

British Patient Capital Limited

Terms of Reference: Investment Committee

1 Definitions

For the purposes of these Terms of Reference:

“BBB plc” means British Business Bank plc;

“BPC” means British Patient Capital Limited;

“Executive Members” means the Chairman of BPC and the Chief Executive Officer of BPC;

“Executive Approvers” means the Chief Risk Officer, the Chief Finance Officer and the General Counsel of BBB plc or their appointed delegates, acting in their capacity as approvers on behalf of BPC;

“Independent NED” means a non-executive director of BPC, who is independent from BBB plc and the Shareholder 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, and
- (d) making changes to Programmes and proposals for new Programmes,

whether such transaction is made (i) for BPC’s own account, or (ii) for both BPC’s account and on behalf of any third-party investor which has appointed BPC as investment manager or investment advisor,

and **“Investment decision”** and **“Investment proposal”** shall be construed accordingly; and

“Programme” means an SME access to finance scheme operated by BPC, or on the BPC balance sheet, including any similar schemes of other entities to which BPC makes a financial contribution or provides investment advice or investment management services.

2 Introduction

2.1 These Terms of Reference apply to the BPC Investment Committee only.

2.2 The Committee shall be known as the BPC Investment Committee which is an executive committee of BPC with the purpose of facilitating the decision making process for investment proposals.

2.3 By approving these Terms of Reference, the BPC Board has approved the Investment decision making process as set out in this document.

3 Membership, attendance and quorum

- 3.1 The Committee shall be chaired by the Chairman of the BPC Board or in his/her absence, an Executive Approver as nominated by the Chair. In this event, the Executive Approver shall not be a member of the Committee.
- 3.2 The Committee shall comprise the Executive Members.
- 3.3 If the Chief Executive Officer of BPC 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.
- 3.4 A quorum shall be at least one of the Executive Members, excluding any delegated member.
- 3.5 The Executive Approvers shall attend all Committee meetings.
- 3.6 If any Executive Approver is unable to attend due to absence, illness or any other cause, he/she may delegate his/her attendance 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 Approver is chairing the meeting under the provisions of paragraph 3.1, his/her role as Executive Approver 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.

4 Proceedings of the Committee

- 4.1 The BBB Group Secretariat function shall act as the 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 matters 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 and Executive Approvers have been invited to participate in the meeting and have been sent papers electronically, the Committee members and Executive Approvers 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 and Executive Approvers 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 Committee members and Executive Approvers agree.

- 4.7 The papers to be presented to the Committee shall be in the format approved from time to time by the BPC Investment Committee. The proposer of any paper shall ensure that all Committee members and Executive Approvers 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 Chair or Chief Executive 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 Executive Members and Executive Approvers 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) BPC; and
 - b) Third-party investors, funds, partnerships and other entities which have appointed BPC as manager or adviser,
- in respect of:
- (i) Investment proposals moving forward to incur due diligence costs in excess of £50,000; and
 - (ii) the approval of individual Investments.
- 5.2 The Committee shall make decisions or recommendations on individual Investment proposals within the scope of the programmes, BPC's regulatory status and the risk appetite agreed by the BPC Board and acknowledged by the Board of BBB plc. Where a decision or recommendation is made on behalf of a third-party investor which has appointed BPC as investment advisor or investment manager, the Committee shall, in addition, have regard to and act in accordance with the terms and conditions of any investment advisory or management agreement entered into with such third-party, including the investment policy and investment restrictions of that third party.
- 5.3 When considering individual Investment proposals, 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 the proposed Investment.

- 5.4 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 CEO or a Managing Director of BPC; and
 - (ii) the CRO or the Financial Risk Director of the BBB Group or their delegate.
- 5.5 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 The Chair of the Committee shall ensure that every individual Investment proposal is pre-approved by all Executive Approvers prior to the Committee reaching its final decision.
- 6.3 For decisions on Investment decisions in excess of £50 million¹ and for those Investment decisions which are strategically important to BPC or which relate to novel or contentious matters, approval must be sought from the BPC Board in addition to the Investment Committee.
- 6.4 When deciding whether a matter is escalated to the BPC Board or not, the CEO will consult with the Executive Approvers and the Chair of the Board. The Chair will have the final decision as to whether a matter should be escalated to the Board or not.
- 6.5 For decisions on individual Investments in excess of £75 million² and new Programmes, approval must be sought from the Boards of BPC and BBB plc in addition to the Investment Committee and, in the case of new Programmes, the BBB Product Development Committee.
- 6.6 All decisions of the Committee shall be made by consensus comprising unanimity with collective responsibility. If such consensus cannot be achieved, the Chair can escalate to the BPC Board who may then, at their discretion, escalate to the BBB plc Board.
- 6.7 Where an Executive Approver does not grant his/her pre-approval, such dissent shall be recorded in the minutes. Following any dissent from the Executive Approvers, the Chair of the Committee shall escalate the decision to the Board of BPC who may at their discretion seek the advice of the Board of BBB plc. If such escalation to the BPC Board takes place, each dissenting Executive Approver will provide advice in writing prior to a BPC Board decision being taken.
- 6.8 The BBB plc Board must be notified of any decisions escalated to the BPC Board pursuant to 6.5 and 6.6 above where the BPC Board takes a decision contrary to the advice of the Chief Risk Officer, the Chief Finance Officer or the General Counsel (or their respective delegates as Executive Approvers) and elects not to escalate the decision to the BBB plc Board.

¹ This amount is inclusive of the participation of any third-party investor which has appointed BPC as investment manager or investment advisor.

² This amount is inclusive of the participation of any third-party investor which has appointed BPC as investment manager or investment advisor.

6.9 Where written approvals are being used in accordance with paragraph 4.8, the written approval of all of the Executive Members and Executive Approvers shall be required in order for a decision to be made. A 'nil' response shall not be construed as an approval. If an Executive Approver dissents, the escalation process described in paragraph 6.7 shall apply.

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 and Executive Approvers;
- b) Give the Committee 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) a proposal should move forward to incur due diligence costs in excess of £50,000; (ii) an Investment should be made and at what level or form it should be made; (iii) to proceed with a material change to a Programme or a recommendation for a new Programme for escalation to the Boards of BBB plc and BPC; or (iv) an express consent or approval is required under the terms of any investment advisory or management agreement entered into with a third-party investor; 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 and Executive Approvers 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 proposed Investment, 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 and Executive Approvers

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 4.9, 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 proposal will be the deadline by which a written response is required as set out in the relevant Investment proposal papers.

8 Confidentiality

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

9 Statutory position

- 9.1 Legislative authority for BPC to make Investments on its own account will fall under section 228 of the Banking Act 2009.

10 Review of the Terms of Reference

- 10.1 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 BPC Board, and annually thereafter. Changes must be approved by the Boards of BPC and BBB plc.

Approved by the BPC Board: 20 September 2019

Approved by the BBB plc Board: 10 October 2019

Previous version approved by the BPC Board: 8 November 2018

Previous version approved by the BBB plc Board: 29 November 2018

Annex A

Transaction	Approval by ⁴	Final document pre-execution sign-off by	Execution of individual investment by ¹
Proposals for new Programmes and material changes to existing Programmes	Investment Committee and BPC Board and Board of BBB plc and Product Development Committee	N/A	N/A ²
Transactions and variations relating to Investments/financial commitments \geq £75 million ⁵	Investment Committee and BPC Board and Board of BBB plc	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations relating to Investments/financial commitments $>$ £50 million ⁵ or transactions that are strategic, novel or contentious	Investment Committee and BPC Board	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Transactions and variations relating to Investments/financial commitments £50 million ⁵ and less	Investment Committee	Legal	Two "A" Managers OR one "A" Manager and one "B" Manager
Prescribed Documents ³	MD of relevant Programme/function	Legal	Any "A" Manager
Variations which may be treated as non-material	CEO of BPC or MD of relevant Programme and CRO or Financial Risk Director of BBB Group or delegate	Legal	Any "A" Manager

Note 1: 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 2 for changes to Programmes

Note 2: 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 3: “Prescribed Documents” means any legally binding document which does not involve BPC 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.*

*Any **non-binding documents** which relate to an Investment must be subject to English law and include an appropriate disclaimer provided by Legal.*

Note 4: Where the Investment includes the participation of a third-party investor which has appointed BPC as investment advisor or manager, the approval or consent of that third- should be obtained party if required under the terms and conditions of the advisory or management agreement entered into with that third-party.

Note 5: These amounts are inclusive of any participation of third-party investors which have appointed BPC as investment advisor or manager.

Annex B

A Managers	B Managers
BPC Chair	Such individuals named as "B" Managers in the BPC power of attorney for the execution of documents that has been approved from time to time
BPC CEO	
Such other individuals named as "A" Managers in the BPC power of attorney for the execution of documents that has been approved from time to time	