

Terms of Reference for the Risk Committee of British Business Bank plc

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 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 who is a director of the company. All other members of the committee shall be independent non-executive directors.
- 1.3 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 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 a second or casting vote.

2. Secretary

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

3. Quorum

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

4. Frequency of meetings

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

5. Notice of meetings

- 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 he or she considers 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.

6. Minutes of meetings

- 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 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.
- 6.3 Final signed copies of the minutes of the meetings of the risk committee should be maintained for the company's records, in hard and soft copy where possible.

7. Annual General Meeting

The committee chair should attend the annual general meeting of the company to respond to questions from the shareholder on the committee's activities.

8. 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:

- 8.1 recommend to the board on the company's overall risk appetite and strategy, taking account of the current and prospective macroeconomic and financial environment 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;
- 8.2 review performance against risk appetite and monitor key trends and concentrations;
- 8.3 review of the overall market, credit, operational, regulatory, financial crime, financial soundness and strategic & business model risk exposures of the company with reference to the limits and metrics;
- 8.4 give consideration to the profile of risk and return in the context of the financial performance of the company;

- 8.5 oversee and advise the board on the current risk exposures of the company and future risk strategy;
- 8.6 review and approve the company's policies in relation to its principle risks;
- 8.7 evaluate the company's governance, risk and control framework 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) 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.
- 8.8 in relation to risk assessment, the risk framework and the subjects that overlap with the audit 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;
- 8.9 review the company's capability to identify and manage new risk types in conjunction with the audit committee;
- 8.10 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, and taking independent external advice where appropriate and available;
- 8.11 review reports on any material breaches of risk limits and the adequacy of proposed action;
- 8.12 approve the statements to be included in the annual report concerning principal risks, internal controls and risk management;
- 8.13 review and approve the annual company Money Laundering Officer's report;
- 8.14 receive and review summaries of independent second line reports in relation to compliance with company policies and procedures;

- 8.15 keep under review the adequacy and effectiveness of the company's compliance capabilities within the risk and compliance function;
- 8.16 oversee the implementation of the processes to support the company's compliance with the terms of the European Commission's State aid approval;
- 8.17 consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate independence and is free from management and other restrictions;
- 8.18 recommend to the board the appointment and/or removal of the CRO, and consider the opinion of the CEO in such matters
- 8.19 review promptly all reports on the company from the CRO;
- 8.20 review and monitor management's responsiveness to the findings and recommendations of the CRO;
- 8.21 ensure the CRO shall be given the right of unfettered direct access to the chair of the board and to the committee; and
- 8.22 work and liaise as necessary with all other board committees.

9. Reporting responsibilities

- 9.1 The committee chair shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 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.
- 9.4 The directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.
- 9.5 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.

10. Other matters

The committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2 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;
- 10.3 give due consideration to laws and regulations, including the provisions of the Financial Reporting Council's UK Corporate Governance Code, as appropriate;
- 10.4 oversee any investigation of activities which are within its terms of reference; and
- 10.5 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.

11. Authority

The committee is authorised:

- 11.1 to seek any information it requires from any employee/director of the company in order to perform its duties;
- 11.2 to obtain, at the company's expense, external legal or other professional advice on any matter within its terms of reference where required; and
- 11.3 to request the attendance of any employee at a meeting of the committee as and when required.

Approved by the Board: 29 November 2018

Previous version approved by the Board: 10 May 2018