance and instructions including, but not limited to, that listed in Annex 2. The Shareholder and BBB may agree from time to time that the Group (or any member of the Group) is exempt from certain Government requirements or guidance and instructions and any such exemptions shall be confirmed in writing by the Shareholder.

5.2 Board appointment and composition

- (A) The BBB Board must contain a balance in favour of non-executive directors. The Chair of the Board and independent, non-executive directors (meaning non-executive directors having the character of independence specified in the Corporate Governance Code) are to constitute a majority of the BBB Board. The expectation is that there will be no fewer than eight directors, including six non-executive directors. One non-executive director shall be appointed as the 'Senior Independent Director'.
- (B) The Secretary of State shall appoint the BBB Chair in accordance with the requirements of the Cabinet Office "Governance Code on Public Appointments."³
- (C) It is expected that BBB, in accordance with the Corporate Governance Code, shall nominate the Senior Independent Director from one of the then current non-executive directors. The BBB Chair and, if the BBB Chair is not also the Chair of the Nomination Committee, the Chair of the Nomination Committee shall consult with the Secretary of State about the identity of the proposed Senior Independent Director before nominating them to the BBB Board for appointment. If the Nomination Committee cannot identify a candidate for the Senior Independent Director, or the Secretary of State does not endorse the recommendation, the Secretary of State may choose to appoint to the role in accordance with the Cabinet Office "Governance Code on Public Appointments".
- (D) In consultation with the BBB Chair and BEIS officials, the Secretary of State may appoint one senior UK government official as its representative director, the "Shareholder Representative Director"⁴.
- (E) The BBB Board will appoint all other board members following the principles of the Cabinet Office "Governance Code on Public Appointments"⁵ and subject to the prior written approval of the Secretary of State. The BBB Board, working with UKGI, must keep the Secretary of State apprised on the process, in line with the Principles of Public Appointments.
- (F) The board of each member of the BBB Group, other than BBB, may appoint

³ In accordance with the Public Appointments Order in Council, roles appointed by ministers are regulated by the Commissioner for Public Appointments

⁴ The Shareholder Representative Director is an ex-officio appointment.

⁵ Appointments delegated to the Board and subject to prior ministerial consent are not regulated by the Commissioner for Public Appointments but should nonetheless apply the Principles of Public Appointments as appropriate.

other directors to the board of the relevant member of the BBB Group as recommended by the Nomination Committee, subject to the applicable articles of association and to the prior written approval of the Secretary of State. The written approval of the Secretary of State however will not be required in respect of the appointment of a director to the board of a member of the BBB Group, other than BBB, if the proposed director is a current employee of any member of the BBB Group or a current director of another member of the BBB Group.

- (G) The BBB Board and the board of each member of the BBB Group may not appoint or remove a director to or from an executive position without the prior written approval of the Secretary of State.
- (H) No director of BBB or of any other member of the BBB Group may be removed as a director without the prior written approval of the Secretary of State.

5.3 UKGI performs the Shareholder Representative function in respect of BBB on behalf of the Secretary of State promoting the implementation of appropriate governance structures. BBB will facilitate the Shareholder Representative in fulfilling this function by providing relevant information on request including on but not limited to: strategic plans, financial forecasts and budgets, financial performance, achievements against targets, capital expenditure and investment decisions, Board appointments and remuneration and reports on key corporate risks. UKGI's shareholder responsibilities are set out in Annex 5. The primary, day-to-day contact for the Group will be with UKGI, however it is expected that the Group will maintain close working relationships and contact with BEIS officials, such as the policy leads in BEIS Policy, the Finance Business Partners in BEIS Finance and the Corporate Governance Sponsor in the BEIS Partnerships Team, as may be set out in more detail in the Joint Working Protocol (see paragraph 9.2).

5.4 Board Committees

The BBB Board must constitute as a minimum the following committees of the board:

- Audit Committee
- Risk Committee
- Remuneration Committee
- Nomination Committee

Where appointed, the Shareholder Representative Director must sit on each of the Risk Committee, Remuneration Committee and Nomination Committee. The BBB Board must ensure that a representative of UKGI or BEIS attends the Remuneration Committee as an observer in the event that any appointed Shareholder Representative Director is unable to attend. The Shareholder Representative Director is entitled to be a member of either or both of the Risk Committee and Audit Committee. If a member of either Committee, the Shareholder Representative Director may nominate a representative of UKGI or BEIS to attend as an observer in the event that the Shareholder Representative Director is unable to attend.

The chair of each of the Audit Committee and the Risk Committee must be a non-

executive director with the relevant experience⁶ and the chair of the Remuneration Committee must have served on a remuneration committee for at least one year.

5.5 Review of Boards and Committees

The BBB Board and its committees, including the chair and its individual members, should be evaluated internally on an annual basis and there should be independent input at least once every three years. Evaluations should be in line with any guidance issued by UKGI, Cabinet Office and/or BEIS or otherwise in line with the Corporate Governance Code.

These reviews should be coordinated by the relevant secretariat function in consultation with the BBB Chair (and in relation to any evaluation of the BBB Chair, in consultation with the Senior Independent Director). The outcome of these reviews should inform the annual governance statement.

5.6 The BBB Chair's personal responsibilities:

- (A) The BBB Chair is responsible to the Secretary of State. They are responsible for ensuring that policies and actions support the Secretary of State's wider strategic policies and that BBB's affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the BBB Group.
- (B) The BBB Chair will receive an annual letter from the BEIS Permanent Secretary on behalf of the Secretary of State setting out the priorities for the BBB Group for the year ahead. The letter will be prepared by UKGI in consultation with BBB and BEIS officials. Achievement against the priorities contained in the Chair letter will be a consideration in the Chair's annual appraisal.
- (C) In addition, the BBB Chair has the following leadership responsibilities:
 - (i) Facilitate scrutiny and approval of BBB's strategy, whilst complying with relevant legislation;
 - (ii) Ensuring that the BBB Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or BEIS;
 - (iii) Promoting the efficient and effective use of employees and resources;
 - (iv) Delivering high standards of regularity and propriety, and
 - (v) Representing the views of the BBB Board to the general public.
- (D) The BBB Chair's responsibilities specific to the requirements of the BBB Group are set out in their agreed terms and conditions of appointment. The

⁶ Because of the importance of financial management and reporting to every organisation, at least one member of the Committee should have recent and relevant financial experience sufficient to allow them to competently analyse the financial statements and understand good financial management disciplines. From the HMT audit and risk assurance committee handbook.

BBB Chair also has an obligation to ensure that:

- (i) The Board and its members are functioning effectively as a strategic decision making body and are providing appropriate levels of support and challenge to the executive, and that the performance of the board is evaluated regularly (see paragraph 5.5);
- (ii) Board members are fully briefed on their terms of appointment, duties, rights and responsibilities;
- (iii) They, together with the other BBB board members, receive appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- (iv) Members of the board receive annual performance appraisals and the board as a whole participates in periodic board effectiveness reviews;
- (v) They can advise the Secretary of State on the performance of individual board members when they are being considered for re-appointment;
- (vi) The Secretary of State is advised of BBB's needs when board or executive vacancies arise, to ensure that the Board has a good balance of skills appropriate to directing BBB Group business, and has an appropriate level of diversity, as set out in the Corporate Governance in Central Government Departments Code of Good Practice, taking advice from the CEO, and
- (vii) There are board terms of reference in place setting out the role and responsibilities of the Board consistent with the Corporate Governance in Central Government Departments Code of Good Practice.

5.7 Individual board members' responsibilities

Board members' responsibilities specific to the requirements of the BBB Group are set out in their agreed terms and conditions of appointment and otherwise in the Companies Act 2006 and other applicable legislation. In addition individual board members should:

- (A) Comply with Cabinet Office guidance including the Code of conduct for board members of public bodies and the 12 Principles of Governance for all Public Body NEDs;
- (B) Comply at all times with the BBB Standards of Conduct and with the rules relating to the use of public funds and with the Board's rules relating to conflicts of interest;
- (C) Not misuse information gained in the course of their public service for

personal gain or political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;

- (D) Comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments, and
- (E) Act in good faith and in the best interests of BBB.

6. OPERATING PRINCIPLES

6.1 BBB and each member of the Commercial Arm, the Mandated Arm and the Service Arm shall:

- (A) Operate in accordance with its respective objects, as set out in its respective articles of association;
- (B) Act in a manner consistent with the Group Business Plan (as defined in paragraph 6.2 or the relevant Commercial Arm Business Plan, as applicable) to the extent that their provisions are relevant to the applicable company or member of the Group;
- (C) Operate within financial services and any other relevant regulatory parameters;
- (D) Except in relation to the Commercial Arm, seek to overcome distortion and any displacement effects where markets do not function well;
- (E) Seek to overcome market imperfections and improve market effectiveness and, in the case of the Mandated Arm and the Service Arm, whilst minimising adverse impacts on competition and trading conditions;
- (F) Apply commercial expertise to, and endeavour to operate and to evaluate, the operation of commercial programmes (in the case of the Commercial Arm, on a fully commercial basis) where appropriate to address a market failure; and
- (G) Operate consistently with the terms of the State aid Settlement and any subsequent State aid requirements, in each case liaising with UK Government as appropriate.

6.2 Group Business Plan and Commercial Arm Subsidiary Business Plan

- (A) The BBB Board will develop and update a business plan for the BBB Group covering a period of five years (the **Group Business Plan**).
- (B) The Secretary of State and the BBB Board shall agree the issues and priorities to be addressed in the Group Business Plan but it will include:
 - (i) The strategic objectives of the BBB Group, the strategy for meeting those objectives and associated performance targets (financial and non-financial) for the BBB Group, in line with the requirements of

this framework document and the Financial Framework (see paragraph 7.1);

- (ii) A set of financial forecasts which underpins the Group Business Plan and includes the costs of operating the BBB Group, and financial forecasts for individual programmes owned by the BBB Group and managed by the BBB Group, and
 - (iii) Alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the Group Business Plan but that cannot be accurately forecast.
- (C) The Group Business Plan shall be reviewed by the BBB Board on an annual basis and otherwise as necessary to take account of any additional or amended obligations or responsibilities assumed by the BBB Group. The Group Business Plan shall be subject to review by, and approval of, the Secretary of State and Chief Secretary to the Treasury on an annual basis.
- (D) BBB shall inform and consult with the Secretary of State in respect of any contemplated changes to the Group Business Plan that are, or may become, necessary from time to time (and in accordance with the 'in-year amendments to the Business Plan' annex to the Financial Framework). Any proposed updates or amendments to the Group Business Plan, whether arising out of the annual review process or otherwise, will be subject to discussion with, and approval by, the Shareholder and HM Treasury if appropriate.
- (E) The board of each operating member of the Commercial Arm will develop and update a business plan with BBB, including a budget and financial forecasts, which shall demonstrate the market(s) in which the relevant member shall operate, its intended activities and a forecast of expected future returns over a five year term (each such plan, the Commercial Arm Subsidiary Business Plan).
- (F) Each Commercial Arm Subsidiary Business Plan will cover a period of five years and shall be reviewed by the board of the relevant member of the Commercial Arm on an annual basis and otherwise as necessary to take account of any additional or amended obligations or responsibilities assumed by the relevant member. Each Commercial Arm Subsidiary Business Plan will be subject to review by, and approval of, BBB on an annual basis and BBB shall monitor the implementation of each Commercial Arm Subsidiary Business Plan.
- (G) Each operating member of the Commercial Arm shall inform and consult with BBB in respect of any contemplated changes to its Commercial Arm Subsidiary Business Plan that it considers to be material in nature and are, or may become, necessary from time to time. Any proposed updates or amendments to a Commercial Arm Subsidiary Business Plan, whether arising out of the annual review process or otherwise, will be subject to

discussion with, and approval by, BBB.

6.3 Policies

In conducting its activities, BBB and each other member of the BBB Group shall have in place policies that are appropriate to the organisation and which will include the following:

(A) Procurement policy

- (i) BBB shall ensure that its procurement policies are aligned with and comply with any relevant UK rules and in particular the Public Contracts Regulations 2015.
- (ii) BBB shall establish and document its procurement policies and procedures.
- (iii) Goods, services and works shall be acquired in compliance with the Public Contracts Regulations 2015 and BBB's procurement policies and procedures.
- (iv) Procurement by BBB of works, equipment, goods and services shall be based on an appropriate option appraisal and assessment of value for money (**VfM**), i.e the optimum combination and whole life costs and quality (fitness for purpose).
- (v) BBB shall a) where requested, engage fully with BEIS and Government-wide procurement initiatives that seek to achieve VfM from collaborative projects; b) comply with all relevant Procurement Policy Notes issued by Cabinet Office; and c) where requested, co-operate with BEIS's initiatives to improve the availability of procurement data to facilitate the achievement of VfM.

(B) Tax policy

In addition to any other policies the BBB board considers necessary, the BBB Group shall have (and shall conduct its activities in accordance with) a tax policy that has been agreed in writing by BEIS. In accordance with applicable regulation, BBB publishes its tax strategy on its website. This applies to British Business Bank Plc and all other members of the BBB Group.

(C) Counter Fraud and Theft Policy

- (i) BBB shall adopt and implement policies and practices to safeguard itself (and any public money for which it is responsible) against fraud and theft and shall act in line with guidance as issued by the Counter Fraud Function and in compliance with the procedures and

considerations as set in in Managing Public Money Annex 4.9 and the Counter Fraud Functional Standard.⁷

- (ii) BBB shall take reasonable and proportionate steps, as BBB sees fit, to appraise the financial standing of any firm or other body with which it intends to enter into a contract. BBB shall keep relevant records of and upon request from the Secretary of State, prepare and forward to the Secretary of State a report on fraud and theft suffered by the BBB Group.
- (iii) BBB shall report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in Counter Fraud Functional Standard.

6.4 Incorporation of subsidiaries and subsidiary undertakings

No member of the BBB Group shall incorporate a subsidiary or incorporate or establish a subsidiary undertaking unless it has notified the Secretary of State in writing before any such incorporation or establishment (as applicable), save as part of the ordinary establishment of a finance programme in respect of smaller businesses, and in any case BBB shall notify the Secretary of State of a proposal to establish a regulated entity or any undertaking incorporated or established outside the UK.

6.5 Programme transfers

It is not expected that programmes will transfer between any member of the Commercial Arm and the remainder of the BBB Group, particularly given the different objectives across the BBB Group. In the exceptional event that such a transfer is deemed appropriate, the transfer would need to comply with the constitution of the member of the BBB Group concerned, any other relevant corporate governance documents and other relevant legal requirements. The transfer would also be subject to approval by the board of the relevant member of the Commercial Arm, the board of any other BBB Group member involved in the transfer and the BBB Board.

6.6 Confidential Information

The Shareholder Representative Director shall be authorised to pass to the Shareholder, UKGI and BEIS officials information received in their capacity as director of BBB.

Where the Shareholder Representative Director receives information other than in their capacity as a director of BBB, and where that information is subject to a duty of confidentiality, they shall not be obliged to disclose that information to BBB. The service agreement for the Shareholder Representative Director contains further provisions specifically on the sharing of confidential information between BBB and

⁷ <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

the Shareholder Representative Director.

6.7 Freedom of information

Where a request for information is received by either BBB or the Shareholder under the Freedom of Information Act 2000, or the Data Protection Act 1998 or 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities.

6.8 Material Disputes and Litigation

- (A) Notwithstanding the provisions of any protocol agreed under the terms of paragraph 6.8(C) below, BBB shall provide a quarterly update to the Secretary of State (via UKGI) on the existence of any active litigation and any threatened or reasonably anticipated litigation;
- (B) The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the Secretary of State (via UKGI) in a timely manner; and
- (C) In respect of each material⁸ piece of litigation involving BBB, the parties will agree a litigation protocol which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to the Secretary of State in order to facilitate this.

Until such time as a protocol is agreed, the parties will ensure that:

- (i) Material developments in the litigation are communicated to the Secretary of State in an appropriate and timely manner;
- (ii) Legally privileged documents and information are clearly marked as such;
- (iii) Individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect that legal privilege, and
- (iv) Circulation of privileged information within the UK Government occurs only as necessary.

7. FINANCIAL TARGETS AND PRINCIPLES

7.1 Financial framework

BBB and its subsidiaries shall operate within the terms of a financial framework agreed to by BBB, BEIS and HM Treasury (the **Financial Framework**). The Financial Framework sets out a number of high level principles that enable BBB to manage its business and to recognise its need for operational independence. This includes its ability, in respect of the Commercial Arm and Mandated Arm, to not be constrained by any programme-specific budgets but to manage an overall budget of the types of

⁸ Note that material piece of litigation in this context, means a dispute which the BBB has entered into with a third party which the BBB considers to be material with respect to the value of the subject of the dispute or in relation to reputational risk

resources that it receives taking a portfolio approach to intervention and without limitations on its investment decisions except as provided in this framework document and any specific conditions that may be applied by HM Treasury, such as ringfencing of individual budgets or programmes. BBB shall follow the principles, rules, guidance and advice applicable to central government bodies as set out in 'Managing Public Money' and the 'Consolidated Budgeting Guidance' subject to any specific arrangements for particular programmes or transactions as set out in the Financial Framework. Once a budget has been approved by BEIS and, subject to the Secretary of State's instructions in allocation letters, BBB will be free to allocate resources and incur expenditure approved in the budget without further reference to BEIS provided that it shall comply with its delegations which shall not be altered without the prior agreement of BEIS.

7.2 Delegated authorities

BBB's delegated authorities will be set out in a delegation letter as issued from time to time by, or on behalf of, the PAO to the BBB CEO as accounting officer.

7.3 Group financial target

BBB is tasked to meet a return target for the BBB Group, calculated by reference to a medium-term cost of borrowing. The details of how the target and returns are calculated are as set out in the Financial Framework.

7.4 Separation of funding streams

BBB shall ensure that the funding for each of the Commercial Arm, the Mandated Arm and the Service Arm is accounted for separately and that any funding or other financial support provided in respect of any member of the BBB Group shall be consistent with the State aid Settlement and State aid requirements. For the avoidance of doubt, profits generated by the Commercial Arm that have been distributed to BBB may be re-invested in the Mandated Arm⁹.

7.5 Investment decision-making

BBB and each of its principal subsidiaries will establish an investment committee, the purpose of which is to provide a governance framework for managing investment. The terms of reference for each investment committee will set out the means by which the BBB Board, and each board of each principal subsidiary, ensures oversight of any such investment. BBB must maintain an adequately resourced integrated portfolio management office.

7.6 BBB and Mandated Arm spending threshold

The consent of the Secretary of State shall be required before BBB or any member or members of the Mandated Arm shall make any individual investment or individual financial commitment (as part, or comprising the whole, of a programme) in excess

⁹ In accordance with the 2017 Settlement Letter from BEIS to BBB following Autumn Budget 2017, funding in respect of British Patient Capital Limited, which sits in the Commercial Arm, will not be utilized across any other entity in the Group. This does not apply to the seeded assets through the Venture Catalyst programme, which has an agreed repayment profile.

of £75 million. Any such consent must fall within BEIS's own delegated authorities. As set out in the Financial Framework, total commitments should not exceed the total available resources.

7.7 No borrowing

No member of the BBB Group shall incur borrowings (or any analogous obligations) without HM Treasury written consent but may incur liabilities in connection with normal business activities, including in respect of guarantees, indemnities or security granted by a member of the BBB Group, provided that such liabilities (whether with respect to guarantees, indemnities, security or otherwise) are incurred within the terms of the Financial Framework or are otherwise agreed in writing with HM Treasury.

Any debt funding of any member of the Commercial Arm by BBB or the UK Government shall require an assessment that the rate for such funding is commercial.

7.8 Banking and Managing Cash

BBB must maximise the use of publicly procured banking services (accounts with central government commercial banks managed centrally by Government Banking).

BBB should only hold money outside Government Banking Service accounts where a good business case can be made for doing so and HM Treasury consent is required for each account to be established. Only commercial banks which are members of relevant UK clearing bodies may be considered for this purpose.

Commercial Accounts where approved should be operated in line with the principles as set out in Managing Public Money.

8. EMPLOYEES AND REMUNERATION

8.1 Responsibilities for employees

Within the arrangements approved by the Secretary of State and HM Treasury, BBB has responsibility for the recruitment, retention and management of its employees.

8.2 Reward and remuneration

(A) The Secretary of State expects the BBB Remuneration Committee to have responsibility for setting the remuneration policy for all executive directors of members of the BBB Group, the BBB Chair, the chair of each other member of the BBB Group and all other senior management of any member of the BBB Group, including pension rights, any compensation payments and, in so far as possible in respect of wholly-owned subsidiaries, performance related remuneration. Proposals on severance must comply with the rules in Chapter 4 of Managing Public Money;

(B) The BBB Board may give the Remuneration Committee responsibility for performing the functions of BBB relating to the remuneration of other

employees, details of which should be made available to BEIS;

- (C) In determining its remuneration policy, the Remuneration Committee shall take into account all factors that it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Corporate Governance Code and associated guidance;
- (D) The approval of or agreement to (or material variation or amendment of) the remuneration, the terms and conditions on which such remuneration is to be paid or granted or the terms of employment or engagement of any director of BBB or any non-executive director of any other member of the BBB Group shall require the prior written consent of the Secretary of State in accordance with, and observing any limits in, BBB's Articles or the articles of association of the relevant member of the Group (as applicable);
- (E) No employee of BBB or any other member of the BBB Group below board level shall be paid more than the highest paid director of BBB (the **Highest Paid Director**) without prior written consent of the Secretary of State. For this purpose, such remuneration shall be deemed to be equal to the sum of the salary, taxable benefits and any other allowances that the Highest Paid Director and the relevant employee are each due to receive in the relevant year, together with the maximum possible payment from any award(s) under BBB's incentive plans made during the year;
- (F) Except as set out in paragraph 8.2(G) below, and unless otherwise agreed with the Secretary of State in relation to any employees within BBB or any member of the BBB Group, the average total remuneration of employees below board level in the BBB Group shall be in line with lower quartile total remuneration for comparable roles in the private sector (calculated on the same basis). For these purposes, total remuneration means an employee's annual base salary together with their annual payment or allocation under any applicable incentive scheme. This exemption does not apply to employees of The Start-Up Loans Company who are subject to public sector pay rules; and
- (G) The following additional exemptions have been agreed with respect to employees within the BBB Group; (i) the number of employees within the BBB Group with total remuneration in excess of the Prime Minister's salary, where the prior written approval of the Secretary of State is not required, shall not exceed the number agreed to by the Secretary of State from time to time. For the purpose of this calculation, total remuneration will be calculated using the methodology set out in 'Guidance for approval of senior pay: senior pay controls process, dated September 2021' or such updated version of such document as may be published from time to time. As at the date of this framework document, the agreed number of employees is 24 (of which 4 are ring-fenced for BPC roles only) and the number shall continue to be reviewed as the BBB Group develops; and (ii) a certain number of employees within BPC may be paid an average total remuneration in line with the median quartile total remuneration for comparable roles in the private sector (calculated on the same basis). As at the date of this framework document, the agreed number of employees is 9 and the number

shall continue to be reviewed in line with the continuing needs and development of the BPC business. For the avoidance of doubt, these BPC employees will be excluded from the calculation of average total remuneration of employees for the purpose of paragraph 8.2(F) above.

8.3 The Remuneration Committee shall on an annual basis, as soon as possible after the end of the financial year to which the information relates:

- (A) Report to the Secretary of State on the remuneration of employees below board level in the Group, providing a comparison against comparable roles in the private sector as necessary, and more generally on how the Group is showing best practice and leadership on remuneration in the financial services industry;
- (B) Confirm to the Secretary of State that no-one below board level in the Group is paid more than the Highest Paid Director, unless the Secretary of State approval has been received;
- (C) Confirm to the Secretary of State that the average total remuneration of employees below board level in the Group (where total remuneration includes their annual payment or allocation under any applicable incentive scheme and any applicable pension contribution(s)) is in line with lower quartile total remuneration for comparable roles in the private sector (calculated on the same basis);
- (D) Confirm to the Secretary of State that, where additional exemptions have been agreed in relation to employees of BBB or any member of the BBB Group, that the number of employees falling under the relevant exemption are within the numbers agreed to by the Secretary of State as may be applicable at that time; and
- (E) Confirm to the Secretary of State that in line with the Group's objective to deliver an appropriate return to the Secretary of State equal to the Group financial target as outlined in paragraph 7.3, it considers that the remuneration policy of the Group as described in paragraph 8, represents good value for the Exchequer as a whole, and the Group's remuneration practices are consistent with the delivery of that objective.

8.4 The Shareholder's interest is primarily in ensuring that remuneration levels:

- (A) Are designed to promote the long-term success of the Group and to drive the delivery of the activities and objectives described in this framework document;
- (B) Are structured to link a significant proportion of executive directors' remuneration to performance;
- (C) Demonstrate that the Group is showing best practice and leadership on remuneration in the financial services industry including addressing gender and (subsequent to the implementation of planned legislation) diversity pay

gaps;

- (D) Deliver good value for money for the Exchequer as a whole, and
- (E) Take account of remuneration levels within comparable public sector institutions.

8.5 Modern Slavery

BBB shall comply with its obligations under the Modern Slavery Act 2015, committing to preventing slavery human trafficking in all its activities and ensuring as far as possible that supply chains are free from slavery and human trafficking. It shall report annually and provide a link to this report on its website as required by the legislation.

9. PERFORMANCE AND MONITORING

9.1 The Shareholder Representative function shall regularly monitor the Group's performance against the objectives described in this framework document, by the following means:

- (A) Meetings between the BBB Chair (quarterly) and the CEO (fortnightly) and representatives of the Secretary of State shall be held to discuss the Group's activities and performance against the objectives described in this framework document;
- (B) quarterly shareholder meetings between the CEO, the BBB Chief Financial Officer and senior representatives from BEIS, UKGI and HMT shall be held to discuss the Group's activities and performance against the objectives described in this framework document;
- (C) monthly meetings between representatives of BEIS, UKGI and HMT and BBB's finance team shall be held to provide a forum to review the Group's activities, the Group's performance against the objectives described in this framework document and any expenditure or forecast expenditure by the Group in excess of that set out in the Group Business Plan, in particular with regard to the financial targets and principles and risks applicable to the Group;
- (D) BBB shall provide reports to the Shareholder Representative function containing such information as BBB, in consultation with the Secretary of State, deems sufficient to enable the Secretary of State to monitor the achievement of the Overarching Purposes and the purposes as stated in the Company Objects, the Commercial Subsidiaries Objects, the Mandated Subsidiary Objects and the Service Subsidiary Objects and the management of risks applicable to the Group; and
- (E) In addition to the quarterly shareholder meetings, the directors of BBB shall meet representatives of the Secretary of State to discuss the affairs of the Group at the Secretary of State's request.

9.2 The specific responsibilities within BEIS and UKGI for performance monitoring, the terms of reference for the quarterly shareholder, monthly finance and any additional

regular meetings and details of the regular business as usual engagement, may be agreed from time to time by BBB, BEIS and UKGI in the form of a Joint Working Protocol.

9.3 The Secretary of State may, on giving reasonable notice to BBB, have access to the books and records and the management of BBB and may request the sharing of data held by BBB as set out in central guidance except insofar as it is prohibited by law and BBB shall provide the Secretary of State with such information about its operations, performance, individual projects or other expenditure as the Secretary of State may reasonably require.

9.4 Review of BBB's status

BBB will be reviewed periodically in accordance with Cabinet Office guidance or at the request of the Shareholder.

9.5 Arrangements in the event the BBB Group is wound up

In the event that the BBB Group, or any member of it, is to be wound up, BEIS shall put in place arrangements to ensure that any such winding up is conducted in an orderly manner. In particular, BEIS should ensure that, subject to compliance with applicable insolvency rules and legislation, the assets and liabilities of BBB (or the relevant member of the BBB Group) are passed to any successor organisation (or revert to BEIS) and accounted for properly.

10. ACCOUNTING AND AUDIT REQUIREMENTS

10.1 Annual report and accounts

- (A) In producing accounts in accordance with statutory requirements, BBB shall, and shall, to the extent it is able to do so, ensure that any auditor shall, apply IFRS financial reporting regulations;
- (B) BBB shall observe the Companies Act 2006 provisions for quoted companies in respect of its reporting obligations and shall obtain the necessary information from the Group for that purpose. BBB shall also include a corporate governance statement in its directors' report as though it were a company to which paragraph 7.2 of the Disclosure and Transparency Rules applies;
- (C) BBB shall provide BEIS with such information as is necessary for BEIS to produce its own accounts in respect of BBB and the Group; and
- (D) BBB shall ensure that its accounting structure allows for accounting transparency and separation between aided and non-aided revenue, in particular, whether revenue has originated from aided or non-aided programmes and investments and whether the revenue has originated from the Commercial Arm or the Mandated Arm. The Service Arm will maintain

its own accounting records in respect of its costs and revenues.

10.2 Internal audit

The BBB Board shall establish and maintain an internal audit function for the Group. The internal audit function will report to the Audit Committee and will consider issues relating to BBB and the Group's delivery of the objectives set out in this framework document, in particular, matters relating to the strategy, performance and risk management of BBB and the other members of the Group.

10.3 External Audit

- (A) BBB will arrange for audit of its accounts in accordance with the Companies Act 2006. BBB will invite the Comptroller and Auditor General (the **C&AG**) to accept appointment as BBB's auditor and will, in turn, in compliance with the provisions of the Companies Act 2006, ensure that the C&AG is invited to be appointed as the auditor of each member of the Group but not, for the avoidance of doubt, any investment programme vehicles;
- (B) BBB's auditor will share information identified during the audit process, the audit report and any other outputs in respect of the audit process and the audit report, with the Secretary of State promptly after any relevant audit; and
- (C) The Secretary of State will place the audited accounts together with the auditor's report in the House of Lords and the House of Commons libraries.

10.4 Right of access

The C&AG may carry out examinations into the economy, efficiency and effectiveness with which BBB and members of the Group have used their resources in discharging their functions. For the purpose of those examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, BBB shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by counterparties to any agreement in respect of any member of the Group.

11. **RISK APPETITE AND MANAGEMENT FRAMEWORK**

11.1 BBB shall develop and update, in respect of the Group, a:

- (A) risk appetite statement (the **Risk Appetite Statement**);
- (B) risk appetite policy (the **Risk Appetite Policy**); and
- (C) risk management framework (the **Risk Management Framework**),

each in respect of risks relevant to the activities and exposures of the Group, including risks associated with making and divesting investments, the assessment and mitigation of those risks and the Group's associated structures, controls, processes and procedures.

11.2 The Risk Appetite Statement, the Risk Appetite Policy and the Risk Management

Framework shall each be subject to review and approval by the Secretary of State on an annual basis (which review and approval may be delegated to the Shareholder Representative Director) and shall each be reviewed by the BBB Board on an annual basis and otherwise by the BBB Board as necessary to take into account any changes that it deems relevant, including but not limited to the activities of the Group, the investment environment, and regulatory guidelines and requirements (which, even if the Group does not conduct regulated activities, shall be applied on a best practice basis to the extent appropriate).

- 11.3 BBB shall inform and consult with the Secretary of State (or the Shareholder Representative Director on their behalf) in respect of any updates or amendments to the Risk Appetite Statement, the Risk Appetite Policy and/or the Risk Management Framework that the BBB Board considers to be material and that are, or may become, necessary from time to time.

12. SUBSIDY CONTROL AND FINANCIAL REGULATION

12.1 Subsidy control

- (A) The Secretary of State expects BBB to ensure that the activities of the Group comply with the UK's international obligations in relation to subsidies and with the various existing State aid notifications where the Northern Ireland Protocol is engaged and that have been submitted in respect of the programmes managed by the Group. BBB will have its own in-house, or will obtain suitable third party, expertise on the compliance with the Subsidy Control Act 2022, as well as compliance with the UK's subsidy control commitments under Article 10 of the Northern Ireland Protocol, Chapter 3 of the EU-UK Trade and Cooperation Agreement, the World Trade Organization Agreement on Subsidies and Countervailing Measures and other applicable bilateral trade commitments (referred to as "the UK's domestic and international subsidy control commitments") that will advise the Group, in particular in respect of individual programmes and transactions;
- (B) In respect of:
- (i) issues that may affect the Shareholder's reputation;
 - (ii) any novel or significant issues arising in relation to programmes administered or operated by the Service Arm; and
 - (iii) any proposed alterations to the approved parameters of any existing notified or approved schemes or programmes,

BBB will consult the Shareholder's subsidy control team,

- (C) Insofar as there are subsidy schemes in the Mandated Arm or where the Service Arm is administering, operating or implementing such schemes, and in relation to the Group as a whole, the Group will be responsible for the provision of data to the Shareholder's subsidy control team, in line with the

UK's domestic and international subsidy control commitments;

- (D) The Secretary of State will lead on all State aid related communications with the European Commission where the Northern Ireland Protocol is engaged, which will be effected through the Shareholder's subsidy control team; and
- (E) The Secretary of State may require repayment of any aid provided to the Group, together with interest from the date of payment, if the Secretary of State is required to do so as a result of a decision by the European Commission or as a result of any obligation arising under EU law.

12.2 Regulatory

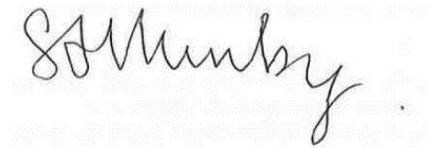
- (A) Where a material issue arises in relation to financial regulation which could affect the interests of the Secretary of State, then BBB or the relevant member of the Group must consult with the Shareholder Representative, in good time and before any substantive communications with the relevant financial regulator addressing that issue, to agree an appropriate clearance arrangement for such communications;
- (B) The Secretary of State acknowledges that the provision of certain aspects of the Group's activities may be subject to the Financial Conduct Authority Rules (the **FCA Rules**) or guidance or principles, the Prudential Regulation Authority Rules (the **PRA Rules**) or guidance or principles and/or other applicable laws or regulations. If there is any conflict between the framework document and any of the FCA Rules or guidance or principles, the PRA Rules or guidance or principles or other applicable laws or regulations, the Secretary of State acknowledges that any relevant FCA Rules, PRA Rules and/or other applicable laws or regulations shall prevail.

13. STATUS OF FRAMEWORK DOCUMENT

- 13.1 This framework document should be interpreted in the light of BBB's Articles, the articles of association of any relevant member of the Group and English company law and is without prejudice to the statutory and other rights and obligations of the Shareholder, BBB or any other member of the Group.
- 13.2 Legislative provisions shall take precedence over any part of this document.

Signatures

Signed on behalf of British Business Bank plc and the Secretary of State for Business, Energy and Industrial Strategy by the following:

A handwritten signature in black ink, appearing to read 'Sarah Munby', written in a cursive style.

Sarah Munby

Permanent Secretary for the Department for Business, Energy and Industrial Strategy

A handwritten signature in black ink, appearing to read 'Louis Taylor', written in a cursive style.

Louis Taylor

Chief Executive Officer, British Business Bank plc

ANNEX 1 - COMPANY OPERATIONAL INDEPENDENCE UNDERTAKING

1. Definitions

Unless otherwise defined below, capitalised terms used in this Annex shall have the meaning given to such terms in the framework document drawn up by BBB and the Shareholder.

2. Undertakings

2.1 In its capacity as the sole shareholder of BBB, the Secretary of State is committed to giving the BBB Board freedom to operate the Group in seeking to achieve its purposes as stated in BBB's Articles and strategic objectives. The Group will have operational independence to identify, design and deliver specific interventions, or any category of interventions, based on its own assessment of how to achieve the Group Business Plan, save in respect of the Service Arm. Subject to the exceptions below, but without prejudice to paragraphs 4 and 5, the Secretary of State as Shareholder:

- (A) Shall not interfere in day-to-day operational or commercial matters or decision-making by BBB except to the extent that such activities relate to the activities of the Service Arm or statutory functions (if any) to be undertaken by the Group;
- (B) Shall not, save in respect of the Service Arm, give any instruction to BBB to implement, or prevent BBB from implementing, any specific programme(s) or category of programme(s);
- (C) Shall not exercise its rights as shareholder in a manner which is inconsistent with this paragraph 2 or the framework document; and
- (D) Shall allow the Group freedom to allocate resources within its control budgets, (together, (A), (B), (C) and (D) being the "**Company Independence Principles**").

2.2 The Secretary of State shall not give any instruction to the directors of any member of the Commercial Arm or to BBB in respect of any of the Commercial Arm subsidiaries, which would be inconsistent with the requirement for such subsidiary to operate and conduct its activities on a fully commercial basis or which would be contrary to any provision of the State aid Settlement applicable to that subsidiary.

2.3 Instruction to BBB

Without prejudice to paragraph 2, if the PAO considers seeking Ministerial direction prior to any instruction being given to BBB to undertake an action or an instruction to procure that any member of the Group undertakes an action, BBB's CEO as Accounting Officer shall so far as practicable be afforded an opportunity to agree or comment on advice¹⁰ provided by BEIS and the PAO to the Minister as to whether to give a Ministerial direction, or to submit a contrary view alongside it. The Accounting Officer may provide useful input relating to potential grounds on which the Board may

¹⁰ This is sometimes referred to as "AO advice" within BEIS.

subsequently make reservations.

3. Right to raise reservations

3.1 Instructions to BBB should be addressed to the CEO and copied to the Chair of the Board. Subject to paragraph 2, if the Secretary of State (or any person to whom the Secretary of State has delegated the responsibility following approval of the instruction) gives any instruction to BBB to undertake an action or an instruction to procure that any member of the Group undertakes an action that the CEO, the directors of BBB or the directors of any member of the Group required to undertake any such action (an “**Affected Company**”) reasonably believe (in the case of an Affected Company, by providing written notice to BBB) would or may require BBB or any relevant Affected Company (as applicable) to undertake an action that would:

- (A) Infringe the requirements of propriety or regularity;
- (B) Not represent good value for money for the Exchequer as a whole;
- (C) Be of questionable feasibility or is unethical;
- (D) Be contrary to BBB’s objects or those of any member of the Group or would result in the Affected Company being in breach of its objects;
- (E) Be contrary to the Overarching Purposes;
- (F) Result in the directors of BBB or any relevant Affected Company being in breach of their legal duties to the relevant company; and/or
- (G) Not be in the best interests of BBB or any relevant Affected Company for any other material and demonstrable reason,

then the BBB Board, acting through the CEO, may make their reservations in respect of such matter clear to the Secretary of State in writing (a “**Reservation Notice**”). If a Ministerial direction is in place, and to the extent that the Board are satisfied that their concerns have already been considered in the process of seeking that direction and in Ministerial decision-making, then the Board may, at its discretion, conclude that the need to issue a Reservation Notice is obviated (noting that their concerns will not, in that case, be published).

3.2 If the Shareholder, after receiving a Reservation Notice, nevertheless wishes the BBB to proceed, or to procure that any Affected Company shall proceed, with the matter that is the subject of the Reservation Notice (an “**Instructed Matter**”), then the Shareholder shall provide the CEO with a written instruction to undertake such Instructed Matter from the Secretary of State or any person to whom the Secretary of State has delegated the responsibility (a “**Written Direction**”).¹¹

3.3 Upon receipt of a Written Direction the CEO shall:

- (A) Inform the BBB Board who shall undertake the Instructed Matter or procure that the Instructed Matter shall be undertaken by any relevant Affected Company,

¹¹ In certain specific circumstances, the Carltona principle may allow for the powers of the Secretary of State to be exercised by junior Ministers or the Senior Civil Service.

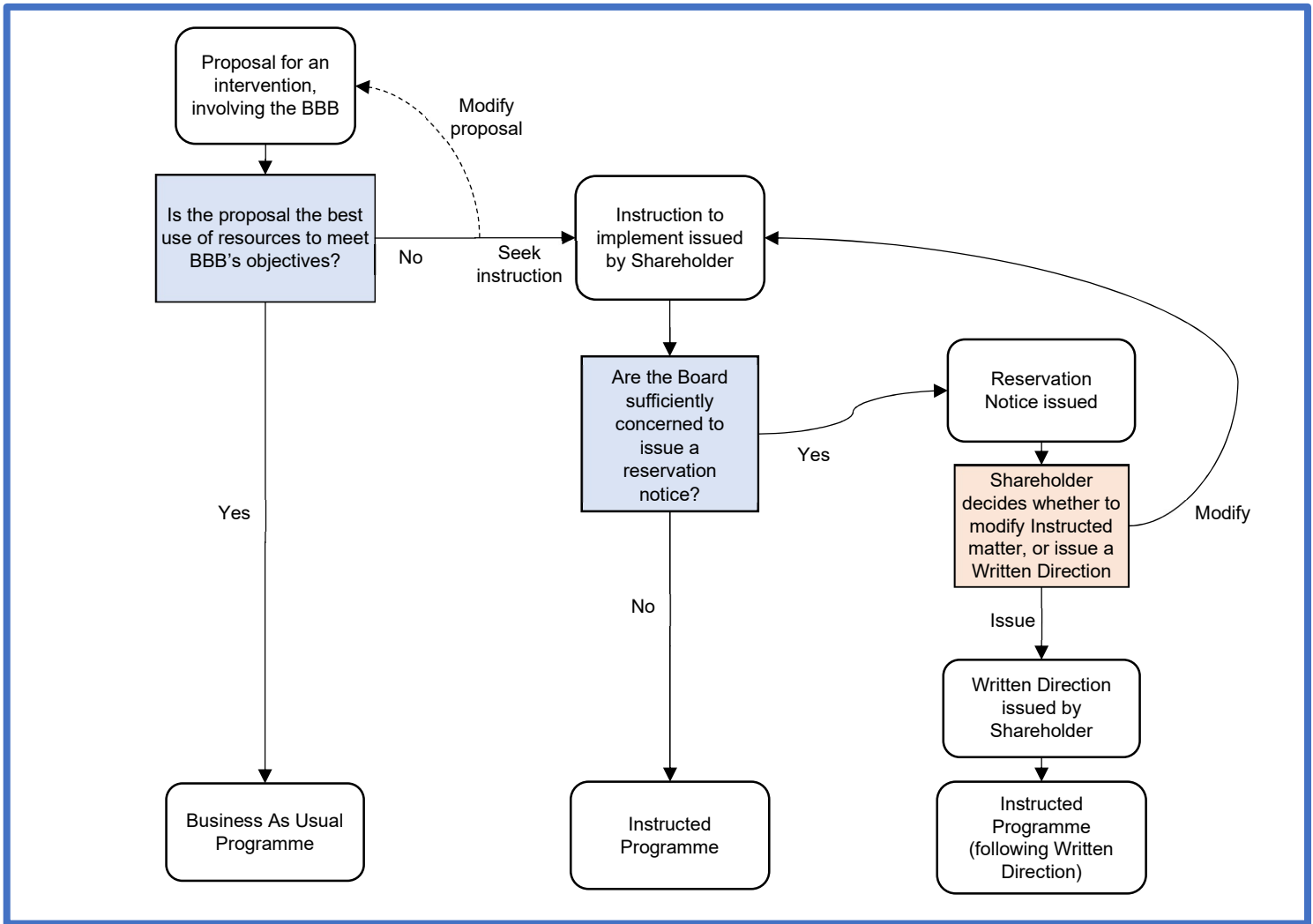
without delay;

- (B) Copy the Written Direction to the Comptroller & Auditor General and the Treasury Officer of Accounts;
- (C) If asked, explain the Shareholder's course of action to the Comptroller & Auditor General and the Treasury Officer of Accounts; and
- (D) Arrange for the Reservation Notice and the Instruction or Written Direction to be published as soon as possible without materially compromising the Instructed Matter (unless the Written Direction specifies that these documents must be kept confidential or must be published sooner).

4. Exceptions

- 4.1 The Company Independence Principles shall only apply if and to the extent that the activities of BBB are:
 - (A) Consistent with BBB's Articles (including with respect to the achievement of the BBB's purposes as stated in its Objects), the Operating Principles and the Financial Targets and Principles; and
 - (B) Compliant with the provisions of the State aid Settlement and the other specific requirements imposed upon the Group pursuant to the framework document.
- 4.2 Notwithstanding the Company Independence Principles, in addition to any matters which are expressly stated to be subject to the prior approval of the Secretary of State in the framework document or BBB's Articles, any conduct which is inconsistent with BBB's Articles, the Operating Principles or the Financial Targets and Principles shall require the prior written approval of the Shareholder.

BBB intervention Flowchart



| Arm | BAU | Instructed | Instructed + Written Direction |
|------------|-----|------------|--------------------------------|
| Service | ✓ | ✓ | ✓ |
| Mandated | ✓ | X | x |
| Commercial | ✓ | X | x |

The preferred route is for BBB to deliver on its objectives through business as usual (**BAU**) programmes. Where a programme originates from outside BBB, BBB staff will engage with its originators to test, and where appropriate develop and optimize, the proposal.

If BBB is requested to deliver a programme that it does not consider optimal, it may do so without seeking formal instruction, but this will be a matter of case by case judgment. If BBB does not believe a programme to be a reasonably good means of achieving its objectives, it will ask for the CEO to be instructed before proceeding.

BBB will informally sight the Board on potentially contentious programmes early wherever possible. BEIS will likewise raise proposals with BBB as early as is reasonably practicable.

If the CEO receives an instruction, the Board has the option to issue a reservation notice if the relevant grounds are met. In deciding whether to do so, it may take into account whether its

concerns have already been addressed by a Ministerial direction to BEIS.

The Board may delegate decision-making as appropriate, but the CEO remains the Accounting Officer for all programmes. If BBB acts under instruction, then if any of the specifics contained in the instruction require subsequent modification, further instruction will be needed.

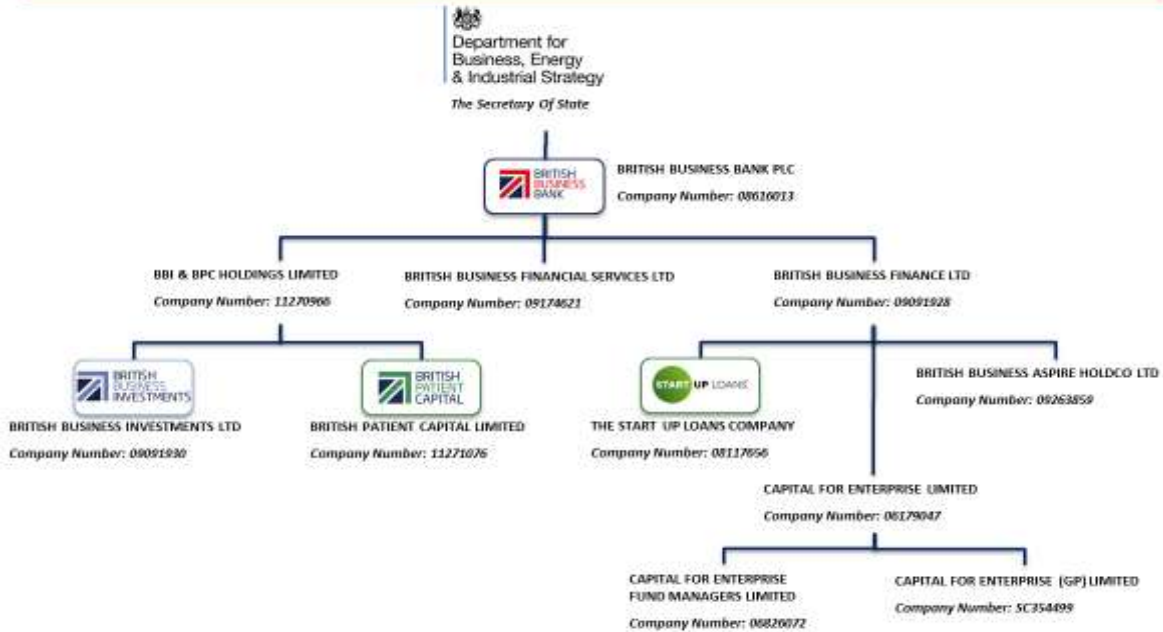
ANNEX 2 - COMPLIANCE WITH GOVERNMENT-WIDE CORPORATE GUIDANCE AND INSTRUCTIONS

In addition to the laws and regulations to which the BBB Group may be subject, (and to the extent not contrary to such laws and regulations) BBB shall comply with the following general guidance documents and instructions as updated from time to time unless amended by this framework document, the Financial Framework or otherwise agreed with BEIS and, as appropriate, HM Treasury:

- Managing Public Money
- The Code of Conduct for Board Members of Public Bodies
- Governance Code on Public Appointments
- Corporate Governance in Central Government Departments Code of Good Practice
- Financial Reporting Council's UK Corporate Governance Code
- HM Treasury guidance Management of Risk: Principles and Concepts
- HM Treasury public sector pay controls (including HM Treasury guidance for approval of senior pay), noting BBB's exemptions subject to certain conditions

ANNEX 3 - GROUP STRUCTURE CHART AS AT THE DATE OF THE FRAMEWORK DOCUMENT

Corporate Structure



@britishbbank
www.british-business-bank.co.uk



ANNEX 4 - RESPONSIBILITIES OF PRINCIPAL ACCOUNTING OFFICER AND BBB CEO AS ACCOUNTING OFFICER

The PAO is accountable to parliament for the issue of funding to BBB. The PAO is also responsible for advising the responsible minister on:

- (A) An appropriate framework of objectives and targets for BBB with regards to BEIS's wider strategic aims and priorities;
- (B) An appropriate budget for BBB with regards to BEIS's overall public expenditure priorities,
- (C) How well BBB is achieving its strategic objectives and whether it is delivering value for money; and
- (D) The PAO is also responsible for ensuring arrangements are in place in order to:
 - (i) Monitor BBB's activities;
 - (ii) Address significant problems in BBB, making such interventions as are judged necessary;
 - (iii) Be aware of, and respond to, risks to both BEIS and BBB's objectives and activities;
 - (iv) Inform BBB of relevant government policy in a timely manner, and
 - (v) Bring concerns regarding the activities of BBB to the full BBB board and, as appropriate, to the BEIS departmental board for discussion and resolution.

BBB CEO responsibilities in accounting to Parliament

The BBB CEO is accountable to Parliament for specific matters in relation to the BBB Group which include:

- (A) Signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- (B) Preparing and signing a governance statement covering corporate governance, risk management and assurance of any local responsibilities, for inclusion in the annual report and accounts;
- (C) Providing information to the PAO for the departmental 'Accounting Officer System Statement' and providing a forward-looking yearly statement on BBB's accounting system with the governance statement;
- (D) Ensuring that effective procedures for handling complaints about BBB are

established and made widely known within BBB;

- (E) Acting in accordance with the terms of this framework document, 'Managing Public Money' and other instructions and guidance issued from time to time by BEIS, HM Treasury and the Cabinet Office;
- (F) Giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on BBB's stewardship of public funds;
- (G) Ensuring that all public funding made available to BBB and any approved income or other receipts are used for the purpose intended by Parliament and that such monies, together with assets, equipment and staff, are used economically, efficiently and effectively, and
- (H) Ensuring that adequate internal management and financial controls are maintained, including effective measures against fraud and theft.

Responsibilities of the BBB CEO to BEIS

The BBB CEO has particular responsibilities to BEIS which include:

- (A) Ensuring BBB's corporate plans have regard to BEIS's wider strategic aims and other policies, as well as mutually agreed priorities;
- (B) Ensuring BBB adheres to its ministerial budget allocations;
- (C) Ensuring BEIS is informed of progress in helping to achieve government objectives and in demonstrating how resources are being used to achieve those objectives;
- (D) Ensuring that timely forecasts and monitoring information on performance and finance are provided to BEIS. This involves BEIS being notified promptly if over or under spends are likely and that corrective action is taken, and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to BEIS in a timely fashion;
- (E) Maintaining a comprehensive system of internal delegated authorities which is notified to all staff, together with a system for regularly reviewing compliance with these delegations, and
- (F) Ensuring that appropriate employee and HR management policies are maintained.

BBB CEO (as accounting officer): responsibility for assurance and control

The BBB Board will delegate responsibility for the oversight and control of operational issues to the BBB CEO. The BEIS Permanent Secretary as PAO will delegate appropriate financial authority to the BBB CEO. The BBB CEO will establish a system of controls and assurance that ensure that their accounting officer responsibilities are fulfilled. As such the BBB CEO will be able to demonstrate to the PAO that BBB has an effective assurance framework which facilitates clear accountability and efficient decision-making.

BBB CEO (as delegated accounting officer): responsibilities to the PAO

The BBB CEO will ensure that the BEIS Permanent Secretary is assured on the discharge of

his or her delegated officer responsibilities, including by:

- (A) Providing an accounting officer assessment ahead of major or potentially contentious investments;
- (B) Taking action, as set out in 'Managing Public Money', if the BBB board is contemplating a course of action involving a transaction which the Accounting Officer considers would infringe the requirements of propriety, regularity or value for money;
- (C) Ensuring that BEIS officials are aware of emerging material risks and issues in a timely manner;
- (D) Being open and transparent about internal operational processes and procedures;
- (E) Escalating problems in a manner appropriate to its magnitude;
- (F) Ensuring guidance from the PAO is disseminated amongst the BBB Group as appropriate, and
- (G) Maintaining clear and open lines of communication between BBB staff and BEIS officials in accordance with the Joint Working Protocol.

ANNEX 5 - UKGI SHAREHOLDER'S RESPONSIBILITIES

The UKGI shareholder role consists of the activities set out below. In relation to these activities, UKGI will provide advice to the relevant ministers and Principal Accounting Officer, in consultation with BEIS officials.

Establish and maintain appropriate and effective corporate governance foundations which govern the department-asset relationship

1. Work with BEIS and BBB to **establish and maintain appropriate corporate governance documents and systems**, through up to date and fit for purpose governance documents, including its framework document, Articles, Terms of Reference for the board and the chair letter.

Promote effective objectives, business planning and performance against business plan

2. Assess and challenge from an owner's perspective the BBB's **Group Business Plan**, the clarity of the objectives, the quality of the Group Business Plan and the financial, and where relevant commercial, strength underpinning it, and its effectiveness as a tool for BBB.
3. Monitor and challenge BBB and its board as to the **performance** against its Group Business Plan or equivalent document, in terms of how BBB is performing as an organisation (as opposed to monitoring the success of the policy delivery itself) and advise the minister accordingly.
4. If there is a UKGI shareholder representative on the board, challenge BBB's Business Cases, and other HMG approvals outside BBB's executive delegations, through that NED position on BBB board *only* (this will be limited to the degree of challenge that any non-executive board member can provide. UKGI is not responsible for formally reviewing such business cases, providing advice to BEIS and ministers, or obtaining HMG approval for Business Cases, unless explicitly agreed otherwise).

Promote strong corporate capability

5. through the UKGI shareholder team, as well as the UKGI shareholder representative on BBB's board, promote the **strength of BBB's governance systems which support organisational performance**, by providing high level challenge to BBB (and its board) and comment to BEIS on:
 - (a) governance framework compliance – defined as BBB's view on its compliance with its governance framework (as set out in its framework document, delegated authorities, and any other specified governance documents), and
 - (b) the adequacy and strength of BBB's reporting to BEIS on these issues.

Promote effective leadership (high quality boards and senior management)

6. promote the **effectiveness of BBB leadership**, specifically through:
 - (a) promoting high quality and diverse boards, challenging the board's capability and effectiveness, and monitoring BBB's succession planning
 - (b) promoting the implementation of effective board composition, recruitment, remuneration and appointment processes
 - (c) acting as the shareholder non-executive director on BBB's board
 - (d) giving a view on BBB's board level executive capability in relation to its responsibilities, and remuneration.

Promote effective relationships between BEIS and BBB

7. support effective relationships between BEIS and BBB, including through:
 - (a) UKGI building effective relationships with BBB's board and senior management
 - (b) promoting effective interfaces and communications between BEIS and BBB, including through regular shareholder meetings
 - (c) maintaining an effective regular meeting "rhythm" with the BBB chair, board, and executive to ensure appropriate flow of information (management information) between BBB, UKGI and BEIS, including effective reporting to BEIS.

Supporting and supplementing the activities above by providing a Shareholder NED on BBB's board

8. act as government shareholder representative on the BBB board, through:
 - (a) providing an appropriate board member to carry out the non-executive director role effectively, drawing on the support and analysis from the UKGI shareholder team
 - (b) being a member of BBB's Remuneration Committee and Nominations Committee (and being entitled to be a member of the Risk Committee and Audit Committee)
 - (c) acting as an interlocutor between BEIS and BBB's board
 - (d) providing a view to BEIS on the strength of BBB's board.