

National Security Strategic Investment Fund (NSSIF) – Fund Investment Programme

Guidance Document

November 2020

Contents

1. Introduction and background	3
1.1 Introduction	3
1.2 Background to the National Security Strategic Investment Fund.....	5
1.3 Objectives	5
1.4 HM Government’s National Security Strategic Technology (NSST) Areas of Interest	6
1.5 Expected Benefit for Selected Applicants	6
2. Application Process	8
2.1 Initial contact.....	8
2.2 Initial assessment.....	8
2.3 NSSIF Accreditation.....	10
2.4 Timetable and availability of BBB funding	11
3. Additional NSSIF Programme-specific requirements	12
4. Terms and Conditions	14

1. Introduction and background

1.1 Introduction

NSSIF (*en-sif*), National Security Strategic Investment Fund, the government's corporate venturing arm for dual-use advanced technologies, is a joint initiative between HM Government and British Business Bank.

NSSIF invests commercially in advanced technology firms alongside co-investors, supporting long-term equity investment - 'patient capital' - and harnesses the government's unique technology expertise. Its objectives include accelerating the adoption of HMG's future national security and defence capabilities and the development of the UK's dual-use technology ecosystem.

This NSSIF Guidance Document is for applicants interested in being selected to manage an Enterprise Capital Fund or British Patient Capital investment under the NSSIF Fund Investment Programme.

The NSSIF Fund Investment operates in conjunction with the existing Enterprise Capital Fund (ECF) and British Patient Capital (BPC) programmes and has additional requirements and features over and above the ECF or BPC programmes.

To be eligible for an investment under the NSSIF Fund Investment Programme an applicant must also be eligible under either the ECF or BPC programmes. Therefore, this Guidance Document should be read in conjunction with the ECF Guidance Document or the BPC Request for Proposals (as applicable)¹.

Applicants selected under the NSSIF Fund Investment Programme will be able to access a dialogue with NSSIF, part of HM Government, to support the development of advanced technologies which have dual-use applications, i.e. national security and commercial applications. Further details on the application process for the NSSIF Fund Investment Programme are set out below.

¹ More information on the Enterprise Capital Fund programme can be found at: <https://www.british-business-bank.co.uk/ourpartners/enterprise-capital-funds/>

More information on British Patient Capital can be found at: <https://www.britishpatientcapital.co.uk/partner-with-us/>

In overview, applicants wishing to apply to be selected to manage an NSSIF fund investment will need to:

- apply to become accredited by NSSIF, part of HM Government (NSSIF Accreditation). This will include evidencing or undergoing security vetting acceptable to UK authorities and demonstrating significant technical credentials in areas identified by HM Government's National Security Strategic Technology (NSST) Areas of Interest²;
- apply to be selected for the Enterprise Capital Fund programme or British Patient Capital investment (as applicable); and,
- demonstrate strong alignment with the NSSIF Programme's objectives and programme requirements (set out below), in particular demonstrating such alignment through the proposed investment strategy and the applicant's technical credentials in investing in dual-use advanced technologies.

Applicants should note that NSSIF Accreditation is an accreditation based principally upon the security vetting and technical credentials requirements of NSSIF, part of HM Government, and is independent of the ECF or BPC selection due diligence process. It will therefore be possible in principle for an applicant to meet the requirements of NSSIF Accreditation but not meet the requirements for the ECF or BPC and vice versa. Furthermore:

- in cases where an applicant meets the requirements of NSSIF Accreditation, part of HM Government, but not the requirements for the ECF or BPC (as applicable), applicants will not be eligible for investment;
- in cases where an applicant meets the requirements for the ECF or BPC (as applicable) but not NSSIF Accreditation, part of HM Government, the ECF or BPC (as applicable) may at their sole discretion make an award under the applicable programme. However, under these circumstances applicants will not be part of the NSSIF Fund Investment Programme and not benefit from NSSIF Programme's features including a dialogue with the NSSIF, part of HM Government.

² HM Government's NSST Areas of Interest can be found at: <https://www.british-business-bank.co.uk/national-security-strategic-investment-fund/>

1.2 Background to the NSSIF Fund Investment Programme

The Chancellor announced at Autumn Budget 2017 that the National Security Strategic Investment Fund would be established to support long-term equity investment (“patient capital investment”) in advanced technologies which will contribute to the national security mission.

This announcement followed an extensive consultation on Patient Capital. The term Patient Capital is used to describe long-term equity investment for fast-growing, innovative companies and is required by these businesses to enable them to scale-up and prosper. An Industry Panel, chaired by Sir Damon Buffini, provided input for this HM Treasury consultation which was published in the Patient Capital Review.³

The evidence presented in the Patient Capital Review showed that a major barrier holding back the continued development of young innovative firms continues to be access to longer-term investment. The lack of such investment slows these firms’ growth, dampens their ambition and means that some firms are sold to trade buyers rather than growing to maturity in the UK. Overall levels of productivity are reduced as a result as some firms do not fulfil their economic potential.

1.3 Objectives

The NSSIF Fund Investment Programme builds on the objectives of the existing ECF and BPC programmes, with the following three additional NSSIF Programme-specific objectives:

1. **Support private sector led investment into the UK’s world class security technology sector, by increasing the amount of private early stage venture and growth capital available to innovative, high-potential UK companies in this sector.** As part of the Government’s Industrial Strategy, the NSSIF Programme seeks to help increase the amount of private capital and technical expertise focused on UK security technology firms that have high growth potential.
2. **Attract venture and growth capital into investment strategies which will support HM Government’s national security mission by investing in dual-use advanced technologies.** Dual-use advanced technologies, means those technologies which have the potential to contribute to the national security mission (as defined in HM Government’s National Security Strategic Technology Areas of Interest, see below), as well as having commercially viable civil applications.

³ More information about the review can be found here
<https://www.gov.uk/government/publications/patient-capital-review>

3. **Facilitate the faster adaptation and adoption of private sector commercial security technologies by HM Government.** By establishing NSSIF, HM Government aims to foster a greater cross-fertilisation between the public and private sector to significantly increase the pace of its adaptation and adoption of dual-use advanced technologies from the private sector.

NSSIF will build on the UK's role as both a leading centre for advanced technologies and a global hub for venture capital. By providing additional capital investment focussed on dual-use advanced technologies, NSSIF aims to combine the best expertise from the public and private sector to foster the growth of high potential UK companies and at the same time contribute to the national security mission.

1.4 HM Government's National Security Strategic Technology (NSST) Areas of Interest

HM Government's National Security Strategic Technology (NSST) Areas of Interest⁴, set out the NSSIF Programme's areas of investment interest. It is expected that applicants selected under the NSSIF Programme will follow an investment strategy that not only meets the expectations for an ECF or BPC investment (as applicable), but also contains a significant element focussed on dual-use advanced technologies including in these NSST Areas of Interest. Accordingly, applicant organisations will be asked to demonstrate adequate credentials in these areas.

1.5 Expected Benefit for Selected Applicants

The NSSIF Fund Investment Programme offers an innovative opportunity for selected applicants with the requisite expertise. Applicants selected under the NSSIF Programme will be accredited as "NSSIF Fund Managers". In addition to benefiting from an investment from the ECF or BPC programme (as applicable), NSSIF Fund Managers may benefit from access to a relationship with NSSIF, part of HM Government.

HM Government's NSST Areas of Interest and the execution of the selected NSSIF Fund Manager's investment strategy will provide a basis for the subject matter of engagement between the NSSIF, part of HM Government and each selected NSSIF Fund Manager. It is expected that this technical dialogue with NSSIF will support

⁴ HM Government's NSST Areas of Interest can be found at: <https://www.british-business-bank.co.uk/national-security-strategic-investment-fund/>

NSSIF Fund Managers in targeting their investments in dual-use advanced technologies that will help to meet NSSIF's objectives.

The NSSIF, part of HM Government will be resourced to respond effectively to requests or queries from NSSIF Fund Managers and will engage in technical discussions with NSSIF Fund Managers including by fielding appropriate expertise.

2. Application Process

2.1 Initial contact

Prospective applicants are invited to make contact with the NSSIF team at BBB using the following email address NSSIF@british-business-bank.co.uk. The NSSIF team will discuss the NSSIF Fund Investment Programme and the applicant's potential suitability under the Programme as well as one of either the Enterprise Capital Fund programme or the British Patient Capital programme. Please note that to be eligible for an investment under the Programme an applicant must also be eligible under either the ECF or with BPC. Therefore, this Guidance Document should be read in conjunction with the ECF Guidance Document or the BPC Request for Proposals (as applicable)⁵.

2.2 Initial assessment

If applicants meet the initial eligibility assessment of BBB's NSSIF team, they may be referred to the applicable ECF or BPC assessment team and may also be put forward to NSSIF, part of HM Government for an initial security check and an initial assessment by NSSIF, part of HM Government, of their technical credentials.

NSSIF particularly welcome's innovative responses that indicate how the applicant intends to fully utilise the opportunity to interact with NSSIF.

Information required for NSSIF, part of HM Government's initial assessment:

- High-level organisational information and personal information relating to a minimum of two key senior staff who may be expected to undergo Government security clearance.
 - The following organisational information will be required: Names of key shareholders, business address, business and VAT registration numbers, details of any notable affiliations or affiliates.

⁵ More information on the Enterprise Capital Fund programme can be found at: <https://www.british-business-bank.co.uk/ourpartners/enterprise-capital-funds/>

More information on British Patient Capital can be found at: <https://www.britishpatientcapital.co.uk/partner-with-us/>

- The following personal information will be required: Full Name, Home Address, NI Number, Driving Licence number, Date of Birth, Nationality, Place of Birth.
- Outline technical credentials in the fields identified by HM Government's National Security Strategic Technology Areas of Interest.
- Details of the applicant organisation's credentials and alignment with the NSSIF Fund Investment Programme's objectives and programme requirements (set out below), including their proposed investment strategy and technical credentials in dual-use advanced technologies.

The ECF or BPC assessment teams may also consider the information submitted on the applicant organisation's credentials as part of an early assessment the applicant's eligibility.

It is expected that in parallel with NSSIF, part of HM Government's initial assessment, the application may be taken forward by the applicable ECF or BPC assessment team in line with the procedures of the relevant programme. Please note that the ECF and BPC are distinct investment programmes operated by different subsidiaries of British Business Bank. An applicant suitable for one of these programmes is unlikely to be suitable for the other. More information⁶ can be found in the ECF programme Guidance Document or the BPC Request for Proposals. If you have any doubt as to your eligibility for either the ECF or BPC programme, please consult with BBB's NSSIF team in the first instance.

Applicants who successfully pass NSSIF, part of HM Government's initial assessment and the initial ECF or BPC assessment may be invited to a pitch meeting for the ECF or BPC programme (as applicable). The pitch meeting will be led by the relevant ECF or BPC assessment team and representatives of NSSIF, part of HM Government may be in attendance.

The ECF or BPC assessment team (as applicable) will then decide whether to progress the application to formal investment due diligence. Separately, NSSIF, part of HM Government will determine whether NSSIF Accreditation should be progressed. An application under the NSSIF Fund Investment Programme cannot progress beyond this stage without a positive determination from both organisations. If an applicant organisation or its relevant individuals do not pass NSSIF, part of HM Government's

⁶ More information on the Enterprise Capital Fund programme can be found at: <https://www.british-business-bank.co.uk/ourpartners/enterprise-capital-funds/>

More information on British Patient Capital can be found at: <https://www.britishpatientcapital.co.uk/partner-with-us/>

initial assessment, the applicant will not be entitled to receive feedback on why they have been declined. The ECF or BPC assessment team (as applicable) will provide feedback to unsuccessful applicants at this stage in line with normal practices within the ECF or BPC.

2.3 NSSIF Accreditation

The selection process from due diligence through to award under the ECF or BPC programme (as applicable) will be in line with the existing processes and summarised in the ECF Guidance Document or BPC Request for Proposals respectively.

Over and above the established selection process for the ECF or BPC programmes, an award under the NSSIF Fund Investment Programme requires NSSIF Accreditation.

The selection process for the NSSIF Fund Investment Programme will require applicants to apply for NSSIF Accreditation. This will include applicant organisations demonstrating:

- they and relevant senior staff achieve a high level of Government security clearance. Full details on the requirements will be communicated to those organisations successful at the Initial Assessment stage;
- they have significant technical credentials in fields identified by HM Government's National Security Strategic Technology Areas of Interest;
- strong alignment with the NSSIF Fund Investment Programme's objectives (set out in section 1.1 above) and a demonstrable ability to meet the NSSIF Programme-specific requirements (set out in section 3 below); and,
- how their proposed investment strategy and their technical expertise in dual-use advanced technologies will further the objectives of the NSSIF Fund Investment Programme.

Please note that ECF's or BPC's due diligence and selection process (through to award) is expected to run in parallel with the NSSIF Accreditation process. Any award will be a decision of the relevant ECF or BPC Investment Committee and will be subject to the customary conditions precedent. Please note that under the programme, no award can be made unless NSSIF, part of HM Government confirms to the applicable ECF or BPC assessment team that the applicant has obtained (and continues to have) NSSIF Accreditation.

Information provided by applicants in relation to their application may be shared between BBB's NSSIF team and the relevant ECF and BPC assessment team on the one hand and NSSIF, part of HM Government on the other (and vice versa) at their sole discretion, including for the purposes of selection.

Notwithstanding the above, British Business Bank or its affiliates, including the relevant ECF or BPC assessment team, and NSSIF, part of HM Government expect to follow independent applicant assessment processes in order to reach a decision on selection.

Should applicant organisations (and their staff) be declined at any stage in the NSSIF Accreditation process by NSSIF, part of HM Government, they will not be entitled to receive feedback on why they have been declined at this stage.

The ECF or BPC assessment team (as applicable) will provide feedback to unsuccessful applicants at this stage, in line their normal practices within the existing programmes.

2.4 Timetable and availability of BBB funding

Under the NSSIF Fund Investment Programme, BBB receives a funding allocation from HM Government to commit for investment in successful proposals. This allocation, which may be updated from time to time, is available on the BBB website⁷. The Programme will remain open for applications until such time as the available funds have been committed, or such earlier time as BBB at its sole discretion determines. However, future funding allocations may become available to BBB.

BBB will consider proposals on a first come, first served basis. This application process is designed to enable the selection of proposals that are considered to offer the best overall value-for-money in promoting the objectives and satisfying the criteria of the Programme.

⁷ <https://www.british-business-bank.co.uk/national-security-strategic-investment-fund/>

3. Additional NSSIF Programme-specific requirements

In addition to the requirements of the ECF or BPC (as applicable) it is anticipated that successful applications meet the following NSSIF Fund Investment Programme-specific requirements, to be documented in the legal agreements under which any investment by the ECF or BPC programme is made:

An NSSIF Panel

It is envisaged that investments managed by an NSSIF Fund Manager will be overseen by an NSSIF Panel. This forum will be advisory only and it is envisaged that, among other things, it will provide a formal channel through which NSSIF, part of HM Government and the selected NSSIF Fund Manager can interact and share technical information and ideas. Representatives of BBB's NSSIF team and NSSIF, part of HM Government will have a seat on this forum. (Please note that this NSSIF Panel is additional to any limited partner or investor advisory committee (or similar investor forum) at which the relevant ECF or BPC representatives will normally expect to be represented).

Sharing of information

Investments managed by NSSIF Fund Managers will be subject to the normal reporting requirements under the ECF or BPC programme (as applicable). Applicants should note that NSSIF, part of HM Government expects to receive such reporting information from the ECF or BPC programme (as applicable) during the life of an investment, for the purposes of general programme coordination and performance monitoring. Any information shared shall be solely for NSSIF, part of HM Government's purposes. The legal documentation relating to the investment shall permit the ECF or BPC programme (as applicable) to make such on-going disclosures to NSSIF, part of HM Government.

Requirement to have and to retain NSSIF Accreditation

As a condition precedent to any investment under the NSSIF Fund Investment Programme it is expected that NSSIF, part of HM Government will provide to the ECF or BPC programme (as applicable) confirmation in writing that the applicant organisation and its relevant individuals have been successfully NSSIF Accredited.

NSSIF Fund Managers and relevant individuals are required to be NSSIF Accredited at all times. Withdrawal of NSSIF Accreditation during the life of the investment is at NSSIF, part of HM Government's discretion. If NSSIF Accreditation is suspended or withdrawn, NSSIF, part of HM Government, will notify the ECF or BPC programme (as appropriate) in writing. Such event shall result in the benefits of NSSIF Accreditation

being suspended or withdrawn and NSSIF, part of HM Government ceasing to participate in any on-going dialogue either directly or through the NSSIF Panel. The ECF or BPC (as appropriate) will expect to be entitled to request at any time that NSSIF, part of HM Government confirms any party's NSSIF Accreditation.

NSSIF Accredited key persons

NSSIF Fund Managers shall be required to ensure that a minimum of two key persons are NSSIF Accredited and dedicating an agreed minimum time commitment to managing the NSSIF investment. In the event that one or more NSSIF Accredited key persons lose their NSSIF Accreditation or cease to dedicate the agreed minimum time commitment to managing the NSSIF investment, this may be deemed a suspension event and investment activity may be suspended until a suitable proposal to replace such persons or otherwise resource the investment has been approved by the ECF or BPC programme (as applicable). If such approvals are not obtained within an agreed period, new investment activity may be permanently suspended.

NSSIF Accreditation may be withdrawn at any time because the Fund Management organisation or Accredited key persons no longer meet the criterion. NSSIF, part of HM Government shall not be required to provide a rationale for the withdrawal of Accreditation. However, it is likely that Accredited key persons would themselves be aware of a rationale. For similar reasons, it is anticipated that in addition to the customary suspension, cause and termination provisions, the legal agreements under which any investment is made will include certain NSSIF-specific provisions. All decisions relating to NSSIF Accreditation, including but not limited to, requirements, selection, award and withdrawal, are a matter for NSSIF, part of HM Government, and at its sole discretion. They are not a matter for BBB to decide.

4. Terms and Conditions

The NSSIF Fund Investment Programme operates in conjunction with the existing ECF and BPC programmes of British Business Finance Limited ("BBFL") and British Patient Capital Limited ("BPC") respectively. Any award under the NSSIF Fund Investment Programme will be implemented by way of an investment from either the ECF programme or the BPC programmes (as applicable). Awards will be subject, among other things, to receipt by BBFL/BPC of written confirmation from NSSIF, part of HM Government that the applicant has successfully cleared NSSIF, part of HM Government's initial assessment and NSSIF Accreditation.

Any costs or expenses incurred by an applicant will not be reimbursed and BBFL/BPC will not be liable in any way to an applicant for costs, expenses or losses incurred as a result of this process.

BBFL/BPC reserves the right to amend the timetable and / or the process until such time as binding arrangements are concluded with applicants.

BBFL/BPC reserves the right to reject any and all applications at any stage, with or without cause.

BBFL/BPC reserves the right to request clarification of information submitted and to request additional information regarding any application, including the right to request face-to-face meetings. Refusal to provide such information upon request may cause the application to be rejected. Where no reply to a request for information or for clarification is received within ten business days, BBFL/BPC may consider that the application has been withdrawn.

No representation, express or implied, is made by BBFL/BPC as to the completeness or accuracy of any facts or opinions contained in this Request for Proposals. Recipients of this document should seek their own independent legal, financial, tax, accounting or regulatory advice before making any application under the Programme.

Please note that BBFL/BPC is acting as an investor for the purposes of this Programme and therefore this Request for Proposals does not require approval under financial promotion legislation or corresponding rules.

Applicants should be aware BBFL/BPC is not authorised to carry out regulated activity. BBFL/BPC will thus be unable to consider responses where receipt or processing would require any form of regulatory authorisation or permission.

Any offer to invest in a fund made by BBFL/BPC as a result of this process will be subject to the prompt and satisfactory agreement of legal terms. Applicants will also be expected to provide a timetable for meeting any other obligations, such as the

raising of private sector investment, and successful completion of an application will be conditional on meeting that timetable.

Respondents should note that information received by BBFL/BPC or any other member of the British Business Bank plc group as part of this process, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act and GDPR (Data Laws) and the Environmental Information Regulations 2004. In view of this, should respondents consider that any information should be treated as confidential and/or commercially sensitive, it would be helpful if respondents could set out why they consider this to be the case in each instance. Automatic confidentiality disclaimers generated by IT systems will not, in themselves, be regarded as binding. If BBFL/BPC or any member of the British Business Bank plc group receives a request for disclosure of information provided, full account will be taken of any explanation, but no assurance can be given that confidentiality will be maintained in all circumstances. Decisions on disclosure remain the responsibility of BBFL/BPC or the relevant member of the British Business Bank group and ultimately the Information Commissioner and courts. Personal data will be processed in accordance with the Data Laws: in the majority of circumstances this will mean that personal data will not be disclosed.

By submitting a Formal Response, applicants accept the terms and conditions set out in this section 4. Except for this section 4, which is intended to be legally binding, this Request for Proposals is not a legally binding document and should be treated as indicative only.

Important legal notice

British Business Bank plc is a public limited company registered in England and Wales registration number 08616013, registered office at Steel City House, West Street, Sheffield, S1 2GQ. As the holding company of the group operating under the trading name of British Business Bank, it is a development bank wholly owned by HM Government which is not authorised or regulated the Prudential Regulation Authority or the Financial Conduct Authority.

British Business Bank plc and its subsidiary entities are not banking institutions and do not operate as such.

A complete legal structure chart for British Business Bank plc and its subsidiaries can be found at <https://british-business-bank.co.uk/corporate-information/>

© British Business Bank plc (November 2020)
This publication is available from british-business-bank.co.uk.

Any enquiries regarding this publication should be sent to:

British Business Bank plc
8 Salisbury Square
London
EC4Y 8AP

