

British Business Financial Services Limited

Investment Committee Terms of Reference

1. Definitions

For the purposes of these Terms of Reference:

“BBB plc” means the British Business Bank plc;

“BBFSL” means the British Business Financial Services Ltd;

“DBT” means the Department for Business and Trade;

“Chair” means the BBB plc CEO or in their absence, an Executive Member as nominated by the BBB plc CEO in accordance with paragraph 3.1;

“Executive Members” means the Chief Executive Officer, the Chief Risk Officer, the Chief Financial Officer, the General Counsel and Company Secretary, the Managing Director of Small Business Lending, the Managing Director of Guarantee and Wholesale, the Managing Director of Venture Capital Solutions, and the Chief Customer Officer of BBB plc or their appointed delegates acting in the Executive Member’s capacity as executive approvers on behalf of BBFSL;

“Investment” means a transaction in relation to any investment activity, including, without limitation,

- (a) accreditation and relationship management of delivery partners,
- (b) the making or divestment of a loan or other debt instrument or guarantee or other security,
- (c) the acquisition or disposal of an interest in a fund,
- (d) the acquisition or disposal of shares or other equity securities or membership of a corporate body or instruments convertible into shares or other equity securities or membership of a corporate body,
- (e) recommendations for changes to Programmes and proposals for new Programmes, and
- (f) Investment Advice.

and **“investment decision”** and **“investment proposal”** shall be construed accordingly;

“Investment Advice” means advice to DBT and other central government departments given by BBFSL in its capacity as agent or adviser pursuant to the Services Agreement and any addendum to the Service Agreement. For the avoidance of doubt BBFSL will not be providing regulated investment advice or management services;

“MD Forum” means a sub-committee of the Committee comprised of BBFSL directors;

“Programme” means an access to finance scheme operated by BBFSL but which is on the balance sheet of DBT or other government department, including any similar schemes or other entities to which BBFSL makes a financial contribution or provides Investment Advice or investment management services;

“Service Agreement” means the service agreement the secretary of state for **Business and Trade**, BBFSL and BBB plc dated 1 November 2014 and amended from time to time.

2. Introduction

- 2.1. These Terms of Reference apply to the BBFSL Investment Committee (the “**Committee**”) only. The Committee shall be known as the BBFSL Investment Committee which is an executive committee of BBFSL with the purpose of facilitating the approval process for individual Investment proposals, Investment Advice and changes to existing Programmes. Whilst the Committee can recommend new Programmes and material changes to existing Programmes, the approval of new Programmes and material changes to existing Programmes is reserved to the Boards of BBFSL and BBB plc.
- 2.2. By approving these Terms of Reference, the Boards of BBFSL and BBB plc have approved the Investment decision making process as set out in this document.
- 2.3. The Committee’s authority to approve individual investments and guarantees is subject to the terms of the Service Agreement.

3. Membership and quorum

- 3.1. The Committee shall be chaired by the BBB plc CEO or in his/her absence, an Executive Member as nominated by the Chair. In this event, the Executive Member shall not act as an executive approver.
- 3.2. The Committee shall comprise the Executive Members.
- 3.3. If any Executive Member is unable to attend due to absence, illness or any other cause, he/she may delegate his/her membership at individual meetings to another member of staff within his/her team, provided that the Chair has agreed to such delegation in advance of the meeting. If an Executive Member is chairing the meeting under the provisions of paragraph 3.1, his/her role as executive approver may be delegated to another member of staff within his/her team, provided that the Chair has agreed to such delegation in advance of the meeting.
- 3.4. A quorum shall be comprised of the Chair, the Chief Risk Officer, the Chief Finance Officer, the General Counsel and Company Secretary and the Chief Customer Officer or any delegated member.

4. Proceedings of the Committee

- 4.1. The BBB Group Secretariat function shall act as the secretary to the Committee, and shall keep an accurate record of the proceedings and decisions of all Committee meetings.
- 4.2. The Committee shall schedule fortnightly meetings. In the event that no Investment matters need to be considered, this fortnightly meeting will be cancelled. In the event that additional Investment matters need to be considered, Committee meetings may be scheduled more frequently.
- 4.3. Meetings of the Committee shall be held at one of the British Business Bank offices or any other suitable location or by audio or video conference, at the Chair’s discretion.
- 4.4. Provided that all Committee members have been invited to participate in the meeting and have been sent papers electronically, the Committee members are permitted to participate either in person, by video conference, by telephone or, in extraordinary circumstances, by submitting written comments in advance. Where comments are submitted in writing, they should include opinions on the individual investment proposals.
- 4.5. Unless otherwise agreed, all members of the Committee shall be given at least 10 working days’

notice of Committee meetings confirming the venue, date and time. Unless otherwise agreed, Investment proposal papers for discussion shall be circulated at least [3] working days ahead of the meeting.

- 4.6. In addition, the Chair will be able to call for an ad hoc meeting of the Committee at any time, provided that all members of the Committee agree.
- 4.7. The papers to be presented to the Committee shall be in the format approved from time to time by the BBFSL Investment Committee. The proposer of any paper shall ensure that all Committee members are content with the information that they have received and have been given sufficient time to analyse the information and discuss issues with colleagues in advance of any formal Committee meetings.
- 4.8. In exceptional circumstances, and provided that the Chief Executive Officer agrees, written proceedings may be used instead of a meeting.
- 4.9. Where written proceedings are used, Investment proposal papers in the format approved from time to time must be circulated to all members of the Committee set out in paragraph 3.4 which contain the following:
 - (a) An explanation that written proceedings are being used instead of a meeting, and therefore a written response is required;
 - (b) A clear and unambiguous statement of the approvals being sought and the basis of any recommendation in favour of those approvals; and
 - (c) The deadline by which a written response is required.
- 4.10. Investment proposal papers may be delivered electronically and Committee members may provide comments in writing, including by email.

5. Duties of the Committee

- 5.1. The Committee shall make decisions or recommendations on behalf of / for the following entities to whom BBFSL provides services pursuant to the Service Agreement:
 - (a) BBFSL; and
 - (b) Funds, partnerships, corporate bodies, intermediaries and other entities which have appointed BBFSL to act on their behalf,

in respect of:

- (i) incurring costs in excess of £50,000 in relation to Investments;
- (ii) the approval of individual Investments;
- (iii) the release of Investment Advice,

provided that none of the above shall constitute regulated advice or services or that the Committee does not consider that any exemption applies.

- 5.2. The Committee shall make investment decisions or recommendations on individual investment proposals within the scope of Programmes, BBFSL's regulatory status, its Subsidy Control aid remit and the risk appetite agreed by the BBFSL Board and acknowledged by the Board of BBB plc.
- 5.3. When making decisions or recommendations on Investments, the Committee may consider:

- any due diligence undertaken by the project team;
- the BBB Group's ESG policy.
- any reputational risk issues that may arise in respect of the proposed Investment;
- any financial risk issues that may arise in respect of the proposed Investment; and
- any concentration risk issues that may arise in respect of the proposed Investment and, where relevant, all similar Investments booked on the balance sheet of, and guarantees issued by, the BBB plc subsidiaries and the **Department of Business and Trade** where BBB plc is managing the exposure.

6. Delegations

MD Forum:

- 6.1. The Committee may delegate one or more functions under these Terms of Reference to the MD Forum or to another forum or committee which is either (i) in existence or (ii) is established for such purpose and whose composition and (if applicable) terms of reference are approved by the Committee, where it considers this is appropriate.

Non-Material Variation Decisions:

- 6.2. Variations to Investment decisions or existing Investments or other administrative matters which are not considered to be material may be approved by:
- (i) The Managing Director of the relevant Programme (or their delegate); and
 - (ii) The CRO or the Financial Risk Director of the BBB Group (or their delegate).
- 6.3. The decision as to whether a variation is material or not shall also be made by (i) and (ii) above.
- 6.4. The Committee may approve alternative arrangements for the sub-delegation of its powers and authority in relation to matters within the scope of paragraph 6.2.

7. Decision making

- 7.1. The Committee shall make decisions in accordance with the approval requirements set out in Annex A.
- 7.2. For decisions on individual investments, which fall under the legislative authority of the Industrial Development Act 1982 and exceeds £50 million, approval must be sought from the Industrial Development Act Board and the relevant Secretary of State where required, as more particularly set out in Annex A.
- 7.3. For decisions on individual investments, which are strategically important to BBFSL or which relate to novel or contentious matters, approval must be sought from the Boards of BBFSL and BBB plc and the relevant Secretary of State where required, as more particularly set out in Annex A.
- 7.4. For decisions on individual Investments in excess of £75 million, approval must also be sought from the Boards of BBFSL and BBB plc, in addition to the approvals required pursuant to paragraph 7.2, as more particularly set out in Annex A. No individual investment or financial commitment in excess of £75 million may be made by BBFSL without prior consent from the relevant Secretary of State.

- 7.5. All decisions of the Committee shall be made by consensus, comprising unanimity with collective responsibility. If consensus is not achieved, any Committee member may call for a majority vote. Each member of the Committee present shall be entitled to vote on any proposal, with proposals being approved by the Committee on the affirmative vote of a two-thirds majority of members present, including the Chair or his/her nominee.
- 7.6. Any member of the Committee can request a note of his/her dissent to be recorded in the minutes of the Committee meeting. Any Executive Member of the Committee who dissents can request to the Chair to escalate the issue to the Board of BBFSL. If a decision is escalated, the vote held at the Committee is subject to the determination of the Board of BBB plc.
- 7.7. The Chair can escalate to the BBFSL Board who may then, at their discretion, escalate to the BBB plc Board. The Chair will have the final decision to whether a matter should be escalated to the BBFSL Board or not.
- 7.8. Final decision on individual Investments may be subject to any other requirement imposed by the relevant Secretary of State as per the Service Agreement. The Committee can only make recommendations in respect of individual investments where it has no delegated authority.
- 7.9. Where written approvals are being used in accordance with paragraph 4.8, the written approval of all of the Executive Members shall be required in order for a decision to be made. An Executive Member who dissents shall do so in writing. A “nil” response shall not be construed as an approval. If an Executive Member dissents, the escalation process described in paragraph 6.6 shall apply.

8. Management of the Committee

- 8.1. As set out in paragraph 6 above, the Committee shall make decisions and recommendations on individual Investment proposals. In respect of each Committee meeting, the Chair shall:
 - (a) Solicit questions and comments from all Committee members;
 - (b) Give the Committee opportunity to discuss the Investment proposals and ask questions of the project team or others as appropriate;
 - (c) Summarise the conclusions of the discussion, highlighting those factors which have led the Committee to reach its decision or recommendation on whether or not (i) a proposal should incur due diligence costs in excess of £50,000; or (ii) an investment should be made and at what level or form it should be made; or (iii) to proceed with a material change to a Programme or a recommendation for a new Programme, for escalation to the Boards of BBFSL and BBB plc; and
 - (d) Subsequent to the discussion, review the draft minutes prepared by the secretary of the Committee and circulate the minutes to all Committee members for their comment.
- 8.2. The Chair may adjourn the meeting at any time as he/she thinks fit in order to seek further input on the investment proposal, require further documentation, opinions or analysis or for any other reason.
- 8.3. A copy of the final minutes, as approved by the Chair, shall be circulated to all members of the Committee set out in paragraph 3.4.
- 8.4. The secretary of the Committee shall be responsible for ensuring that a master copy of all investment papers and associated minutes are maintained and stored in a secure manner.
- 8.5. Where written proceedings are used in accordance with paragraph 4.8, the secretary shall keep a

record of all written responses and shall keep a note of whether the investment proposals have been approved or not. The date of the decision shall be the date on which the last approver provided his/her written response. Where there are “nil responses”, the date of the deemed failure of the investment proposal will be the deadline by which a written response is required as set out in the relevant investment proposal papers.

9. Confidentiality

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

10. Review of the Terms of Reference

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

Approved by the BBFSL Board: 14 March 2024

Approved by the BBB plc Board: 14 March 2024

Previous version approved by the BBFSL Board: 2/08/2023

Previous version approved by the BBB plc Board: 2/02/2023

Annex A

Transaction	Approval by¹	Final document pre-execution sign-off by	Execution of individual investment by²
Proposals for new programmes and material changes to existing Programmes ³	Investment Committee and BBFSL Board and Board of BBB plc	N/A	N/A
Transactions and variations relating to Investments > £75 million	Investment Committee and BBFSL Board, Board of BBB plc, and relevant Secretary of State	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations which fall under the legislative authority of the Industrial Development Act 1982 relating to Investments > £50 million	Investment Committee and Industrial Development Act Board and relevant Secretary of State	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations which relate to Investments or transactions that are strategic, novel or contentious	Investment Committee and BBFSL Board, Board of BBB plc, and relevant Secretary of State	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations relating to Investments/financial commitments that don't fall in the categories above	Investment Committee	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Prescribed Documents ⁴	MD of relevant Programme/function or their delegate	Legal	Any "A" or "B" Manager

Variations which may be treated as non-material	MD of relevant Programme or their delegate and CRO or Financial Risk Director of BBB Group or their delegate.	Legal	Any "A" or "B" Manager
Future Fund portfolio matters arising under CLA	Delegated to the FF team on the provision that the FF team handles those matters in line with the procedures set out to the IC on 25.03.2021 Future Fund Portfolio Administration Annex C		
Approval of Non-Material Conflict of Interest Investment Decisions for NPIF, MEIF and CIOF (together the ERDF funds)	Delegated to the VS team on the provision that the VS team handles those matters in line with the procedures set out to IC on 25.04.2019		

Note 1: Final decision on individual investments may be subject to any other requirement imposed by the relevant Secretary of State as per the Service Agreement.

*Note 2: It is possible to **sub-delegate** execution to another person (e.g. a director within a team) by PoA on a case-by-case basis. See note 3 for changes to Programmes.*

Note 3: For changes to Programmes, the change will usually be implemented by way of a revised request for proposals or revised Programme guidance, as such, unless specifically decided otherwise in the terms of the investment decision approving the change, the Executive Members or their delegates must approve the changes together with the relevant Programme MD.

*Note 4: “**Prescribed Documents**” means any legally binding document which does not involve BBFSL incurring a financial obligation (contingent or otherwise) to invest including but not limited to:*

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

*Note 5: Any **non-binding documents** which relate to an investment must be subject to English law and include an appropriate disclaimer provided by Legal.*

Annex B

"A" Managers	"B" Managers
BBB plc CEO	Such individuals named as "B" Managers in the BBFSL power of attorney for the execution of documents that have been approved from time to time.
BBB plc CFO	
BBB plc CRO	
BBB plc GC	
BBB plc CCO	
Such other individuals named as "A" Managers in the BBFSL power of attorney for the execution of documents that has been approved from time to time	

Annex C Summary table of FF team delegations

SUMMARY OF FF TEAM DELEGATIONS			
Event	Description of CLA terms	Delegated, if within protocol?	Escalate to CRO/FF MD?
Qualified Financing Event	Equity issuance equal or greater to 100% of the loan amount triggers an automatic conversion of the CLA to Equity. No FF decision.	Y	
Non-Qualified Financing Event Large	Equity issuance greater than 25% of loan amount but less than 100% triggers conversion to equity subject to Lender Majority No FF decision.	Y	
Non Qualified Financing Event Small	Equity issuance less than or equal to 25% of loan amount. Conversion is subject to Lender Majority and FF consent. FF decision if to convert.	Y	
Exit for Cash	Where there is an Exit for cash results in automatic conversion, the CLA sets out the terms on which CLAs are either converted and sold or redeemed by the company; CLA sets a floor for minimum sale proceeds of Loan amount plus 100% premium.	Y	
Exit for Shares	Where there is an exit for shares, the CLA sets out the terms on which CLAs are converted and conversion shares are sold in exchange for consideration shares. No 100% premium due in share for share, however Lenders have the option to elect for cash consideration (in which case, they receive Loan amount plus 100% premium).	Y	
Voluntary Redemption	The CLA does not contemplate a voluntary redemption scenario. However, requests will be made, either by companies restructuring their balance sheet, or by companies with excess cash.	Y	
Events of Default	The CLA provides for two categories of Events of Default: insolvency and material failure by the company to comply with its covenants and obligations (e.g. failure to provide MI; use of funds; anti-embarrassment clauses).	Y (breach of reporting obligations)	All other breaches to be escalated case by case
Redemption at Maturity	At maturity, CLA convert unless Lenders elect redemption (Loan amount plus 100% premium).	N	Proposal for handling loans maturity to be agreed
Consents, Variations and Amendments to the CLA	The terms of the CLA anticipate FF being asked to consent to certain matters which may also trigger a requirement to vary or amend the CLA (e.g. change to the variable terms of the CLA; issuance of new senior debt; issuance of new unsecured convertible loan)	Y	
Post-conversion	Exercise of shareholder rights, exits, follow-ons following conversion to shares	N	To be escalated case by case
Other	Put option, sale of loans/shares and other matters not expressly covered by a protocol	N	To be escalated case by case