

## 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;

**"BEIS"** means the Department for Business, Energy and Industrial Strategy;

**"Executive Members"** means the Chief Executive Officer and the Chief Risk Officer, the Chief Finance Officer, the General Counsel and the Chief Commercial Officer of BBB plc;

**"Investment"** means a transaction in relation to any investment activity, including, without limitation,

- (a) the making or divestment of a loan or guarantee,
- (b) the acquisition or disposal of an interest in a fund,
- (c) the acquisition or disposal of shares or membership of a corporate body,
- (d) making changes to Programmes, and
- (e) Investment Advice.

and **"investment decision"** and **"investment proposal"** shall be construed accordingly;

**"Investment Advice"** means advice to BEIS and other central government departments given by BBFSL in its capacity as agent or adviser in relation to SME access to finance schemes and policies;

**"Programme"** means an SME access to finance scheme operated by BBFSL but which is on the balance sheet of BEIS or other government department, including any similar schemes or other entities to which BBFSL makes a financial contribution.

#### 2. Introduction

- 2.1. These Terms of Reference apply to BBFSL 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 dated 1 November 2014 and amended from time to time.

### **3. Membership and quorum**

- 3.1. The Committee shall be chaired by the BBB plc CEO or in his/her absence, another Executive Member of the Committee as nominated by the Chair.
- 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 Member 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 of the Committee, the Chief Commercial Officer, the Chief Risk Officer, the Chief Finance Officer and the General Counsel or their delegates.

### **4. Proceedings of the Committee**

- 4.1. The BBB Group Secretariat function shall act as 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 monthly meetings. In the event that no investment decisions need to be considered, this monthly meeting will be cancelled.
- 4.3. Meetings of the Committee shall be held at one of the British Business Bank offices or any other suitable location 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. Investment proposal papers for discussion shall be circulated at least 3 working days ahead of the meeting.
- 4.6. In addition, the Chair of the Committee 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 either the Chief Executive Officer or the Chief Commercial Officer agree, 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 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:

- (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 due diligence costs in excess of £50,000 in relation to investment proposals;
- (ii) the approval of individual investments;
- (iii) changes to Programmes or new Programmes; and
- (iv) Investment Advice.

5.2. The Committee shall make investment decisions or recommendations on individual investment proposals within the scope of Programmes, BBFSL's regulatory status, its State aid remit and the risk appetite agreed by the BBFSL Board and acknowledged by the Board of BBB plc.

5.3. When advising on individual investment proposals, the Committee shall have regard to any due diligence undertaken by the project team. When advising on Investment Advice and changes to Programmes or new Programmes, the Committee shall take into account BBFSL's regulatory status, its State aid remit and the risk appetite agreed by BBFSL Board and acknowledged by the Board of BBB plc.

5.4. When making decisions or recommendations the Committee shall have regard to any due diligence undertaken by the project team and any concentration risk issues (including reputational and financial) that may arise in respect of all Investments booked on the balance sheet of, and guarantees issued by, the BBB plc subsidiaries and the Department for Business, Energy and Industrial Strategy where BBB plc is managing the exposure.

5.5. With respect to variations to investment decisions or existing investments which are not considered to be material these decisions will be approved by:

- (i) The Managing Director of the relevant Programme; and
- (ii) The CRO or the Financial Risk Director of the BBB Group or their delegate.

5.6. The decision as to whether a variation is material or not shall also be made by (i) and (ii) above.

## **6. Decision making**

6.1. The Committee shall make decisions in accordance with the approval requirements set out in Annex

A.

- 6.2. 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 Secretary of State where required, as more particularly set out in Annex A.
- 6.3. 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 6.2, 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 Secretary of State.
- 6.4. Decisions of the Committee shall be made by consensus. 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.
- 6.5. 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 or the Independent NED of the Committee who dissents can request to the Chair to escalate the issue to the Board of BBB plc. If a decision is escalated, the vote held at the Committee is subject to the determination of the Board of BBB plc.
- 6.6. Final decision on individual investments may be subject to any other requirement imposed by the Secretary of State as per the Service Agreement dated 1 November 2014 as amended from time to time. The Committee can only make recommendations in respect of individual investments where it has no delegated authority.
- 6.7. 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.

## **7. Management of the Committee**

- 7.1. 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 of the Committee shall:
  - (a) Solicit questions and comments from all Committee members;
  - (b) Give the Committee the 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) an investment proposal should continue to incur due diligence costs in excess of £50,000; or (ii) an investment 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.
- 7.2. The Chair of the Committee 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.

- 7.3. A copy of the final minutes, as approved by the Chair of the Committee, shall be circulated to all members of the Committee.
- 7.4. 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.
- 7.5. Where written proceedings are used in accordance with paragraph 5.9, 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.

**8. Confidentiality**

Sensitive and confidential information will be provided to the Committee in connection with each investment 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 should familiarise themselves with the appropriate care and handling of restricted information, details of which can be found in the BBB plc policies.

**9. 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.

<b>Approved by the BBFSL Board:</b>	29 November 2018
<b>Approved by the BBB plc Board:</b>	29 November 2018
<b>Previous version approved by the BBFSL Board:</b>	18 July 2017
<b>Previous version approved by the BBB plc Board:</b>	13 July 2017

## Annex A

<b>Transaction</b>	<b>Approval by<sup>1</sup></b>	<b>Final document pre-execution sign-off by</b>	<b>Execution of individual investment by<sup>2</sup></b>
Proposals for new programmes and material changes to existing Programmes <sup>3</sup>	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 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 Secretary of State	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations relating to investments/financial commitments	Investment Committee	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Prescribed Documents <sup>4</sup>	MD of relevant Programme/function	Legal	Any "A" Manager
Variations which may be treated as non-material	MD of relevant Programme and CRO or Financial Risk Director of BBB Group or their delegate.	Legal	Any "A" Manager

*Note 1: Final decision on individual investments may be subject to any other requirement imposed by the Secretary of State as per the Service Agreement dated 1 November 2014 as amended from time to time.*

*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**

<b>"A" Managers</b>	<b>"B" Managers</b>
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 CCO	
BBB plc CRO	
BBB plc GC	
Such other individuals named as "A" Managers in the BBFL power of attorney for the execution of documents that has been approved from time to time	