

# British Business Bank Plc

## Board Risk Committee Terms of Reference

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## 1. Membership

- 1.1. The Committee shall comprise at least three members. Membership shall include at least one member of the Board Audit Committee. Members of the Committee shall be appointed by the board, on the recommendation of the Governance and Nomination Committee in consultation with the Chair of the Risk Committee.
- 1.2. At least one member of the Committee shall be a Shareholder Representative Director who is a director of the company. All other members of the Committee shall be independent non-executive directors.
- 1.3. Only members of the Committee and the Chair of the Board has the right to attend Committee meetings. Other individuals including the Chief Executive Officer, the Chief Financial Officer, other directors, the Chief Risk Officer (“CRO”), other representatives of the risk and compliance function, and internal and external audit may be invited to attend all or part of any meeting as and when deemed appropriate and necessary by the Board or its Risk Committee, at the discretion of the Committee Chair.
- 1.4. Appointments to the Committee shall be for a period of up to three years, which may be extended for a further period of up to three years, provided the director still meets the criteria for membership of the Committee. Any appointment beyond six years should be subject to rigorous review.
- 1.5. The Board shall appoint, remove or replace the Committee Chair, who shall be a non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6. Decisions should normally be reached on a consensus basis. In the event of a non-consensus, decisions on any matter can be reached on a majority basis, with the Chair having a casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote, may ask for their dissent to be noted in the minutes. Any person invited to attend the meeting, and who is not a member, is not entitled to vote on any matter before the Committee.

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## 2. Secretary

2.1 The company secretary or his or her nominee shall act as the secretary of the Committee.

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### **3. Quorum**

3.1 The quorum necessary for the transaction of business shall be two members, one of whom must be the Committee Chair or nominated deputy Chair.

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### **4. Frequency of Meetings**

4.1 The Committee shall meet at least three times a year at appropriate times and otherwise as required.

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### **5. Notice of Meeting**

5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the CRO if they consider a meeting necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, all other non-executive directors and any other person required to attend, no later than five working days before the date of the meeting.

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### **6. Minutes of the Meeting**

6.1 The secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated within three weeks to the Chair of the Committee and formally approved by the Committee at its next meeting. Once approved, the minutes should be available to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chair.

6.3 Final copies of the minutes of the meetings of the Risk Committee should be maintained for the company's records.

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### **7. Duties**

The Committee shall carry out the duties detailed below for the company, major subsidiary undertakings and the group as a whole, as appropriate. More specifically, the Committee shall:

#### *Risk appetite and strategy*

7.1 recommend to the Board on the company's overall risk appetite and strategy, taking account of the current and prospective macroeconomic financial and regulatory environment including environmental, social and governance factors and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority and other authoritative sources that may be relevant for the company's risk policies;

7.2 review performance against risk appetite and monitor key trends and concentrations;

*Risk exposure*

7.3 review of the principal risk exposures of the company, as set out in the Risk Taxonomy, with reference to the limits and metrics, where applicable;

7.4 give consideration to the profile of risk and return in the context of the financial performance of the company;

7.5 oversee and advise the Board on the current risk exposures of the company and future risk strategy;

*Risk Management and Internal Control Framework, and Risk Assessment*

7.6 review and approve the company's policies including any material changes to the company's policies in relation to its principal risks in line with Board delegations and the policy governance framework;

7.7 evaluate to satisfy itself as to the design and completeness of the framework relative to the company's activities and risk profile. In performing this assessment, the Committee shall:

- a) propose to the Board principles and policies which support the company's overall risk appetite, including the Risk Management Framework;
- b) review the principal methodologies used in the assessment of principal risk categories;
- c) Consider how Environmental, Social, and Governance matters, specifically climate risk, are embedded into the Bank's policy suite
- d) advise the Board on BBB's preparedness in terms of adhering with best practice risk management policies and procedures – to ensure appropriate limits, controls and governance are in place for controlling all aspects of risk including reputational risks.

7.8 in relation to risk assessment, the risk framework and the subjects that overlap with the Audit Committee and People and Remuneration Committee:

- a) keep under review the company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
- b) review regularly and approve the parameters used in these measures and the methodology adopted; and
- c) set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

7.9 review the company's capability to identify and manage new risk types in conjunction with the Audit Committee and People and Remuneration Committee;

### *Strategic Transactions*

- 7.10 before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the company, materiality of any financial or other key risks arising from climate change and taking independent external advice where appropriate and available;

### *Risk Reporting and oversight of processes*

- 7.11 review reports on any material breaches of risk limits and the adequacy of proposed action;
- 7.12 approve the statements to be included in the annual report concerning principal risks, internal controls and risk management;
- 7.13 review and note the annual company Money Laundering Reporting Officer's report;
- 7.14 receive and review summaries from first line business areas in relation to their risk profiles and risks to meeting their contributions to the company's Objectives;
- 7.15 receive and review summaries of independent second line reports in relation to compliance with company policies and procedures;
- 7.16 oversee the implementation of the processes to support the company's compliance with the terms of the UK Subsidy Control Act 2022 or European Commission's State aid rules (as they applied prior to EU Exit and as they apply now under the Northern Ireland Protocol);

### *Risk and Compliance function*

- 7.17 keep under review the remit of the Risk and Compliance function and ensure it has the appropriate resources and capabilities alongside access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- 7.18 the Committee shall also ensure the function has adequate independence and is free from management and other restrictions;

### *Chief Risk Officer*

- 7.19 recommend to the Board the appointment and/or removal of the CRO, and consider the opinion of the CEO in such matters;
- 7.20 review promptly all reports on the company from the CRO;
- 7.21 review and monitor management's responsiveness to the findings and recommendations of the CRO;
- 7.22 ensure the CRO shall be given the right of unfettered direct access to the Chair of the Board and to the Committee; and

7.23 work and liaise as necessary with all other Board Committees.

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## **8. Reporting Responsibilities**

The Committee shall:

- 8.1 The Committee Chair shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
  - 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
  - 8.3 The Committee shall produce a report of its activities and the company's risk management and strategy to be included in the company's annual report.
  - 8.4 The directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.
  - 8.5 The Committee, through its Chair, will report to the Board matters that should be brought to the attention of the Board including instances where the Committee has been unable to reach full agreement, together with any recommendations which require Board approval or action.
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## **9. Other Matters**

The Committee shall:

- 9.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
  - 9.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
  - 9.3 give due consideration to laws and regulations, including the provisions of the Financial Reporting Council's UK Corporate Governance Code, and compliance with Government-Wide corporate guidance and instructions in line with the Shareholder Relationship Framework Document as appropriate;
  - 9.4 oversee any investigation of activities which are within its terms of reference; and
  - 9.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
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## **10. Authority**

The Committee is authorised:

- 10.1 to seek any information it requires from any employee/director of the company in order to perform its duties;
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- 10.2 to obtain, at the company's expense, external legal or other professional advice on any matter within its terms of reference where required; and
- 10.3 to request the attendance of any employee at a meeting of the Committee as and when required.
- 10.4 to make written resolutions outside of the formal Committee meetings in line with the BBB's articles of association at paragraphs 97(c) and 99.
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## Version control

<b>Version</b>	<b>Date</b>	<b>Authors</b>	<b>Description</b>
V 1.0	29 November 2018	Simon Beasley & Alison Fletcher	Approved by Board
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