

Terms of Reference for the People and Remuneration Committee of British Business Bank plc

1. Constitution

- 1.1 The People and Remuneration Committee (**Committee**) is a Committee of the Board appointed in accordance with the company's articles of association.

2. Membership

- 2.1 The Committee shall comprise at least three members. At least one member of the Committee shall be a shareholder representative who is a director of the company. The Chair of the Board may also serve on the Committee as a member if he or she was considered independent on appointment as Chair. All other members of the committee shall be independent non-executive directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee.
- 2.2 Members of the Committee and the Chair of the Board have the right to attend Committee meetings. Other individuals such as the Chief Executive, other directors, the Chief People Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and at the Committee Chair's discretion.
- 2.3 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 review by the Nomination Committee.
- 2.4 The Board shall appoint the Committee Chair who shall be an independent non-executive director who has relevant experience having served on another entity's Remuneration Committee for at least 12 months. 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 who would qualify under these terms of reference to be appointed to that position by the Board.
- 2.5 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 the casting vote.

3. Secretary

The company secretary or their nominee shall act as the secretary of the Committee.

4. Quorum

The quorum for the transaction of business shall be two, one of whom must be an independent non-executive director.

5. Frequency, Notice and Minutes of Meetings

- 5.1 The Committee shall meet at least three times a year and otherwise as required.

- 5.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair.
- 5.3 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 and any other person required to attend, no later than five working days before the date of the meeting.
- 5.4 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 5.5 Draft minutes of Committee meetings shall be circulated within two 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.
- 5.6 Final signed copies of the minutes of the meetings should be maintained for the company's records, in hard and soft copy where possible.

6. Annual general meeting

The Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

7. Duties

- 7.1 The Committee shall carry out the duties detailed below for the company, major subsidiary undertakings and the group as a whole, as appropriate in light of the obligations set out by the shareholder.
- 7.2 The committee shall:
 - a) have responsibility for setting remuneration policy for the company's Executive Board Directors (subject to Ministerial approval). The remuneration of the Chair shall be set by Ministers;
 - b) provide oversight, challenge, review and make recommendations to the Board/Company Chair regarding the broader remuneration policy and practices for the company's employees, including pension rights and any compensation payments. The Board itself or, where required by the articles of association of the company, the shareholder should determine the remuneration of the non-executive directors within the limits set in the articles of association. No director or senior manager shall be involved in any decisions as to their own remuneration. The Committee may seek the views of the company's Chief Executive in respect of the remuneration policy for senior management and executive directors (other than the Chief Executive themselves);
 - c) in reviewing and making recommendations in relation to the remuneration policy for employees, the committee shall take into account all factors that it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "**Code**") and associated guidance, and the

provisions contained within the Shareholder Relationship Framework Document. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully (whilst having regard to HM Treasury guidance for the approval of senior pay), subject to approval by the company's shareholder. The remuneration policy should have regard to the risk appetite of the company and alignment to the company's long strategic term goals. A significant proportion of senior executive variable remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the company;

- d) within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive, as appropriate, determine the total individual remuneration package of each Executive Board Director, and all other members of the Executive Committee, including the company secretary, including bonuses, incentive payments and long term awards;
- e) With regard to HM Treasury Guidance for the Approval of Senior Pay and the exemptions agreed with the Shareholder for the number of roles that may be paid above the senior pay threshold in both BBB and BPC, recommend the proposed remuneration package for any new appointment or promotion (ahead of advertising of such role) that will result in one of the agreed exemptions being used, for subsequent approval by the Nominations Committee;
- f) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys, or information which it deems necessary at the expense of the company but within any budgetary restraints imposed by the Board;
- g) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
- h) following the determination of the corporate performance of the business by the Board, consider and make recommendations to the Board for the performance ratings for the corporate elements of performance-related pay schemes operated by the company;
- i) ensure, taking into account the principles of Managing Public Money, that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- j) oversee any major changes in employee benefits structures;
- k) agree the policy for authorising claims for expenses from the Board directors;
- l) work and liaise as necessary with all other Board committees;
- m) report annually to the Shareholder on the reward and remuneration matters as set out in the Shareholder Relationship Framework Document.

7.3 In addition, and aligned to the annual business cycle, the Committee has a role in the review, challenge, and support of the people strategy and people practices that enable the delivery

of the Company's objectives. This would include strategic discussion, aligned to the Forward Planner, around the following topics:

- a. approach and philosophy related to remuneration matters for the broader workforce;
- b. the company's ability to attract, retain and develop the talent and skills it needs to deliver its strategic and statutory purpose and duties;
- c. the overarching organisational design of the company to achieve its strategic objectives and priorities;
- d. outcomes of any surveys or other tools used to gain feedback from employees and the Executive's plans for addressing any issues;

8. Reporting responsibilities

- 8.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled and produce a report of the company's remuneration policy and practices to be included in the company's annual report and ensure each year that it is put to the shareholder for approval at the annual general meeting of the company. If the committee has appointed remuneration consultants, the annual report of the company's remuneration policy should identify such consultants and state whether they have any other connection with the company.
- 8.4 Through the Chair of the Committee, ensure that the company maintains contact with the shareholder, and provides all information requested by the shareholder to the shareholder in respect of remuneration.

9. Other matters

The Committee shall:

- 9.1 where relevant, act in accordance with article 67 of the company's articles of association and the remaining provisions of the company's constitution;
- 9.2 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;

- 9.4 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed and non-listed companies including but not limited to the provisions of the Code as well as guidelines published by the Association of British Insurers and the National Association of Pension Funds and any other applicable rules, as appropriate;
- 9.5 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; and
- 9.6 require that the remuneration, of whatsoever nature, of all the directors, senior management and employees of the company and other members of the group is paid or made to the relevant individual personally and not to a service company or other vehicle, and that all applicable tax and national insurance contributions are paid in respect of such remuneration.

10. Authority

- 10.1 The committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

Approved by the Board: 1 December 2022

Previous version approved by the Board: 4 March 2021