

## **Matters Reserved for the Board of British Business Bank plc**

### **Context and overview**

1. British Business Bank plc (the “Company”) has entered into a framework document (the “Framework Document”), as updated and/or replaced from time to time, with the Secretary of State for Business and Trade (“DBT”) as its sole shareholder (the “Shareholder”). It sets out the broad parameters within which the Company and its subsidiaries (the “Group”) will operate, how the Shareholder, the Company and its Group will interact with each other, and the role of the Company’s chief executive officer (“CEO”) as Accounting Officer. The Framework Document includes, amongst other matters, the Overarching Purposes of the Group and its Common Strategic Framework. The Overarching Purposes are supplemented through the five-year business plan (the “Business Plan”) reviewed by the Board of Directors of the Company (the “Board”) annually and approved by the Shareholder. The Framework Document is subject to the Financial Framework agreed between the Board, the Shareholder and HM Treasury, which is in turn subject to periodic financial delegations from the DBT Principal Accounting Officer to the CEO (the “Financial Delegations”) and the Shareholder’s own financial delegations.
2. The Board have delegated responsibility for the oversight and control of operational issues to the CEO. However certain matters remain the responsibility of the Board as a whole.
3. Certain matters reserved to the Board are also subject to separate approval from the Shareholder under the Framework Document and/or BBB’s Financial Delegations.
4. The Board is collectively responsible for the long-term success of the Company and its Group and the delivery of value for money to its Shareholder.
5. In carrying out the duties of the Board, the Directors will act in accordance with all relevant and applicable legislation and regulatory rules.

## **Schedule of matters reserved for the Board of British Business Bank plc**

1. Strategy and Management
- 1.1 Responsibility for the overall leadership of the Company and setting the standards expected within the Company and its Group
- 1.2 Approval of the Group's Common Strategic Framework, Overarching Purpose and further strategic objectives (as amended, updated or replaced from time to time)
- 1.3 Approval of the annual operating and capital expenditure budgets through the Business Plan and any material changes to them prior to recommendation to the Shareholder
- 1.4 Approval of the Group five-year Business Plan (including key financial objectives) and its periodic review prior to recommendation to the Shareholder
- 1.5 Oversight of the Group's operations ensuring:
  - Competent and prudent management
  - Sound planning
  - Maintenance of sound management and internal control systems
  - Adequate accounting and other records
  - Compliance with statutory and regulatory obligations including public contract regulations
  - Compliance with the Subsidy Control Act 2022, and the UK's other subsidy control commitments
- 1.6 Compliance with the provisions of the Framework Document, including but not limited to ensuring the Group conducts its activities in accordance with, the Common Strategic Framework, the Overarching Purposes and the Financial Framework
- 1.7 Review of performance in the light of the Group's Business plan, Overarching Purposes, further strategic objectives, performance targets, and budgets and ensuring that any necessary corrective action is taken
- 1.8 Extension of the Group's activities into new programmes or business or geographic areas
- 1.9 Any transfer of programmes between Group companies
- 1.10 Any material changes to existing programmes sitting within the Mandated and Service arms of Group
- 1.11 Any decision to cease to operate all or any material part of the Group's business

## 2. Structure and Capital

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

## 3. Financial Reporting and Controls

- 3.1 Approval of the Company and Group annual report and accounts
- 3.2 Approval of the dividend policy
- 3.3 Approval of any significant changes in accounting policies and practices
- 3.4 Approval of treasury policies including foreign currency exposure and the use of financial derivatives
- 3.5 Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances) (provided that the Group is required to comply with its Financial Delegations which cannot be altered without the agreement of the Shareholder)
- 3.6 Approve the Group's Financial Framework

## 4. Risk management and Internal Controls

- 4.1 Ensuring maintenance of a sound system of internal control and risk management including:
  - Reviewing and approving the Group's risk appetite framework and risk appetite statements
  - Monitoring performance against risk appetite for the Group
  - Receiving reports on and review the effectiveness of the risk management framework of the Group
  - Reviewing and approving procedures for the detection of fraud and the prevention of bribery
  - Approving Group policies or delegating approval of Group policies to appropriate committees or the executive

## 5. Supplier Contracts and Investments

- 5.1 Approval of supplier contracts exceeding the delegated authority limit for the CEO or strategically important<sup>1</sup> supplier contracts of any value
- 5.2 Approval and recommendations to the Shareholder of investments<sup>2</sup> greater in amount than the threshold agreed with the Shareholder (£75million at the date of this Schedule) and which are to be entered into by the Company or a Group Company
- 5.3 Approval of, and recommendations to the Shareholder (where required in accordance with the Framework Document), of:
- novel or contentious or strategically important investment decisions and decisions relating to investments in the Group's Mandated and Service Arms
  - investment decisions referred to it by the Commercial Arm Group boards
  - Guarantee Decisions<sup>3</sup> (referred from the Executive Committee) which are:
    - necessitate the formulation or development of a new strategy or are otherwise strategically important to the Company
    - raise significant reputational, legal and financial or other public policy concerns
    - are likely to lead to material litigation incurring significant costs and/or with the potential to incur significant losses
    - Differ from recommendations from the Lender Performance Advisory Board

## 6. Communication

- 6.1 Ensuring satisfactory dialogue with the Shareholder based on the mutual understanding of Overriding Purposes as set out in the Framework Document (as amended, updated or replaced from time to time)
- 6.2 Approval of resolutions and corresponding documentation to put forward to the Shareholder at a general meeting

## 7. Board membership and other appointments

- 7.1 Changes to the structure, size and composition of the Board following recommendations from the Governance and Nomination Committee
- 7.2 Recruitment of the CEO and the Directors, and the appointment of the CEO and Directors subject to the prior written approval of the Secretary of State of DBT
- 7.3 Appointment of the Senior Independent Director either following the recommendation of the Chair and the Chair of the Governance and Nomination Committee (who will consult

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<sup>1</sup> Whether a contract is strategically important will be determined by the CEO with support from the Executive Committee.

<sup>2</sup> Investments includes guarantees

<sup>3</sup> As defined in the Lender Performance Strategic Committee Terms of Reference

with the Shareholder) or the Shareholder (in each case, in accordance with the Framework Document)

- 7.4 Appointment or removal of the Company Secretary
- 7.5 Appointments to boards of Group companies
- 8. Remuneration
  - 8.1 Determining the remuneration policy for the Directors, Company Secretary and other senior executives, subject to the Articles of Association, the Framework Document and Shareholder approval as appropriate
  - 8.2 Determining the remuneration of the non-executive Directors, subject to the Articles of Association, the Framework Document and Shareholder approval as appropriate
- 9. Delegation of Authority
  - 9.1 In the context of the Board, determining the division of responsibilities between the Chair, CEO and other executive Directors
  - 9.2 Approving the delegated levels of authority including the CEO's authority limits subject to the Financial Delegations
  - 9.3 Establishing an Audit Committee, a Risk Committee, a Remuneration Committee and a Governance and Nomination Committee and such other Board committees as it sees fit and approving their terms of reference (subject to the terms of the Framework Agreement) and approving material changes to those terms
  - 9.4 Receiving reports from Board committees on their activities
- 10. Corporate governance matters
  - 10.1 Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual Directors and the division of responsibilities
  - 10.2 Determining the independence of non-executive Directors
  - 10.3 Considering the balance of interests between the Company's Shareholder and other stakeholders
  - 10.4 Reviewing the Group's overall corporate governance arrangements on a regular basis
  - 10.5 Receiving reports on the views of the Shareholder to ensure they are communicated to the Board as a whole
  - 10.6 Authorising conflicts of interests where permitted by the Company's Articles of Association
- 11. Other
  - 11.1 Approval of the appointment of the Group's principal professional advisers

- 11.2 Approval of prosecution, commencement, defence or settlement of litigation or an alternative dispute resolution mechanism involving a sum above £5 million or being otherwise material to the interests of the Group, subject to the requirements of the Shareholder as set out in the Framework Document or other guidance provided in writing pursuant to the Framework Document
- 11.3 Approval of the overall levels of insurance for the Group including Directors and officers' liability insurance
- 11.4 Approval of decisions (other than investment decisions and decisions relating to investments) likely to have a material impact on the Company, Group or Shareholder from any perspective including but not limited to financial, operational, strategic or reputational
- 11.5 Approval of this schedule of matters reserved for the Board

Matters which the Board considers suitable for delegation are contained in the terms of reference of its committees and the Board may delegate matters to its committees as it sees fit from time to time. In addition, the Board may raise Reservation Notices in the manner contemplated in the Framework Document.

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

#### Principal Restrictions

No individual investment or financial commitment in greater in amount than the threshold agreed with the Shareholder (£75million at the date of this Schedule) may be made without prior consent from the Shareholder.

The Group may not borrow monies without the approval of HM Treasury.

The Group is subject to restrictions on write offs in certain cases. These must be formally agreed by the Shareholder.

The Board has no formal role in the appointment of the Chair but Board members may be invited to be involved or consulted in the process.

**Approved by the Board:**

28 November 2024

**Previous versions approved by the Board:**

14 September 2023, 11 October 2018, and  
13 June 2017