Being a force for good – United Nations' Principles for Responsible Banking Reporting

VIRGIN MONEY UK

UNEP FINANCE INITIATIVE

PRINCIPLES FOR RESPONSIBLE BANKING

To report our progress against the Principles for Responsible Banking (PRB), we have adopted the PRB's reporting template set out below.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/ relevant information
Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	We are the UK's 6th largest bank serving 6.5m retail and small and medium sized business banking customers in the UK. We do this through an innovative digital platform and a national network of branches, contact centres and relationship managers, with an ambition to disrupt the status quo of the personal and small business banking markets. **Mortgages** (£58bn lending): We meet all of our customers' mortgage needs, from buying a first home, to moving up, remortgaging or investing in buy-to-let property, both directly and through intermediaries. **Personal** (£5bn lending, £53bn deposits): We meet our customers' everyday retail banking needs for current accounts, credit cards, loans and savings. **Business** (£9bn lending, £14bn deposits): We provide a full relationship management proposition to small and medium enterprises across the UK, to meet their borrowing, financing and business account needs. Our sector credit exposures are detailed in our Pillar 3 disclosures (Pillar 3 report p33-71)	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 2, 153 **www.virginmoneyukplc.com/resources/1f496a80-71b7-4fba-92d9-01fba13b592b/virgin-money-pillar-3-2020.pdf** p: 33-71

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1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	As part of our broader FY20 group strategic planning cycle, we refreshed and re-focused our ESG strategy. Both the Group's overall strategy and the refreshed ESG strategy flow from VM's Purpose of Making you happier about money. Our refreshed ESG strategy leveraged insight from customers, colleagues and suppliers to ensure it focuses on the areas we know matter most to our stakeholders, where we have the biggest opportunity to make a difference or indeed have more to do and want to push harder. As outlined on page 16 of our ARA and p33 of our FY20 results presentation (**"FYR"**), our refreshed ESG strategy is set out under four Big Goals which are securely anchored to the Group's strategic pillars to ensure strong alignment between the Group's overall strategy and ESG priorities and aspirations. We are committed to aligning our business with the SDGs and the Paris Agreement on Climate Change. Each of our four Big Goals is aligned to the relevant SDGs, with the most material alignments demonstrated in the ARA (p17-20) and refreshed in a recent mapping exercise (see below), and we have set 2030 aspirations for the Big Goals that reflect our commitment to do what is needed to align with the 2015 Paris Agreement. Our four Big Goals and their principles are as follows: • **Goal 1: Put our (carbon) foot down** – Reduce the negative impacts of our operations, suppliers and partners on society and the environment (SDG: 12, 13 and aligned to Paris Agreement) • **Goal 2: Build a brighter future** – Deliver products and services that help our customers make a positive impact on society and the environment (SDG: 7, 8, 9, 13 and aligned to Paris Agreement) • **Goal 3: Open doors** – Work with customers, colleagues and communities to encourage sustainable practices and economic activity that creates shared prosperity (SDG: 1, 5, 8, 10) • **Goal 4: Straight-up ESG** – Align our strategic goals to ESG and embed them in all areas of the business with robust targets, tracking and disclosures (SDG: 16) In addition, we remain committed to developing our disclosures in line with the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 16-20 **www.virginmoneyukplc.com/resources/81c3757e-6882-4ffd-aea2-7fd03fdc7026/Virgin+Money+UK+PLC+-+FY2020+Results+Presentation+FINAL.pdf** p: 33

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Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s)
2.1 Impact Analysis: **Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:** **a) Scope: The bank's core business areas, products/ services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.** **b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.** **c) Context and Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.**	Analysis of the significant (potential) positive and negative impacts was undertaken as part of the ESG strategy refresh in 2020 and informed the resulting strategic construct and aspirations. This analysis focused on: a) Insight from customers, colleagues and suppliers on the most material ESG issues for our stakeholders; b) Business composition; c) Significant ESG trends in the UK (including regulatory, political, societal) This assessment formed part of the materials used to engage the Board in the ESG strategy refresh; however, we recognise we have more to do to refine and disclose our materiality analysis in coming years. **Stakeholder engagement** Quantitative and qualitative insight was gathered from customers, colleagues and suppliers during 2020. This took the form of a customer insights research survey, CDP supplier survey and workshops with colleagues across the bank (ARA p16). **Business composition and impact** The scope and scale of our business operations is outlined in section 1.1 and further disclosed as follows: our business model (ARA p14-15), the scope and scale of our services (ARA p2), the sector credit exposure as illustrated in our Pillar 3 disclosures (Pillar 3 report p33-71), and our lending activities as set out in the ARA (p2) and FYR (p9, 23). This includes: • Composition and scale of financing activity - Mortgages: As at 30 September 2020, the mortgage portfolio represented 81% of the Group's customer lending (ARA p5) - Business: As at 30 September 2020, the business portfolio represented 12% of the Group's customer lending (ARA p5) with the most material relevant sector being Agriculture, forestry and fishing at £1.57bn or 2.2% of Group customer lending (ARA p18 and 179)	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 2, 5, 14-21, 153, 178-179 **www.virginmoneyukplc.com/resources/1f496a80-71b7-4fba-92d9-01fba13b592b/virgin-money-pillar-3-2020.pdf** p: 33-71 **www.virginmoneyukplc.com/resources/81c3757e-6882-4ffd-aea2-7fd03fdc7026/Virgin+Money+UK+PLC+-+FY2020+Results+Presentation+FINAL.pdf** p: 9, 23 **www.virginmoneyukplc.com/corporate-sustainability/sensitive-sector-policy/** **www.virginmoneyukplc.com/corporate-sustainability/modern-slavery-act/** **www.virginmoneyukplc.com/corporate-sustainability/inclusion/**

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d) Scale and intensity/ salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/ salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) **Show that building on this analysis, the bank has** • **Identified and disclosed its areas of most significant (potential) positive and negative impact** • **Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts**	• Assessment of business lending to sensitive sectors - The Group has low levels of lending to carbon related assets at 0.1% (2019: 0.1%) of the Group's customer lending assets (ARA p20, p178-179) - The Group has low exposure to sensitive sectors. This includes resources such as coal, oil and gas and identification of restricted and high-risk industries such as unregulated gambling activities, weapons subject to treaties and conventions, or nuclear-related activities (Sensitive sector policy statement, ARA p21 and p178-179) • Analysis undertaken on Mortgages and business lending, including initial flood risk and transition risk analysis (ARA p20, p178-179) • Initial estimations of financed emissions for our mortgages book (not yet disclosed), leveraging EPC data collected on part of the mortgage book (ARA p18) **ESG trends** 2020 saw continued escalation of climate change considerations with more commitments on net-zero emissions from governments and corporates. 2020 also saw significant focus on diversity and inclusion, particularly black and ethnic diversity, and issues around social inequality / accessibility. We see a continuation of these themes into 2021, as well as: • Evolving ESG reporting and disclosures: TCFD disclosures moving from voluntary to mandatory, increasing standardisation of data and methodologies, the rise of science-based targets • Innovations in sustainable finance: Issuance of new instruments and increases in sustainability linked debt and equity • Increased shareholder activism: Many large and prominent asset managers have shifted to more proactive policies on ESG factors • ESG linked executive pay: As ESG considerations gain prominence, more companies will link executive incentives to ESG related metrics • Systematic assessment of ESG risks: Enhanced ESG disclosures will allow investment professionals to better incorporate ESG risk assessments into their investment decisions, with companies more systematically assessed on ESG risks • Increased public pressure on companies: Politics to play an ever-increasing role in shaping the ESG landscape. Public pressure and populist rhetoric on a wide range of social and environmental issues may put additional regulatory pressure on companies and their shareholders in relation to ESG issues	

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	Understanding and responding to (potential) positive and negative impacts The resulting four Big Goals that form the basis of our refreshed ESG strategy respond to the above assessment as follows: **Goal 1: Put our (carbon) foot down** The 2015 Paris Agreement and the UK's target to be net zero by 2050 require significant action on carbon emissions. This year we extended our existing target to reach net zero in our Scope 1 and Scope 2 emissions by 2030 to also include our suppliers' emissions (Scope 3). See ARA p17. **Goal 2: Build a brighter future** Given the composition of our financing activity outlined above (principally mortgages (81%) and business (12%) with low levels of lending to carbon-related assets), this goal and associated aspirations and targets focus on reducing our financed carbon emissions through working with customers to encourage positive change. This includes supporting customers to green their homes; incentivising small- and medium-sized businesses to achieve progress against the UN SDGs, growing our Renewable Energy portfolio and supporting the agriculture sector to invest in lower carbon production systems. See ARA p18. **Goal 3: Open doors** This goal, and associated aspirations / targets, responds to the continued importance of the diversity and inclusion and Modern Slavery agendas; the critical role that financial services play in improving financial inclusion; and the positive change VMUK can drive in UK communities through the Virgin Money Foundation and supporting charities through our not-for-profit fundraising platform, Virgin Money Giving, as well as the efforts of our colleagues. See ARA p19. **Goal 4: Straight-up ESG** Our final goal responds to the growing importance of embedding ESG in all areas of the business to ensure practices are truly sustainable, as well as the growing demand from all stakeholders for greater transparency and disclosure in this area. See ARA p20.	

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	Next steps Given the evolving nature of ESG-issues, we recognise the need to continue to refresh and deepen our assessment of (potential) positive and negative impacts of our business and disclose this assessment accordingly. Our immediate priority is the collection of usable data and the application of recognised methodologies (e.g. PCAF) to more accurately assess our impacts and continue to refine our focus areas and targets. We are also working to include ESG considerations in our business case templates so every initiative across the business that is seeking funding will need to consider the positive and negative impacts of that initiative on each element of the ESG strategy.	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

Virgin Money continues to make progress in assessing our significant positive and negative impacts and we are focused on ensuring this assessment covers all our core business activities as a financial institution. We will continue to work with UNEPFI, our peers and other organisations to enhance the tools and methodologies available to better understand our impacts on society and the environment.

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2.2 Target Setting: **Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.** **Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.** **Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.**	As outlined on page 16 of our FY20 ARA and p33 of our FY20 FYR, our refreshed strategy is set out under four Big Goals which reflect VMUK's "areas of most significant impact". For each Big Goal, we have set stretching 2030 aspirations, aligned to the relevant SDGs, that are supported by an initial set of short-to-medium term targets which have been disclosed in our FY20 ARA on pages 17-20 and our FYR on p45. Particular 2030 aspirations of note that are aligned to the 2015 Paris Agreement and SDGs 7, 8, 9, 12 and 13 include: • Net zero operational and supplier emissions • At least halving our carbon emissions across everything we finance With the following supportive short- to medium-term targets (each with baselines disclosed on ARA p17-18): • 5% reduction in operational carbon emissions in 2021 • >75% of our top 100 suppliers to complete the CDP Supply Survey in 2021 • 5% of our business loan book comprised of sustainable leaders by FY22 • Planned growth in Renewable lending to £320m by FY25 (c.£100m as at FY20) In certain areas, where data is not yet complete or standardised, we have set 2030 aspirations without a comprehensive baseline of where we are today. We have done this because it is the right thing to do and sets us in the right direction. As outlined in 2.1, our immediate priority on the collection of data and application of recognised methodologies is to undertake analysis of today's baseline and build out further SMART short- and medium-term targets.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 16-20 **www.virginmoneyukplc.com/resources/81c3757e-6882-4ffd-aea2-7fd03fdc7026/Virgin+Money+UK+PLC+-+FY2020+Results+Presentation+FINAL.pdf** p: 33, 45

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

Virgin Money UK has set more than the minimum of two SMART targets relevant to our business and our impact areas. We recognise the need to set further targets and better understand our current baseline in certain areas, particularly for our Mortgage book which comprises 81% of our customer lending. This work is underway across each of our four Big Goals and, as our impact areas and our understanding of them continue to evolve, we will continue to review our targets.

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2.3 Plans for Target Implementation and Monitoring: **Show that your bank has defined actions and milestones to meet the set targets.** **Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.**	The short- to medium-term targets and defined actions that support the meeting of the targets and aspirations have been laid out on pages 16-20 of our ARA and p45 of the FYR. FY21 targets, aligned to the four Big Goal aspirations, have been incorporated into a new Group ESG Scorecard which tracks progress towards targets monthly, for discussion at the Leadership Team and Board. Each executive also has accountability for an ESG measure within their own divisional balanced scorecard which is also updated monthly and forms part of the quarterly business review discussion with the CEO and CFO. An ESG scorecard has also been included in the Long-Term Incentive Plan for FY21. This incorporates pre-existing LTIP metrics on colleague engagement and diversity and also includes a new carbon emissions target. The intention is that this will continue to be strengthened and enhanced over coming years. The governance structures around ESG (working group, executive sponsors, regular Leadership Team and Board engagement) is set out in the ARA p20.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 16-20 **www.virginmoneyukplc.com/resources/81c3757e-6882-4ffd-aea2-7fd03fdc7026/Virgin+Money+UK+PLC+-+FY2020+Results+Presentation+FINAL.pdf** p: 45

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

Virgin Money has set stretching 2030 aspirations with a set of supportive interim targets. We have implemented dedicated ESG governance, assigned accountabilities and included ESG in our scorecards and LTIP to monitor performance and drive progress against these targets. We recognise there is more to do to build a comprehensive suite of externally-disclosed interim targets and milestones, through the work underway described in section 2.2. We remain committed to disclosing these and reporting progress at least annually as a core element of our 'Straight up ESG' Goal.

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2.4 Progress on Implementing Targets: **For each target separately:** **Show that your bank has implemented the actions it had previously defined to meet the set target.** **Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.** **Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures).**	Having just completed the process to refresh and enhance our ESG strategy, we reported on the associated 2030 aspirations and supporting targets and activities for the first time in our FY20 ARA and FYR. Progress made through FY20, as well as the FY21 actions being implemented, are disclosed on p45 of our FY20 FYR and in more detail on pages 16-20 of our FY20 ARA. Progress against Group GHG emissions targets (scope 1-3 where scope 3 relates to business travel, waste and paper) can be found on p110 of our FY20 ARA. We have engaged all key stakeholders across the business on implementing and driving the actions required to meet the stated targets, as demonstrated through the governance models, scorecards and executive sponsorship described in previous sections.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 16-20, 110 **www.virginmoneyukplc.com/resources/81c3757e-6882-4ffd-aea2-7fd03fdc7026/Virgin+Money+UK+PLC+-+FY2020+Results+Presentation+FINAL.pdf** p: 45

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

Virgin Money has kicked-off actions across the business to progress implementation of the recently-set 2030 aspirations and interim targets. We expect to be in a position to report our progress against these, as well as a broader suite of interim targets which are under development, in our FY21 ARA.

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Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.	This UNEP FI Principle is core to our Big Goals 2 and 3, whose respective principles are to: • **Goal 2:** Deliver products and services that help our customers make a positive impact on society and the environment • **Goal 3:** Work with customers, colleagues and communities to encourage sustainable practices and economic activity that creates shared prosperity Policies and practices that are either in place or being put in place are detailed on page 21 of our FY20 ARA and on our corporate website and include: • New sensitive sector policy statement*: we will continue to expand sensitive sectors analysis to emerging sensitive sectors • Modern slavery statement*: We are committed to working with our partners and suppliers to raise awareness and understanding of modern slavery • ESG credit policy: We are working to enhance the way ESG is reflected in credit risk policies • Environmental reporting policy* • Sustainability policy • Inclusion policy* • Women in finance charter and commitments* • Privacy and data protection policy* • Code of Conduct* • Anti-Bribery and Corruption Policy* • Anti-Money Laundering and Counter Terrorist Financing Policy • Preventing Fraud and Cyber Enabled Crime Policy • Political Contact, Communications and Donations Policy *Available on our websites. We are working through making the remaining policies and statements listed accessible in the coming months. Under Goal 3, we are driving significant focus on financial inclusion, seeking to eradicate the Poverty Premium (the extra cost that low income households pay to access basic services) across our own retail customer base by 2030. This is an extension of the significant work we already do around financial inclusion and inclusive design which is outlined on ARA p19. We are committed to ensuring that all new product terms and conditions have Fairer Finance accreditation, which ensures that, by an objective standard, we are delivering clarity of language, design and content that has a reading age of under 12.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 21 **www.virginmoneyukplc.com/corporate-sustainability/sensitive-sector-policy/** **www.virginmoneyukplc.com/corporate-sustainability/modern-slavery-act/** **www.virginmoneyukplc.com/corporate-sustainability/environment/** **www.virginmoneyukplc.com/corporate-sustainability/inclusion/** **www.virginmoneyukplc.com/corporate-sustainability/women-in-finance-charter/** **www.virginmoneyukplc.com/legal-and-privacy/** **https://uk.virginmoney.com/virgin/assets/pdf/Virgin-Money-Privacy-Policy.pdf** **www.virginmoneyukplc.com/resources/9315e715-56c2-47b0-a09a-c5308680c901/VM014_Supplier_Code_of_Conduct.pdf** **https://uk.virginmoney.com/legals/anti-bribery-and-corruption-policy/**

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3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.	Details on how we have, or are planning to, work with clients and customers are included on pages 18 and 19 of our FY20 ARA. Activities include: • New sustainability benchmarking tool developed in collaboration with Future-Fit to help businesses (whether customers or not) measure their progress against meeting the UN SDGs - The tool will evolve to provide support with tangible improvement actions and facilitate the offer of sustainability-linked loans at a reduced cost of capital • We have a dedicated team of specialist relationship managers who support farmers with investment in more extensive and lower carbon production systems. By supporting our customers' investment in agricultural technology (Ag-tech), we are also helping to reduce the carbon footprint in the sector and safeguard food security and local supply • Our Renewable Energy team plan to grow the portfolio materially in excess of overall loan book growth • We developed information and guides on 'greening homes' which we are making available to first-time buyers through our new Home Buying Coach app, and will continue to expand on this • As part of our strategy to enhance outcomes for vulnerable customers, we are also embedding an Inclusive Design approach across the bank. This will deliver more progressive products, flexible servicing, tailored communications and well-being support for customers who most need it We continue to work hard on this and envisage our approach going forward will incorporate sustainable products and funding as well as targeted lending growth. Within the Group, we also run Virgin Money Giving, the UK's largest not-for-profit fundraising platform. This provides products and services to help fundraisers, donors and businesses to support charitable endeavours across the UK.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 18-19 **www.virginmoneyukplc.com/corporate-sustainability/future-fit/** **https://uk.virginmoneygiving.com/giving/**

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Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/ results achieved.	As part of developing our new ESG strategy and implementing the Principles, we have directly engaged with key internal and external stakeholders as referenced on p16 of our FY20 ARA and p33 of our FY20 FYR. This engagement has included: • Dedicated ESG customer insights research survey • Dedicated ESG workshops with colleagues across the bank • Supplier surveys (Carbon Disclosure Project) • Proposition Partners: Future-Fit, Fair by Design, Macmillan Cancer Support • PCAF for financed emissions methodologies • Ratings agencies (through ratings process) • Investors and corporate brokers In addition, more ad-hoc feedback from customers, colleagues, investors and peers is received via BAU engagements throughout the year and fed into our considerations. We continue to engage with customers, colleagues and industry forums to accelerate our thinking and build our plans.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 16 **www.virginmoneyukplc.com/resources/81c3757e-6882-4ffd-aea2-7fd03fdc7026/Virgin+Money+UK+PLC+-+FY2020+Results+Presentation+FINAL.pdf** p: 33

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Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	In addition to the governance referenced in section 2.3 above and policies referenced in section 3.1 above, we have put the following in place to support implementation of the Principles and manage our impacts (ARA p20-21): • ESG scorecard included in the Long-Term Incentive Plan (LTIP) (ARA p20,85,89,99) • Leadership Team Accountabilities for ESG strategy established • Board Risk Committee oversight of climate change and wider ESG principles through the principal and emerging risk framework • Quarterly Leadership Team and Board deep dives into ESG topics • ESG targets included in each functional and divisional scorecard • ESG working group established with senior leaders across the organisation	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 20-21, 85, 89, 99

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5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	Our Purpose (Making you happier about money) is our north star and our forward-looking Values and Behaviours guide how colleagues across the business deliver our strategy.
	
	We also focus on creating great leaders who role-model our Purpose and Values and motivate, encourage and support colleagues to be a high-performing team.
	
	The new ESG strategy embeds positive 'people' and 'planet' outcomes into the Group Strategy and further strengthens the resonance between ESG and our Purpose.
	
	There is an ongoing programme of activity to engage colleagues in our Purpose, Values and ESG ambitions, helping to foster a strong culture of responsible banking, which includes:
	
	• An established Purpose Council with representatives from each business area and a Purpose Squad to help make key processes and teams more purpose-led
	• Our performance management system aligns each team's goals to our Purpose and Values
	• All feedback given through the performance management system is aligned to one of our Values
	• We are embedding an Inclusive Design approach across the bank
	• We held various virtual events, including:
	  - PurposeFest 2020 – a week-long virtual seminar helping bring Purpose to life for colleagues, with several dedicated sessions on ESG
	  - Our first financial inclusion event, FinInc2020, with around 300 colleagues hearing from 30 speakers on living with vulnerabilities or living without banking
	  - Leadership sessions where colleagues can hear about the importance of ESG, directly from our leadership team (ARA p11)
	• We have developed dedicated ESG materials and content specifically for our colleagues and have woven ESG into regular colleague communications throughout the period
	• We have dedicated sections of our colleague intranet for Purpose, Values, culture, inclusion and ESG
	• Colleagues took part in a 'sustainability pledge' for 2021
	• An ESG scorecard has been introduced into the 2020 LTIP, as outlined in 2.3
	• ESG considerations have been embedded into material decision-making frameworks to encourage adoption of ESG as a BAU consideration
	• Credit Policy requires that the impact on and risk from climate change, together with other environmental and social risk considerations, is a feature of the credit risk assessment of our customers
	• We have developed and published a sensitive sector policy statement
	
	In addition, and as referenced in sections 3.1 and 5.1, we have a number of policies and practices in place that support the bank to foster a culture of responsible banking.
		www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020
		p: 2, 11, 16-21, 178-179
		
		www.virginmoneyukplc.com/corporate-sustainability/values/
		
		www.virginmoneyukplc.com/corporate-sustainability/sensitive-sector-policy/

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Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/ relevant information
5.3 Governance Structure for Implementation of the Principles **Show that your bank has a governance structure in place for the implementation of the PRB, including:** **a) target-setting and actions to achieve targets set** **b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.**	The governance structure for ESG, which incorporates the implementation of the Principles, is covered in sections 2.3, 3.1 and 5.1 above and in pages 20-21 of the FY20 ARA. The central Corporate Sustainability team has overall accountability for implementing the PRB, including any remedial actions required should targets not be achieved or unexpected negative impacts be detected. The executive sponsor for Goal 4 (Straight-up ESG) holds the Corporate Sustainability team to account in this regard and receives regular (at least quarterly) updates on progress and issues. Remedial action in the event of targets not being achieved comes from the assignment of accountabilities and the inclusion of ESG targets in scorecards and LTIP (ARA p20, 85, 89, 99).	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 20-21, 85, 89, 99

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Virgin Money has implemented the critical foundational elements for effective governance and a culture of responsible banking and now continues to work through additional governance structure, policies and procedures that will further strengthen our commitment to the Principles.

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Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/ relevant information

Principle 6: Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Progress on Implementing the Principles for Responsible Banking **Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).** **Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.** **Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.**	We have made meaningful progress over the past 12 months in implementing the Principles for Responsible Banking. First and foremost, by refreshing the ESG strategy in accordance with Principles and then embedding the ESG strategy into the overall Group Strategy – with four Big Goals aligned to our Group strategic pillars and backed up by 2030 aspirations and short- to medium-term targets. We have considered regional good practice in our implementation of changes. This includes aligning our emission reduction aspirations to the 2015 Paris Agreement and the UK net zero target. We are also committed to developing our disclosures in line with the TCFD recommendations. In addition, we have signed up to PCAF UK and are actively engaging in the working groups with the intention to use PCAF methodologies in measuring our financed emissions. Throughout our disclosures in this self-assessment, we have laid out the various pieces of work completed to date on implementing the Principles, as well as the upcoming work on impact assessment, customer propositions, policies and governance to further implement the Principles for Responsible Banking. As we continue our work to implement our new ESG strategy and advance our understanding of our impacts, we will continue to improve the transparency of our positive and negative impacts. We have engaged a third party to conduct a UNPRB gap analysis to support the continued advancement of our disclosures and we intend to assure within with the timelines required for a UNPRB signatory.	**www.virginmoneyukplc.com/wcm-media/annual-report-and-accounts-2020** p: 16-20

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

We have provided a full first summary against the Principles for Responsible Banking demonstrating progress against all principles. We will continue to collaborate with UNEPFI, stakeholders, industry bodies and peers to investigate and implement best practices supporting further implementation of the Principles.

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Annex Definitions

a. **Impact:** An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.

b. **Significant Impact:** Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of significant impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of "materiality".

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