

British Business Bank Plc

Board Remuneration Committee Terms of Reference

Contents

1.	Constitution	1
2.	Membership	1
3.	Secretary	2
4.	Quorum	2
5.	Frequency, Notice and Minutes of Meetings	2
6.	Duties	2
7.	Reporting Responsibilities	4
8.	Other Matters	4
9.	Authority	5

1. Constitution

- 1.1 The Remuneration Committee (**Committee**) is a Committee of the Board appointed in accordance with the company's articles of association.

2. Membership

- 2.1 The Committee shall comprise at least three members. At least one member of the Committee shall be a shareholder representative who is a director of the company. The Chair of the Board may also serve on the Committee as a member if he or she was considered independent on appointment as Chair. All other members of the Committee shall be independent non-executive directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Governance and Nomination Committee and in consultation with the Chair of the Remuneration Committee.
- 2.2 Members of the Committee and the Chair of the Board have the right to attend Committee meetings. Other individuals such as the Chief Executive, other directors, the Chief People Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and at the Committee Chair's discretion.
- 2.3 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 review by the Governance and Nomination Committee.
- 2.4 The Board shall appoint the Committee Chair who shall be an independent non-executive director who has relevant experience having served on a Remuneration Committee for at least 12 months. 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 who would qualify under these terms of reference to be appointed to that position by the Board.
- 2.5 Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Committee Chair shall have the casting vote.

3. Secretary

The company secretary or their nominee shall act as the secretary of the Committee.

4. Quorum

4.1 The quorum for the transaction of business shall be two, one of whom must be an independent non-executive director.

4.2 A representative of UKGI or DBT must attend the Remuneration Committee as an observer in the event that any appointed Shareholder Representative Director is unable to attend.

5. Frequency, Notice and Minutes of Meetings

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

5.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair.

5.3 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 and any other person required to attend, no later than five working days before the date of the meeting.

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

5.5 Draft minutes of Committee meetings shall be circulated within two weeks to all members of the Committee. 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.

5.6 Final copies of the minutes of the meetings should be maintained for the company's records.

6. Duties

6.1 The Committee shall carry out the duties detailed below for the company, major subsidiary undertakings and the group as a whole, as appropriate in light of the obligations set out by the shareholder.

Remuneration policy

6.2 The Committee shall:

- a) have responsibility for setting remuneration policy for the company's Executive Board Directors and Chair (subject to Secretary of State approval). The remuneration of the Chair shall be set by Ministers;
- b) provide oversight, challenge, review and make recommendations to the Board/Company Chair regarding the broader remuneration policy and practices for the company's employees, including

pension rights and any compensation payments. The Board itself or, where required by the articles of association of the company, the shareholder should determine the remuneration of the non-executive directors within the limits set in the articles of association with the exception of the BBB Patient Capital Advisory Board where non-executive director remuneration should be determined by the Remuneration Committee. No director or senior manager shall be involved in any decisions as to their own remuneration. The Committee may seek the views of the company's Chief Executive in respect of the remuneration policy for senior management and executive directors (other than the Chief Executive themselves);

- c) in reviewing and making recommendations in relation to the remuneration policy for employees, the committee shall take into account all factors that it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "**Code**") and associated guidance, and the provisions contained within the Shareholder Relationship Framework Document. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully (whilst having regard to HM Treasury guidance for the approval of senior pay), subject to approval by the company's shareholder. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long strategic term goals. A significant proportion of senior executive variable remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the company;
- d) within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive, as appropriate, determine the total individual remuneration package of the company Chair, each Executive Board Director, and all other members of the Executive Committee, including the company secretary, including bonuses, incentive payments and long term awards. In relation to the Chair, the total remuneration package shall be set by Ministers in line with 6.2a;

Senior Pay threshold exemptions

- e) with regard to HM Treasury Guidance for the Approval of Senior Pay and the exemptions agreed with the Shareholder for the number of roles that may be paid above the senior pay threshold in BBB, BPC, and PCAS recommend the proposed remuneration package for any new appointment or promotion (ahead of advertising of such role), and the use of any associated exemption allowance that will result in one of the agreed exemptions being used;

Remuneration benchmarking and consultants

- f) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys, or information which it deems necessary at the expense of the company but within any budgetary restraints imposed by the Board;
- g) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

Other duties

- h) ensure, taking into account the principles of Managing Public Money, that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- i) oversee any major changes in employee benefits structures;
- j) work and liaise as necessary with all other Board committees;
- k) report annually (as soon as possible after the end of the financial year to which the information relates) to the Shareholder on the reward and remuneration matters as set out in the Shareholder Relationship Framework Document.

Remuneration Policies and practices

In addition, and aligned to the annual business cycle, the Committee has a role in the review, challenge, and support of the remuneration policies and practices that enable the delivery of the Company's objectives. This would include discussion around the following topics:

- a. remuneration matters for the broader workforce;
- b. the company's ability through its remuneration practices to attract and retain candidates and employees required to deliver its strategic and statutory purpose and duties;
- c. ensuring remuneration practices are considered through the lens of Diversity, Equity, and Inclusion;

7. Reporting responsibilities

- 7.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a report of the company's remuneration policy and practices to be included in the company's annual report and ensure each year that it is put to the shareholder for approval at the annual general meeting of the company. If the Committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.
- 7.4 Through the Chair of the Committee, the Committee shall ensure that the company maintains contact with the shareholder, and provides all information requested by the shareholder to the shareholder in respect of remuneration.

8. Other matters

The Committee shall:

- 8.1 where relevant, act in accordance with article 67 of the company's articles of association and the remaining provisions of the company's constitution;
- 8.2 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 8.4 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed and non-listed companies including but not limited to the provisions of the Code as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate;
- 8.5 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; and
- 8.6 require that the remuneration, of whatsoever nature, of all the directors, senior management and employees of the company and other members of the group is paid or made to the relevant individual personally and not to a service company or other vehicle, and that all applicable tax and national insurance contributions are paid in respect of such remuneration.

9. Authority

The Committee is authorised by the board:

- 9.1 to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.
- 9.2 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.

Version control

Version	Date	Authors	Description
V 1.0	10 May 2018	Legal and Company Secretariat	Approved by Board
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V 3.0	4 March 2021	Company Secretariat	Approved by Board

V 4.0	1 December 2022	Chief People Officer	Approved by Board
V 5.0	13 July 2023	Company Secretariat	Approved by Board
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