

## Board Scope

### Purpose

The board of Virgin Money UK PLC (VMUK or Company) (Board) is responsible for:

- the long-term success of VMUK and its respective subsidiaries, including for the avoidance of doubt, Clydesdale Bank PLC (CB) and of its respective subsidiaries including Virgin Money Holdings (UK) plc and of its respective subsidiaries (together, the Group) and the delivery of sustainable value to its shareholders;
- overseeing the implementation of governance arrangements to ensure effective and prudent management of the Group in a manner that promotes the integrity of the market and interests of the Group's customers;
- providing entrepreneurial and ethical leadership of the Group and management within a framework of prudent and effective controls which enables risks to be assessed and managed;
- setting the Group's strategic aims ensuring that the necessary resources are in place for the Group to meet its objectives and regulatory requirements and review business and financial performance;
- setting and embedding the Group's culture, values and standards as between the members of the Board (Directors) and throughout the Group, ensuring that obligations to all stakeholders are understood and met;
- acting in the best interests of the shareholders and the Company and in accordance with the Directors' duties under UK law, including those set out in sections 171 to 177 of the Companies Act 2006;
- having due regard to the UKLA Listing Rules, Disclosure and Transparency Rules, the rules of the Australian Securities Exchange and any other regulated or public exchange on which the Group has obtained a listing or where the Group's securities are listed, best practice, principles of the UK Corporate Governance Code (Code) and any other relevant legal and regulatory requirements including Market Abuse Regulation; and
- overseeing the application of Group policies and procedures adopted in accordance with this Charter throughout the Group.

### Authority

The Board's source of authority is the Company's shareholders, who appoint the Board of Directors and approve the Articles of Association. This Charter should be read in conjunction with the Company's Articles of Association which take precedence.

The Board is authorised to:

- have adequate access to information and shall determine the nature, amount, format and frequency of the information which it is to receive;
- have access to sufficient resources and the authority to seek any information it requires from employees of the Group, including the Group Company Secretary, or otherwise in order to fulfil its role and responsibilities; and
- obtain, at the Company's expense, any appropriate independent external expert advice, including external expert advice on any matter it considered necessary to fulfil its role and responsibilities.

### Ring Fencing Obligations

Where waivers or modifications from the Prudential Regulation Authority (PRA) Ring-fenced Bodies Rulebook have been granted by the PRA to operate common Boards across VMUK and CB, all ring-fencing obligations relating to Board composition, roles and independence criteria as defined in the CB Charter must be followed. For the avoidance of doubt, the Board shall ensure that any obligations with respect to ring-fencing applicable to the Group or to the Group's respective boards and their respective board members (for example, board composition and independence) shall be met in the exercise of the Board's duties subject to applicable law and regulation and the Directors' duties.

## **Membership and Attendance**

### **Chair**

The Chairman is appointed by the Board on the recommendation of the Governance and Nomination Committee and on appointment should meet the independence criteria set out in the Code and in the PRA Ring-fenced Bodies Rulebook (Rulebook).

If the Chairman is absent the Senior Independent Director (SID) will chair any Board meeting and in the absence of the SID the Board members present will appoint one of their number to chair the meeting.

If the number of votes for and against a proposal are equal, the Chairman of the meeting will have a casting vote, but this does not apply if the Chairman of the meeting is not to be counted as participating in the decision-making process.

### **Members**

Members of the Board comprise the Chairman, Non-Executive Directors and Executive Directors. Members are appointed on the recommendation of the Governance and Nomination Committee.

It is the Company's policy that at least half of the Board, excluding the Chairman, shall be independent Non-Executive Directors as determined relative to the provisions of the Code and the Rulebook.

### **Standing Attendees and Additional Invitees**

The Chairman will determine which of the management team are appointed as standing attendees. The Secretary shall maintain a register of standing attendees that are appointed by the Chairman.

Other individuals may be invited to attend all or part of any meeting.

### **Quorum**

The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors and unless otherwise fixed it is two.

## **Board Management**

### **Secretary**

The Group Company Secretary or delegate shall be secretary.

### **Meeting Frequency**

At least six times per year.

Any Director may propose a Directors' written resolution which can be circulated electronically. A Directors' written resolution is adopted when all Directors who would have been entitled to vote on the resolution at a Directors' meeting have signed one or more copies of it, or have otherwise indicated their agreement in writing to it, provided that those Directors would have formed a quorum at that meeting. This written confirmation may be made in one or more counterparts.

### **Minutes of Meetings**

The secretary shall minute the proceedings and decisions of all Board meetings, including recording the names of those present and in attendance.

Draft minutes will be circulated to all Board members and approved at the next meeting of the Board.

## Responsibilities

### 1.0 Strategy and Management

- 1.1. Review and approve the Strategic Plan and Financial Plan of the Group (including Capital & Funding Plans) and any material amendments.
- 1.2. Responsibility for the overall leadership of the Group and setting of values and standards.
- 1.3. Approval of material acquisitions and disposals of assets and share acquisitions and disposals which are significant in terms of the Group's business.
- 1.4. Approval of material joint ventures, strategic partnership and alliances which are significant in terms of the Group's business.
- 1.5. Consider longer term strategic threats to the business operations of the Group.
- 1.6. Approve the Group's key financial objectives.
- 1.7. Review the capital and liquidity position of the Group.
- 1.8. Receive Performance Updates and review actual performance in light of the Group's Strategic Plan, Financial Plan, KPIs and budgets.
- 1.9. Approval of major capital projects or investments or material strategic contracts exceeding £20,000,000 on any single item (or directly related items) to be incurred by the Group.
- 1.10. Review and consider high level reports on matters which it considers material to the Group as appropriate, in particular:
  - Relations with regulatory authorities;
  - Health and safety;
  - Information systems and technology;
  - Insurance cover;
  - Litigation and claims;
  - Environmental, social and governance matters; and
  - Investor and public relations.

### 2.0 Structure and Capital

- 2.1 Consider and approve major changes to the Group's corporate structure including changes relating to the capital structure, share issues (other than in relation to employee share plans operated by the Group) and share buy backs (including the use of treasury shares) and the Group's management and control structure.
- 2.2 Consider and, as appropriate, approve the Group's regulatory capital requirements and the basis for allocation of capital through the Financial Plan and the Internal Capital Adequacy Assessment Process.
- 2.3 Review and as appropriate approve the Internal Liquidity Adequacy Assessment Process.
- 2.4 Review and, as appropriate, approve the Recovery Plan and Resolution Plan and receive updates (as required) on the Group's recovery and resolution planning activities.
- 2.5 Review and approve any amendments to the Company's existing listing(s) or an additional listing on any

public or regulated exchange and any change to its status as a public limited company.

With respect to the foregoing, it is recognised that certain operational decisions must be made by CB, for example relating to the Internal Liquidity Adequacy Assessment Process.

### **3.0 Stress Testing**

3.1 The review and approval of the planning and effectiveness of Stress Testing activities across the Group including:

- the stress scenarios prior to execution, key assumptions and judgements, stress test results, and any management actions arising for internal and regulatory stress tests as appropriate;
- plans for the execution and delivery of internal and regulatory stress tests on a periodic basis;
- adequacy of resources in place;
- effectiveness of the control environment;
- relevance of management information presented to the Board, incorporating the sufficiency of lead time of this management information for review; and
- progress against any improvement plans including lessons learned as part of previous stress tests.

### **4.0 Financial Reporting and Controls**

4.1 Following recommendations from the VMUK Audit Committee (BAC) and the VMUK Risk Committee (BRC), approval of:

- the Annual Report and Accounts;
- the Pillar 3 Disclosure;
- the interim financial report and results and any preliminary announcement of the final results;
- material and significant statements issued to investors in the jurisdictions in which Group securities are listed or registered;
- the dividend policy and interim dividends and recommend final dividends to the shareholders for approval;
- significant changes in the Group's accounting policies or practices;
- recommendations to shareholders of the appointment, re-appointment and removal of the external auditor of the Group (External Auditor); and
- the recommendation to shareholders of the remuneration of the External Auditor.

4.2 Without prior recommendation from the BAC, consider and approve quarterly trading updates.

### **5.0 Internal Controls and Risk Management**

5.1 Following recommendations from the VMUK BAC or VMUK BRC as appropriate, approval of:

- the Group's Risk Appetite Statement (RAS) and the Group's Risk Management Framework (RMF);
- the statement on internal controls and risk management for inclusion in the Annual Report and Accounts; and
- the appointment and dismissal of the Group Chief Risk Officer.

5.2 Receive reports on and review the effectiveness of the Group's risk and control processes.

5.3 Monitor performance of the Group against the approved RAS and RMF.

5.4 Keep under review the Group's principal, current and emerging risks and approve, as appropriate recommended action escalated by the BRC.

5.5 Oversee the Group's Whistleblowing arrangements together with those for the detection of fraud and prevention of bribery.

## **6.0 Delegation of Authority**

6.1 Approval of the Group's Delegated Authority Framework.

6.2 The establishment of VMUK Board committees and receiving minutes / reports from each VMUK Board Committee (defined below) on its activities and the approval of each committee's Charter. In the case of the Board Committees (defined below), non-material changes may be approved by the Chairman of that committee. Materiality will be a matter for decision of the Chairman of that committee.

6.3 As a minimum, the following Committees shall be established (Board Committees):

- BAC;
- BRC;
- Governance and Nomination Committee; and
- Remuneration Committee.

## **7.0 Board and Committee Matters**

7.1 Following recommendations from the VMUK Governance and Nomination Committee, approval of:

- changes to the structure, size and composition of the Board;
- the Board Diversity & Inclusion Policy including a target for the representation of the under-represented gender on the Board and in relation to broader diversity considerations;
- appointments to the Board. Fees for Board members will be approved in accordance with the Remuneration Policy;
- appointment of a Senior Independent Director;
- membership and Chairmanship and the subsequent appointments to Board Committees;
- the re-appointment of Non-Executive Directors at the end of their term of office;
- recommendations for the election or re-election by the shareholders of Directors at the Company's AGM;
- the appointment and removal of the Company Secretary;
- the continuation in office of any Director at any time, including the suspension or termination of service of any Executive Director as an employee of the Group or any of its subsidiaries, subject to applicable law and their service contract; and
- the independence of Non-Executive Directors.

7.2 Ensure, following recommendations from the VMUK Governance and Nomination Committee, that adequate succession arrangements for the members of the Board and senior management of the Group is in place in order to maintain an appropriate balance of skills, experience, independence, knowledge and diversity now and to ensure the progressive refreshing of the Board over the medium and longer term.

7.3 Approval of the division of responsibilities between the Chairman and the Chief Executive Officer.

7.4 Provide prior approval of additional external appointments to be undertaken by any Director in line with the VMUK Procedure Note for External Appointments (including the External Directorship Principles). Ensure that the reasons for permitting significant appointments are explained in the VMUK Annual Report and Accounts. For the purposes of this Charter, significant appointments are considered to be (a) any directorship of a FTSE 100 company or (b) any appointment that requires a waiver to the regulatory rules including the Rulebook and the PRA (General Organisation Requirements 5.5) and Financial Conduct Authority (SYSC 4.3A.6R). In order to ensure compliance with the Code, full time Executive Directors should not take on more than one Non-Executive Directorship in a FTSE 100 company or other significant appointment.

When considering an external appointment, the Company must ensure that each member of the Board is able to commit sufficient time to perform their functions and that the number of directorships held is appropriate. Consideration must also be given to individual circumstances and the nature, scale and complexity of the Company's activities. This means that the 'appropriate' number of directorships may be less than the maximum allowed under the regulatory rules.

Any change to an existing external appointment requires the approval of the Board Chairman. If the change renders the appointment a significant appointment, Board approval will be required.

## **8.0 Remuneration**

8.1 Following recommendations from the VMUK Remuneration Committee and subject always to applicable law and regulation, approval of:

- the Group's remuneration strategy and Remuneration Policy (including remuneration packages of the Directors, Company Secretary and other Senior Executives) and make recommendation to the shareholders for approval of the Remuneration Policy as required;
- overall funding for annual salary reviews; and
- new share incentive arrangements or major changes to existing plans.

## **9.0 Corporate Governance**

9.1 Following recommendations from the VMUK Governance and Nomination Committee approval of:

- the Group's Corporate Governance framework; and
- the Corporate Governance Report for inclusion in the Annual Report and Accounts.

9.2 Undertake an annual assessment of the Board's own performance, the Board Committees and the Directors.

9.3 Approval of conflicts of interest or potential conflicts of interest of Directors in accordance with the Company's Articles of Association.

## **10.0 Communication with Stakeholders**

10.1 Ensure a satisfactory dialogue with stakeholders based on the mutual understanding of objectives.

10.2 Receive reports on the views of the Group's stakeholders.

10.3 Approval of resolutions and corresponding documents to be put forward to shareholders at the Annual General Meeting or any other General Meeting.

10.4 Approval of any circulars, equity prospectuses, listing particulars or press releases and announcements concerning matters decided by the Board.

## **11.0 Policies**

11.1 Review and approve key Group policies pursuant to the Policy Management Framework.

## **12.0 Other**

12.1 Approval of the arrangements for overall levels of insurance for the Group including Directors' and Officers' liability insurance.

12.2 Approval of any political donations.

12.3 Review and approve any major changes to the rules of the Group's pension scheme, changes of pension trustees as may be nominated by CB or changes in fund management arrangements.

12.4 Approval of any matter likely to have a material impact on the Company or the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

## **Reporting Responsibilities**

### **Annual Report and Accounts (ARA)**

The Board shall compile a statement on how it operates to be included in the Company's Annual Report and Accounts. The statement should include a high-level statement of which types of decisions are taken by the Board and which are delegated to management.

### **Relationship With Management**

Day to day responsibility for the operation of the Group not specifically reserved for the Board or delegated to a Committee are delegated to the Chief Executive Officer and by the Chief Executive Officer to the VMUK Leadership Team in accordance with the Delegation of Authority Framework, as approved by the Board.

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

## **Governance**

The Board will review its own performance, that of the Chairman and of each Board member on an annual basis.

The Charter will be reviewed at least annually by the Board, however, amendments of a non-material nature (as determined by the Chairman) in the period between can be approved by the Chairman.

The Board Charter will be made available to shareholders via the Group's website.