

Board Risk Committee Charter v5

Committee Scope

Purpose

The Board of Virgin Money UK PLC (“VMUK”) has delegated responsibility to the Board Risk Committee (“BRC” / “Committee”) to oversee the management of risk across VMUK and its subsidiaries (the “Group”), taking a forward looking perspective, anticipating changes in business conditions and promoting risk awareness culture within the Group. Details of the Committee’s responsibilities are stated below.

Authority

BRC is authorised to:

- have access to resources and information to conduct its responsibilities, including the Company Secretary for advice and assistance;
- delegate any matter to another committee, sub-committee or person to carry out its responsibilities;
- review matters referred to it by the Executive Risk Committee (ERC); and
- obtain, at VMUK’s expense, external legal or other independent professional advice on any matter within the Charter.

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 Clydesdale Bank PLC (CB), all ring-fencing obligations relating to Board Committee composition, roles and independence criteria as defined in the CB charter must be followed.

Membership and Attendance

The Committee will have at least four independent Non-Executive Directors, including the Chair, and a member of the Board Audit Committee (BAC).

Chair

The BRC Chair is appointed by the Board on the recommendation of the Governance and Nomination Committee.

The Chair will not have a casting vote, and in their absence, an appointed deputy or the members present will elect one of themselves to chair the meeting.

Members

Members are appointed by the Board on recommendation from the VMUK Governance and Nomination Committee and in consultation with the BRC Chair. However, the Board Chair may not be a member of the Committee.

Standing Attendees and Additional Invitees

- Board Chair
- Chief Executive Officer
- Chief Financial Officer
- Group Director Internal Audit
- General Counsel and Purpose Officer
- Chief Risk Officer (CRO)
- Group Company Secretary

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

Appropriate waivers must be in place for the CRO and Group Director Internal Audit to perform these functions for VMUK and for entities within the CB ring-fenced group.

Quorum

Three members, including the BRC Chair or the appointed deputy in the BRC Chair's absence.

Committee Management

Secretary

The Group Company Secretary or delegate shall be Secretary. The Secretary shall ensure the Committee meets with sufficient notice, receives papers in a timely manner to enable full and proper consideration to be given to issues. The Secretary shall produce minutes of all meetings for Committee approval.

Meeting Frequency

The Committee will meet at least four times per year with an additional two joint meetings with the BAC to review and approve the financial and non-financial internal controls and Three Lines of Defence assurance plans. However, any member or the Board Chair, Chief Executive Officer, CRO or Group Director Internal Audit may request an ad-hoc meeting.

In exceptional circumstances, urgent matters can be circulated for approval or recommendation electronically, at the agreement of the Chair. Sufficient member responses must be received in line with the Committee quorum requirements, to enable the Chair to provide a decision.

Outside of the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Committee's governance, including the Chief Risk Officer, the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the Group Director Internal Audit, and other members of the Leadership Team as required.

The Committee will regularly meet with the Chief Risk Officer without management present to discuss the effectiveness of the Risk function.

Minutes of Meetings

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

Draft minutes will be circulated to all Committee members and once approved, shared with the Board.

Responsibilities

1.0 Risk Appetite, Framework and Limits

1.1 Advise the Board on the principal, current and emerging risks facing the Group, including the likelihood and impact of those risks materialising and the management and mitigation of those risks. This involves the Committee considering key matters such as Operational Risk; Climate Risk; Capital & Funding Risk; Solvency Stress Tests (SST) and the Resolvability Assessment Framework by receiving periodic reports which detail as required, the associated risk profile, the approach to disclosures and activity being undertaken to embed the identification, assessment and management of these risks into the risk management process.

1.2 Assist the VMUK Board with the implementation of key risk related strategies, frameworks, plans, policies and models and monitor the extent to which they have been embedded across the Group.

- 1.3 Review and recommend the Group's Risk Appetite Statement (RAS) (in conjunction with the CB BRC), Risk Management Framework (RMF) and non-financial internal control systems to the Board for approval.
- 1.4 Review and approve the methodology and parameters used in establishing the Group's risk appetite including, for example, risk asset ratios, limits on exposures and concentrations, leverage ratios, and stress and scenario testing, including the review of the results of such testing.
- 1.5 Receive reports to oversee (in conjunction with the CB BRC) management's implementation of the RMF and the embedding of risk appetite controls, including management's response to breaches of risk appetite set out in the RAS and RMF.
- 1.6 In conjunction with the BAC, review and approve the statement on internal financial controls and risk management to be included in the Group's ARA.
- 1.7 Review and recommend the Internal Capital Adequacy Assessment Process to the Board for approval.
- 1.8 Review and recommend the Group's Individual Liquidity Adequacy Assessment Process to the Board for approval.

2.0 Policies

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

3.0 Compliance

- 3.1 Review regular reports from the SMF16 holder and monitor the adequacy and effectiveness of the Group's compliance function.
- 3.2 Review and approve the annual risk assurance plan (in conjunction with the CB BRC) and receive regular reports on progress against the plan and other matters relating to compliance risk.
- 3.3 Monitor the relationship with the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) and other relevant regulatory bodies.
- 3.4 Consider any material findings (in conjunction with the CB BRC) from regulatory reviews and interactions in relation to risk governance, risk assessment or management processes.
- 3.5 Review regular reports providing details on the Group's compliance with the FCA Consumer Duty rules and conduct risk generally.
- 3.6 Oversee recovery planning and resolution capabilities including multi-year development programmes which includes regulatory feedback, including endorsement and governance of the annual Recovery Plan process and bi-ennial resolution self-assessment submissions

4.0 Fraud, Anti-money Laundering and Bribery Prevention

- 4.1 Review and challenge the annual Money Laundering Reporting Officer report including the adequacy and effectiveness of the Group's anti-money laundering and counter terrorist financing systems and controls.
- 4.2 Review the Group's fraud prevention and detection policies and procedures, including any actual, suspected or alleged fraud (involving misconduct or unethical behavior related to financial reporting) or misrepresentation of assets.

4.3 Review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

5.0 Stress Testing

5.1 Review the adequacy of the Group's stress testing framework, governance and internal controls.

5.2 Review and challenge management's interpretation of the regulatory prescribed scenarios, including areas of judgement.

5.3 Review and challenge the results of enterprise-wide stress tests including reports explaining the impact of crystallization of identified risks and threats, and the level of risk mitigation in place.

5.4 Review and recommend for approval to the Board (in conjunction with the Board of CB) the results of the enterprise-wide stress tests and the final SST submissions to the relevant regulatory authority.

6.0 Chief Risk Officer and Risk Function

6.1 In relation to the risk function:

- The Committee will review the operating model and effectiveness of the risk function including its resource adequacy and independence of the business.

6.2 In relation to the CRO:

- The Committee will review all reports from the CRO.
- The CRO will report directly to the Chief Executive Officer with a dotted reporting line to the BRC, and a right of access to the Board Chairman.
- The Committee will consider and make recommendations to the Board regarding the appointment or removal of the CRO.
- The BRC Chair will discuss the remuneration arrangements of the CRO with the Remuneration Committee Chair.
- The BRC Chair will discuss the performance of the CRO with the Chief Executive Officer.

7.0 Remuneration

7.1 Consider regulatory reportable events/investigations (ex-post and ex-ante) and make recommendations to VMUK and CB RemCo (where material) on performance adjustments to the Group's business and function bonus pools, individual colleague awards, the vesting of long-term incentives and any clawback provisions.

7.2 Review LTIP and STIP performance measures to monitor that risk and conduct perspectives are appropriately reflected and discuss any recommendations to RemCo on the effectiveness of conduct and risk management during the LTIP performance period prior to vesting.

8.0 Financial and Non-financial Internal Controls

8.1 A joint meeting with the BAC will be held every year to review and approve (where appropriate) the following matters/items which are within the responsibilities of both Committees:

- Consolidated Control Effectiveness Statement.
- 1st Line Assurance Plans.
- Annual Risk Management Assurance Plan.
- Annual Internal Audit Plan.
- VMUK Annual Report and Accounts (ARA) and related matters (including approval) of the Audit Committee Report and Risk Committee Report within the ARA.

9.0 Annual General Meeting (AGM)

9.1 The BRC Chair, or a chosen delegate, shall attend the AGM in order to respond to any shareholder questions on the Committee's activities.

In addition to the above the Committee shall also consider, review or approve (as appropriate and in agreement with the Board) any other matter that the Chair agrees is within the Committee's remit.

Reporting Responsibilities

Matters discussed at CB BRC meetings will be reported to the VMUK BRC at the next available meeting.

Board Updates

The Chair shall provide an update to the VMUK Board on matters discussed after each BRC meeting on issues which it considers that action or improvement is needed, recommending steps to be taken.

Annual Report and Accounts (ARA)

To describe in the VMUK ARA the work of BRC including:

- the names of all BRC members and the number of meetings held during the period;
- a summary of the role of the BRC and its key areas of focus during the reporting period;
- risk disclosures, including inherent risks and the management and mitigation of those risks;
- forward looking information indicating the expected impact of potential risks facing the Group;
- a summary of how risk is managed across the Group and the role of the BRC in providing oversight; and
- the statement relating to internal controls, including the assessment of principal risks facing the Group.

Committee Governance

The Committee will review its own performance, that of its Chair and of each Committee member on an annual basis.

The BRC charter will be reviewed at least annually by the Committee and the Board, however, non-material amendments (as determined by the BRC Chair) in the period between can be approved by the Committee.

The BRC charter will be made available to shareholders via the Group's website.

BRC will liaise regularly with the BAC and where there is an overlap of responsibilities between BRC and BAC, the respective committee Chairs shall have discretion to agree the most appropriate committee to fulfil any obligation.